Registered number: NI026421

Premier Transmission Limited

Annual report

for the year ended 31 March 2017

Premier Transmission Limited

Annual report for the year ended 31 March 2017

Contents

Premier Transmission Limited

Directors and advisers

Directors

Patrick Anderson	Non-executive director	(appointed 1 October 2016)
Clarke Black	Non-executive director	
Regina Finn	Chairman	
Patrick Larkin	Executive director	
Gerard McIlroy	Executive director	
Kate Mingay	Non-executive director	
Christopher Murray	Non-executive director	
Stephen Kirkpatrick	Non-executive director	(resigned 29 September 2016)

Company secretary

Gerard McIlroy

Registered office

First Floor
The Arena Building
85 Ormeau Road
Belfast
BT7 1SH

Principal place of business

First Floor
The Arena Building
85 Ormeau Road
Belfast
BT7 1SH

Solicitors

Arthur Cox Northern Ireland
Victoria House
15-17 Gloucester Street
Belfast
BT1 4LS

Bankers

Barclays Bank plc
Donegall House
Donegall Square North
Belfast
BT1 5GB

Independent auditors

KPMG
Chartered Accountants and Statutory Auditors
Stokes House
17-25 College Square East
Belfast
BT1 6DH

Strategic report for the year ended 31 March 2017

The directors manage Premier Transmission's operations at the Mutual Energy group level. The strategies, KPIs and operations of the Premier Transmission Pipeline System, which includes the Premier Transmission and Belfast Gas Transmission assets, are therefore considered as a whole.

Strategic objectives

Our strategy is made up of four key elements:

Our objective	How do we deliver?	How do we measure success?
Operate assets safely and cost effectively, outsourcing where appropriate	We provide a safe, reliable and efficient transmission service to the electricity and gas suppliers of Northern Ireland. Delivery is achieved through a competitive tendering process for operational activities and the development of a comprehensive contracting strategy and partnership approach with key contractors. Further information on asset operation can be found on page 4.	Our success measures include: • Availability targets for our assets (KPI 1); • Operational savings against forecast (KPI 2); • Lost time incidents (KPI 3); • Detailed maintenance and contracting milestones which are monitored at contract meetings; and • Detailed monthly budgets which are monitored over a rolling five year horizon.
Deliver savings to all Northern Ireland consumers evenly over the life of the assets	Group strategy involves returning all savings or cash surpluses to the generality of Northern Ireland consumers as evenly as possible over the life of the assets. In doing so, where possible, we seek to build up reserves to smooth future cash flows and minimise energy price increases and fluctuations associated with our assets. Where appropriate, reserves will be used to provide capital for future investments.	Our measures of success include: • Operational savings against forecast (KPI 2); and • Cash generated from operations (KPI 4).
Manage market changes to minimise risks to the NI consumer	Our key focus is to ensure, so far as possible, that changes driven by EU, national or other bodies do not impact negatively on our business, our financing arrangements or energy consumers in Northern Ireland. We seek to achieve this by influencing discussions at EU stakeholder meetings, actively participating in the work of the EU system operator confederations and by assisting the regulators and relevant government departments to identify and address issues particularly relevant to Northern Ireland. The market environment is discussed in more detail on page 6.	Our measures of success include: • Avoidance of changes which would compromise the financing structures of the group; • Monitoring of individual projects against initial objectives and implementation plans with milestone dates; and • The number of code modifications issued (KPI 5).

Premier Transmission Limited

Strategic report for year ended 31st March 2017

Key Performance Indicators ("KPIs")

Our KPIs are designed to reflect what is important to our stakeholders and we use them to assess the group's development against its strategy and financial objectives.

Key Performance Indicator	Definition of KPI
1. Availability The quality of service to our direct customers is determined by the performance of our assets, of which the principal measure is the availability of transmission capacity. Graphs showing availability can be found on page 4.	**Availability** Availability is calculated as the number of hours available (excluding upstream outages) x capacity available / total plant capacity under connection agreements x the number of hours in the year.
2. Operational savings against forecast For the gas businesses cost effectiveness is measured by comparing outturn with the forecast used and submitted in preparing annual gas tariffs. Operational savings vs forecasts for the gas businesses are shown on page 5.	**Operational savings against forecast** The KPI for gas business operational savings is calculated by subtracting the actual agreed revenue for the gas year, calculated in accordance with the gas companies' licences, from the forecast required revenue submitted in advance of the year.
3. Lost time incidents Our safety is measured by the safe operation of our staff and contractors as noted on page 4.	**Lost time incidents** Lost time incidents are calculated as the number of lost time incidents per 100,000 hours worked by staff and contractors.
4. Cash generated from operations Cash generated in each of the businesses which will be used to avoid future charges to consumers. Cash generated in the gas and electricity businesses can be seen in the graphs on page 5.	**Cash generated from operations** Cash generated in each of the businesses post tax.
5. Code modifications issued The number of code modifications issued are monitored as these are a measure of progress in implementing the changes required by EU legislation. Code modifications issued can be seen in the graph on page 6.	**Code modifications issued** Code modifications issued is the sum of the code modifications made to each of the gas company's network codes.
6. Annual Debt Service Cover Ratio The ability to acquire infrastructure at low cost to the consumer is critically dependent upon our track record with the existing asset financing. As well as compliance with the respective financing covenants, the principal requirements of all financiers are the maintenance of Annual Debt Service Cover Ratios (ADSCR) of greater than 1.25. A graph showing these ratios can be found on page 4.	**Annual Debt Service Cover Ratio** The Annual Debt Service Cover Ratios are calculated in accordance with the terms of the bonds for each operational company. The basis of calculation is Available Cash / Debt Service in the next 12 months. In each case Available Cash = the difference between income and expenses in the period + cash in designated bank accounts, where cash in the designated bank accounts is limited to 1x Debt service.

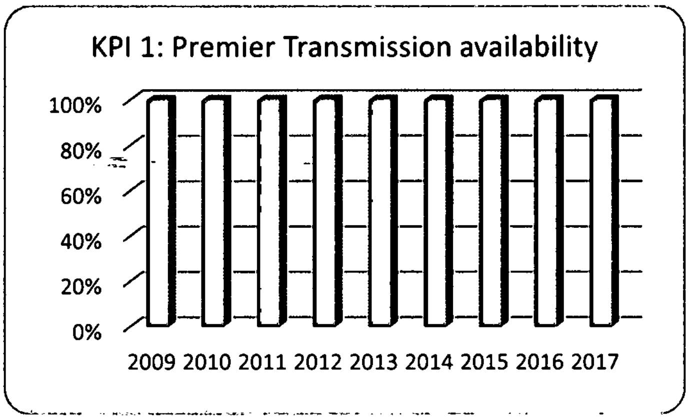
A number of other KPIs are used at a corporate level to monitor other aspects of business performance, including corporate responsibility KPIs and Employee KPIs. These are included later in this report.

Gas business review

Strategic objective: Operate assets safely and cost effectively, outsourcing where appropriate

Operational performance

The business operated during the year with 100% availability (KPI 1) and no lost time incidents (KPI 3).

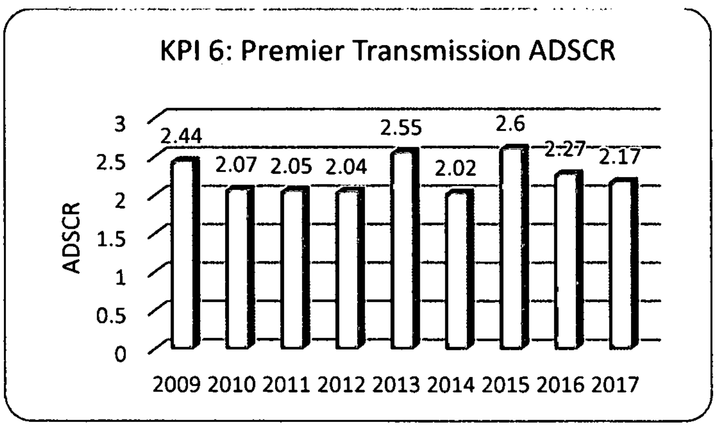


Premier Transmission incurred £0.6m costs in the year (2016: £3.8m) as a result of major works carried out to Gas Networks Ireland's upstream assets, a share of which is rechargeable to Premier Transmission under its Transportation Agreement. Engineering works were also carried out in line with site maintenance plans and statutory examination schedules, including an external (marine survey) inspection of the subsea pipeline between South Cairn, Scotland and Ballylumford, Northern Ireland.

Financial performance

The combined gas business costs for the regulated gas tariff year ending on 30 September 2016 were £1.3m below the forecasts used for predicting tariffs (September 2015: £0.5m below) (KPI 2).

The businesses are cash generative and able to meet their debt service obligations, though because of the bond structures they are not expected to be profitable in the earlier years of the bonds when interest costs incurred are in excess of debt repayments. This situation will then reverse in later years. In terms of the Annual Debt Service Cover Ratio (ADSCR) both gas groups will tend to average towards 2.0. Over-performance above 2.0 in the early years, will reverse in the future and will result in future ADSCR below 2.0 when this cash is released to the benefit of consumers. The timing of tax payments can have a similar effect. The ADSCRs for both companies can be seen in the graphs below.



Strategic report for year ended 31st March 2017

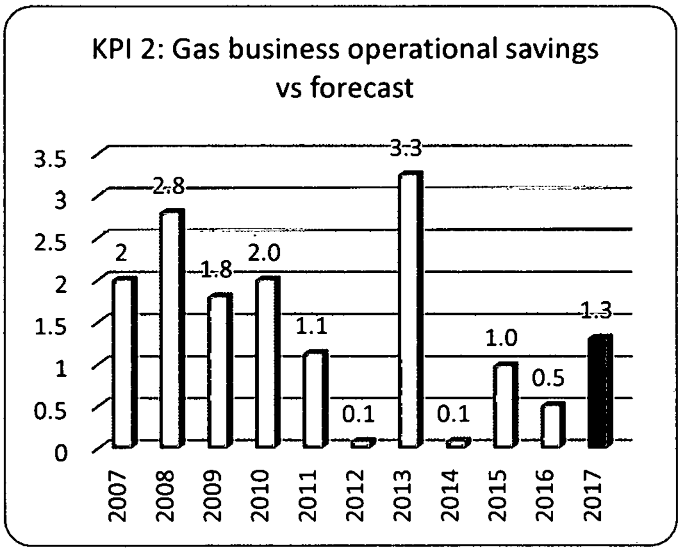
Future development

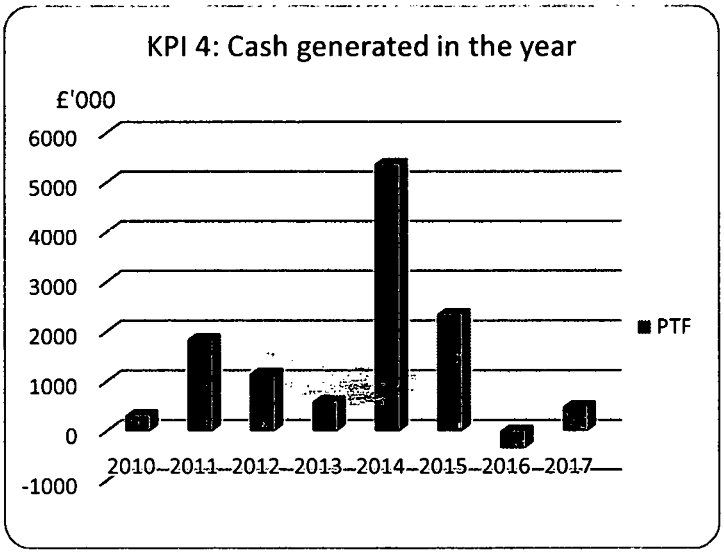
The annual Northern Ireland Gas Capacity Statements published by the Utility Regulator show that, although gas demand is expected to remain relatively stable, over the next ten years the annual peak demand is expected to increase considerably, most notably with the increased use of gas powered electricity generation on the no-wind days and the growth of the domestic gas sector. These reports indicate that the Northern Ireland transmission network does not have sufficient capacity via SNIP to meet a severe winter peak day firm demand in 2017/18 and beyond under minimum operating parameters, and anticipates that capacity short fall measures or the use of the South-North pipeline would be required in such conditions. The changing needs of the power generation shippers, or indeed the successful introduction of some proposed new gas CCGTs, married with potential upstream pressure reductions (as highlighted in the annual Gaslink Winter Outlook), are likely to require investment in the NI gas transmission network over the next 10 years. Any reinforcement would require significant lead times and no specific transmission projects are earmarked for development at present.

Strategic objective: Deliver savings to all consumers evenly over the life of the assets

The main means by which the company delivers savings to the consumers in Northern Ireland is through providing a low cost of capital. The costs of the gas transmission assets are charged to the respective shippers through a "use of system" charge which happens automatically through the postalised transmission system charging methodology. The savings achieved due to our low costs of capital are therefore passed on to shippers, allowing them to charge the end consumer less for their gas. Overall gas business charges recovered from shippers in the 2015-16 gas year were 13% lower in real terms than in 2004-5, before the mutualisation of Mutual Energy's gas assets. We continually seek to achieve operational savings and efficiencies.

Year on year the business measures its progress with reference to the annual forecast provided for the tariff calculation, as shown in the following KPI.





KPI 4 shows a cash outflow in 2015/16 which is the result of timing of payments in relation to tax from prior years. The graph shows the movement in the cash balance (including deposits with maturity of more than three months) from the previous year.

Strategic objective: Manage market changes to minimise risks to the Northern Ireland consumer

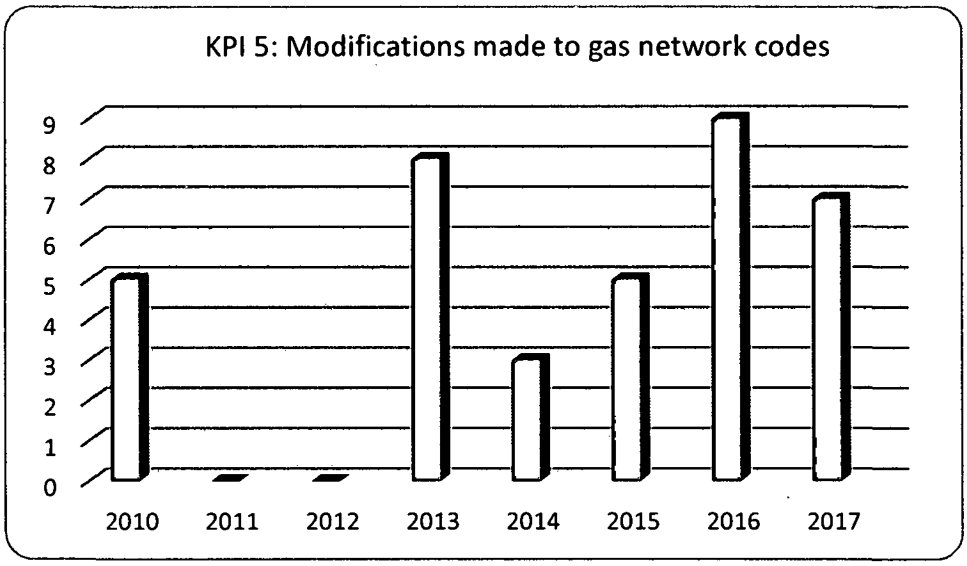
European energy regulation
European legislation continues to be the main driver for changes in our market arrangements and contracts with shippers. The EU regulation has driven a "Gas Target Model" to be implemented by our gas businesses. The first major deadline for implementation was October 2015, with others following until 2017. This year, processes were developed and Network Codes updated for compliance with the modifications to the Capacity Allocation Mechanisms regulation concerning incremental capacity. The current focus is on the implementation of the Tariff Network Code which came into force in April 2017. It should be expected that there will be further changes coming from the EU over the upcoming years as the work continues to deliver the Gas Target Model.

Impact of Brexit
The business is adopting an approach of complying in full with all EU obligations until there is a clear rationale not to. As our assets are fully within the UK, downside risks of Brexit are less than if we were connecting to another EU country at a border (although we do connect to assets in the UK owned by Gas Networks Ireland and Northern Ireland-gas is co-mingled with gas destined for the Republic of Ireland). There is an element of uncertainty with regard to EU obligations. Throughout the upcoming year and beyond engagement will be required with stakeholders including ENTSOG, National Regulatory Authorities, Adjacent Transporters, Government Departments and Shippers whilst Brexit arrangements are negotiated and finalised.

Single System Operation
In addition to the changes required by the EU legislation, the Northern Ireland Utility Regulator (NIAUR) determined that a single system operator for Northern Ireland should be put in place for Q4 2017 by the existing Transmission System Operators – affiliates of Mutual Energy and Gas Networks Ireland. This is not a requirement of the legislation itself.

This will result in a number of changes, notably the development of a single network code, a single market facing body and a single IT system. This will change the market arrangements and means a considerable amount of work has been completed and is still needed in a short period. Work has also been progressing on the development of associated contractual agreements and licence changes.

Code modifications are required to implement these changes within our network code and the graph below shows the number of code modifications made in recent years.



Stakeholders, relationships and resources

Customers

All Mutual Energy businesses supply, not to the end consumer, but to the large gas shippers or electricity suppliers and traders in the energy markets.

The Premier Transmission Pipeline System provides a service to shippers from Moffat in Scotland to exit points at AES Ballylumford, the connection with Gas Networks Ireland (NI) pipelines at Carrickfergus and Belfast Gas exit points in Belfast and Larne, as well as West Transmission's exit point at Maydown which is an offtake from GNI's pipeline. A total of 17 shippers are currently registered to use our gas system.

Partners and contractors

There has been no change to the major outsourced contractors in the year with SGN carrying out the routine maintenance, emergency response, and monitoring our system from their gas control centre in Horley, outside London.

Staff

The Mutual Energy group is committed to maintaining a high quality and committed workforce. Our vision is to have an innovative corporate culture and employees who will look to constantly improve all aspects of the business to achieve the corporate strategy.

The group employs a personal performance evaluation system with assessment of targets and training needs to encourage performance. Succession planning is periodically reviewed by the board. Remuneration is linked to performance throughout the organisation.

Employee diversity

The company recognises the importance of diversity amongst its employees and is committed to ensuring that employees are selected and promoted on the basis of merit and ability, regardless of age, gender, race, religion, sexual orientation or disability. The gender split as at 31 March 2017 is illustrated in the table below:

	Male	Female
Board	5	2
Senior Management	4	1
All employees & Board	10	5

Social, community and human rights issues

The Mutual Energy group has a fundamental community focus through its purpose: to own and operate energy infrastructure in the long-term interest of energy consumers in Northern Ireland. This is also reflected through all of our strategic objectives which include cost effective operation to deliver savings and minimise risks of market change to Northern Ireland consumers. More information on how the group delivers these objectives can be found on pages 4 to 6.

The group also continues to consider its impact on the environment and remains committed to reducing our energy consumption and related emissions where possible, as well as reducing our wider impacts such as resource use and waste to landfill. The group ensures robust Health & Safety systems are in place as discussed on page 9, for the benefit of employees, contractors and the wider public. We comply with the Employments Rights Act, Modern Slavery Act and all other applicable UK law as an absolute minimum and recognise the importance of treating all of our employees fairly. We are committed to conducting business in an honest and ethical manner and act according to our Code of Ethics, which is integral to our business and sets out a range of principles we adhere to. We do not tolerate bribery or corruption of any kind and are committed to acting professionally, fairly and with integrity in all our business dealings and relationships.

Risk management

The Mutual Energy group continues to apply a structured approach to risk management throughout the companies in the group, which is designed to ensure that emerging risks are identified and managed effectively.

Risk management structure

The Board approves the overall risk management process, known as the group risk governance framework, and approves all the policies covered by the framework. Responsibility for ensuring compliance with the policies is divided between the Risk Committee and the Audit Committee. The Risk Committee deals with all risks that are inherently operational in nature (including Health & Safety), while the Audit Committee monitors all financial and other risks.

The risk register records key risks identified and how they are being managed and is reviewed regularly by the board and the relevant board committees. This process has been in place for the full year ended 31 March 2017 and up to the date of approval of the annual report and financial statements.

Control is maintained through a management structure with clearly defined responsibilities, authority levels and lines of reporting; the appointment of suitably qualified staff in specialised business areas; a comprehensive financial planning and accounting framework and a formal reporting structure. These methods of control are subject to periodic review as to their continued suitability.

The Board, during its annual review of the effectiveness of the group's internal control and risk management systems, did not identify, nor was advised of, any failings or weaknesses which it has determined to be significant.

The principal risks of the group are:

Risk description and potential impact	Mitigation	Assessment of risk movement from March 2016
Operational risk		
Poor operational performance could result in impaired availability, damage to assets and/or reputation, injury to third party and/or employees, loss of revenue, loss of licence.	Experienced qualified maintenance subcontractors are used and are managed through the contractual process, frequent performance monitoring and maintaining a high standard of eligibility for tendered work. Structured maintenance plans are followed. The group promotes a strong health and safety culture, has a well-defined health and safety management system and follows industry standard practices.	→
Financial risk		
Poor financial management could result in breach of financing covenants, compliance failure or financial loss.	The Board reviews and agrees policies for addressing these compliance risks and senior management are specifically delegated the task of ensuring compliance.	→
Inadequate financing, non-compliance with covenants, market changes or failure of counterparties could lead to failure of financial structure.	Borrowing arrangements align the financing costs to the income allowances. Processes are in place to monitor covenant compliance and there is active management of market changes. Treasury policies are aimed at minimising the risks associated with the group's financial assets and liabilities and financial counterparty failure clauses are included in financing documents.	→
Liquidity risk could result in insufficient cash being available to meet the business' needs, controlling creditor intervention, default on bonds, or reputational damage.	The group has low liquidity risk due to its strong cash flows and the reserve accounts and liquidity facilities required by its financing documents. The required reserve accounts were fully funded and £12m of liquidity facilities were in place throughout the year. Banking counterparties are only used where they meet the criteria requirements of our financing documents. Liquidity risks from customers is minimised through requirements for security and protection measures built into the postalisation arrangements for the gas businesses. Business planning processes are in place to identify cash requirements in advance.	→
Business environment and market risk		
Market changes for gas and electricity in Northern Ireland could result in reduced volumes transported through the assets, insufficient revenue recovery, default on bonds, damage to reputation of mutual model or fines.	Licence provisions implementing a collection agency agreement in the electricity business and the postalised charges system in the gas business are designed to offset the impact of such changes. An influencing strategy is in place to positively impact market developments. Recent and future market development are discussed on page 6. Risk has increased with the complexity of the recent market changes and the possibility of Brexit driven changes.	↑
Regulatory risk		
As the group consists primarily of regulated businesses it is exposed to regulatory risk. Changes in economic regulation or government policy could have an adverse effect on our financial position.	The group's relationships with the Northern Ireland Authority for Utility Regulation (NIAUR) and DETI are managed at senior level through frequent meetings and correspondence in line with the group's communication strategy. The group coordinates with other EU system operators on EU issues. A proactive approach is taken to consultations on any issue which could affect the group's business interests, with legal advice sought where appropriate.	→
Corporate strategy and communication risk		
Inadequate corporate strategy and communication with external stakeholders could result in reputational damage, regulatory action, loss of support from members or lost growth opportunities.	The Board retains responsibility for strategy as a reserved matter and manages communications directly in line with its communication plan, using outsourcing as appropriate.	→

The group's system of internal control is designed to manage rather than eliminate the risk of failure to achieve business objectives and can provide only reasonable, and not absolute, assurance against material misstatement or loss.

Environment and safety

The Mutual Energy group continues to put a high value on the Health and Safety of its operations and to recognise the importance of minimising the impact of its activities on the environment, both locally and in the global context. Our gas business runs simulated gas supply emergency exercises to ensure a robust response plan is in place and Premier Transmission Ltd and Northern Ireland Network Emergency Co-ordinator (NINEC) coordinate the exercises for the gas industry in Northern Ireland, as they would in the event of an actual Northern Ireland Gas Supply Emergency. A Gas Supply Emergency desktop exercise with all the appropriate stakeholders was held in October 2016.

The group has a comprehensive Health and Safety Management System (HSMS) which is based on HSE's guidance document HSG 65 'Successful Health and Safety Management' and the revised joint Institute of Directors / Health & Safety Executive guidance "Leading Health and Safety at Work". HSG 65 was substantially revised in December 2013 and re-titled 'Managing for Health and Safety' and is now based on the Plan, Do, Check, Act approach which achieves a balance between the systems and behavioural aspects of management. It also treats Health and Safety management as an integral part of good management generally, rather than a stand-alone system.

Further work to build on the recommendations from the 2015 British Safety Council Five-Star Occupational Health and Safety Audit was carried out through the year.

The group is committed to environmental performance, with no breach of any environmental licence or permit recorded in the year. Usage of gas for pre heating is monitored to help target improvements.

Greenhouse gas emissions reporting

The table below sets out the greenhouse gas (GHG) emissions for the Premier Transmission Pipeline System in the current and prior year:

	Tonnes of CO_2e	
Emissions from:	**2017**	**2016**
Usage of gas in operations	2,874	1,762
Emissions per GWh energy transmission	0.19	0.11

Methodology
We have reported on all the emission sources required under the Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013. Emissions have been calculated using UK Government guidelines for conversion of natural gas.

Forward-looking statements

The Chairman's Statement and Strategic Report contain forward-looking statements. Due to the inherent uncertainties, including both economic and business risk factors underlying such forward-looking information, the actual results of operations, financial position and liquidity may differ materially from those expressed or implied by these forward-looking statements.

On behalf of the Board

Gerard McIlroy
Company secretary
26 June 2017

Directors' report for the year ended 31 March 2017

The directors present their annual report and the audited financial statements of the company for the year ended 31 March 2017.

General information on the company can be found on page 1 and within note 1 to the financial statements.

Results and dividends

The company's profit for the year is £1,649,000 (2016: £4,061,000). The directors do not recommend the payment of a dividend (2016: £nil).

A review of our operational and financial performance, research and development activity, current position and future developments is included in our Strategic report and is included in this report by cross-reference.

Directors

The directors, who served the company during the year, and up to the date of signing the financial statements, were:

Patrick Anderson	(appointed 1 October 2016)
Clarke Black	
Regina Finn	
Stephen Kirkpatrick	(resigned 29 September 2016)
Patrick Larkin	
Gerard McIlroy	
Kate Mingay	
Christopher Murray	

Financial risk management

Please refer to note 1 to these financial statements for a description of the financial risks that the company faces and how it addresses those risks.

Directors indemnities

The company has made a qualifying third party indemnity provision for the benefits of its directors during the year and it remained in force at the date of this report.

Political donations

The company has not made any political contributions or incurred any political expenditure in the year.

Statement of directors' responsibilities in respect of the Strategic Report, the Directors' Report and the financial statements

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 *Reduced Disclosure Framework*.

Directors' report for the year ended 31 March 2017 (continued)

Statement of directors' responsibilities (continued)

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that year/period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

Statement of disclosure of information to auditors

So far as each of the directors in office at the date of approval of the Directors' report is aware:

- there is no relevant audit information of which the company's auditors are unaware; and

- they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Medium companies' exemption

This report has been prepared in accordance with the special provisions of the medium companies' regime within Part 15 of the Companies Act 2006.

On behalf of the Board

Gerard McIlroy
Company secretary
26 June 2017

KPMG

KPMG
Audit
Stokes House
17-25 College Square East
Belfast BT1 6DH
Northern Ireland

Independent auditors' report to the members of Premier Transmission Limited

We have audited the financial statements of Premier Transmission Limited for the year ended 31 March 2017 set out on pages 15 to 29 which comprise the profit and loss account, balance sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) including FRS 101 *Reduced Disclosure Framework*. Our audit was conducted in accordance with International Standards on Auditing (ISAs) (UK & Ireland).

Opinions and conclusions arising from our audit

1 Our opinion on the financial statements is unmodified

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

2 Our conclusions on other matters on which we are required to report by the Companies Act 2006 are set out below

In our opinion the information given in the Strategic Report and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Based solely on the work required to be undertaken in the course of the audit of the financial statements and from reading the Strategic report and the Directors' report:

- we have not identified material misstatements in those reports; and.

- in our opinion, those reports have been prepared in accordance with the Companies Act 2006.

3 We have nothing to report in respect of matters on which we are required to report by exception

Under ISAs (UK and Ireland) we are required to report to you if, based on the knowledge we acquired during our audit, we have identified other information in the annual report that contains a material inconsistency with either that knowledge or the financial statements, a material misstatement of fact, or that is otherwise misleading.

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or

- the financial statements are not in agreement with the accounting records and returns; or

- certain disclosures of directors' remuneration specified by law are not made; or

- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of the above responsibilities.

KPMG
Audit
Stokes House
17-25 College Square East
Belfast BT1 6DH
Northern Ireland

Independent auditors' report to the members of Premier Transmission Limited (continued)

Basis of our report, responsibilities and restrictions on use

As explained more fully in the Statement of Directors' Responsibilities set out on pages 11 and 12, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view and otherwise comply with the Companies Act 2006. Our responsibility is to audit and express an opinion on the financial statements in accordance with UK law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's Ethical Standards for Auditors.

An audit undertaken in accordance with ISAs (UK & Ireland) involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Whilst an audit conducted in accordance with ISAs (UK & Ireland) is designed to provide reasonable assurance of identifying material misstatements or omissions it is not guaranteed to do so. Rather the auditor plans the audit to determine the extent of testing needed to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements does not exceed materiality for the financial statements as a whole. This testing requires us to conduct significant audit work on a broad range of assets, liabilities, income and expense as well as devoting significant time of the most experienced members of the audit team, in particular the engagement partner responsible for the audit, to subjective areas of the accounting and reporting.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

John Poole

John Poole (Senior Statutory Auditor)
for and on behalf of KPMG, Statutory Auditor
Chartered Accountants
Stokes House
17-25 College Square East
Belfast
BT1 6DH

28 June 2017

Profit and loss account for the year ended 31 March 2017

	Note	2017 £'000	2016 £'000
Turnover - continuing operations		**23,431**	26,390
Net operating expenses	2	**(16,565)**	(18,932)
Operating profit		**6,866**	7,458
Interest receivable and similar income	4	**350**	327
Interest payable and similar charges	4	**(4,926)**	(4,210)
Interest payable - net	4	**(4,576)**	(3,883)
Profit on ordinary activities before taxation		**2,290**	3,575
Tax (charge)/credit on profit on ordinary activities	5	**(641)**	486
Profit for the financial year	12	**1,649**	4,061

The notes on pages 17 to 29 are an integral part of these financial statements.

There are no changes in reserves other than the results shown in the profit and loss account and therefore a separate statement of changes in equity has not been presented.

Premier Transmission Limited

Balance sheet as at 31 March 2017

	Note	2017 £'000	2016 £'000
Assets			
Fixed assets			
Tangible assets	6	**71,733**	76,447
Investments	7	**2**	2
		71,735	76,449
Current assets			
Debtors	8	**28,149**	26,055
Financial assets	9	**13,667**	13,511
Cash at bank and in hand	10	**20,341**	19,425
		62,157	58,991
Total assets		**133,892**	135,440
Capital and reserves			
Called up share capital	11	**861**	861
Share premium		**14,012**	14,012
Profit and loss account	12	**25,460**	23,811
		40,333	38,684
Liabilities			
Creditors: amounts falling due after one year	13	**78,918**	79,118
Provisions for liabilities	14	**6,933**	7,830
		85,851	86,948
Current liabilities			
Creditors: amounts falling due within one year	15	**6,334**	9,550
Corporation tax payable		**1,374**	258
		7,708	9,808
Total liabilities		**93,559**	96,756
Total reserves and liabilities		**133,892**	135,440

The notes on pages 17 to 29 are an integral part of these financial statements.

The financial statements on pages 15 to 29 were authorised for issue by the Board of Directors on 26 June 2017 and were signed on its behalf by:

Patrick Larkin
Director

Gerard McIlroy
Director

Notes to the financial statements for the year ended 31 March 2017

1 Accounting policies, financial risk management and critical accounting estimates/judgements

General information

The company's principal activity during the year was the operation of the Scotland Northern Ireland pipeline which links the gas transmission systems of Northern Ireland and Scotland. The company is incorporated and domiciled in Northern Ireland.

The financial statements are presented in Sterling and all values are rounded to the nearest thousand pounds (£'000) except when otherwise indicated. All of the company's assets and liabilities are denominated in Sterling. These financial statements were authorised for issue by the Board of Directors on 26 June 2017 and were signed on their behalf by Patrick Larkin and Gerard McIlroy. The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

The financial statements have been prepared on a going concern basis, under the historical cost convention.

Basis of preparation

These financial statements have been prepared in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS 101) and the Companies Act 2006 (the Act). FRS 101 sets out a reduced disclosure framework for a 'qualifying entity' as defined in the standard which addresses the financial reporting requirements and disclosure exemptions in the individual financial statements of qualifying entities that otherwise apply the recognition, measurement and disclosure requirements of EU-adopted IFRS.

The company is a qualifying entity for the purposes of FRS 101. Note 19 gives details of the company's parent and from where its consolidated financial statements prepared in accordance with IFRS may be obtained.

The disclosure exemptions adopted by the company in accordance with FRS 101 are as follows:

- A cash flow statement has not been presented;
- Financial instruments and fair value measurement disclosures have not been presented;
- The company's capital management policy has not been presented;
- Disclosure of future changes in accounting standards has not been presented;
- Comparative information in respect of tangible fixed assets has not been presented; and
- Related party disclosures between entities that are wholly owned within the Mutual Energy group have not been given.

New standards, amendments or interpretations

There are a number of new standards, amendments to standards and interpretations that are effective for periods beginning 1 January 2017 and early application is permitted, however the company has not early adopted the following new or amended Standards in preparing these financial statements. The company is reviewing the impact of the implementation of the following requirements.

The new standards, amendments to standards and interpretations that may be relevant to the company are as follows:

	Effective Date – periods beginning on or after*
New currently effective requirements	
Amendments to IFRS 11: Accounting for acquisitions of interests in Joint Operations	1 January 2016
Amendments to IAS 16 and IAS 38: Clarification of acceptable methods of depreciation and amortisation	1 January 2016
Amendments to IAS 16 and IAS 41 Bearer Plants	1 January 2016
Amendments to IAS 27 Equity Method in Separate Financial Statements	1 January 2016
Amendments to IFRS 10, IFRS 12 and IAS 28: Investment Entities: Applying the consolidation exception (December 2015)	1 January 2016
Annual Improvements to IFRSs 2012 to 2014 Cycle	1 January 2016
Amendment to IAS1: Disclosure Initiative	1 January 2016

Notes to the financial statements for the year ended 31 March 2017

1 Accounting policies, financial risk management and critical accounting estimates/judgements (continued)

Forthcoming requirements	
Amendments to IAS 7: Disclosure Initiative	1 January 2017*
Amendments to IAS 12: Recognition of Deferred Tax Assets for Unrealised Losses (19 January 2016)	1 January 2017*
IFRS 15 and Clarification to IFRS 15 Revenue from Contracts with customers (issued 12 April 2016)	1 January 2018
IFRS 9 Financial Instruments (issued 24 July 2014)	1 January 2018
Amendments to IFRS 2: Classification and measurement of Share-based Payment Transactions (issued on 20 June 2016)	1 January 2018*
Amendments to IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (issued on 12 September 2016)	1 January 2018*
Annual improvements to IFRS Standards 2014-2016 Cycle (issued on 8 December 2016)	1 January 2017 and 1 January 2018*
IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration (issued on 8 December 2016)	1 January 2018*
Amendments to IAS 40: Transfers of Investment Property (issued on 8 December 2016)	1 January 2018*
IFRS 16: Leases (issued on 13 January 2016)	1 January 2019*

* Not EU endorsed

Turnover

Turnover comprises the fair value of the consideration received or receivable for the sale of capacity on the Scotland Northern Ireland pipeline for the transmission of gas between Scotland and Northern Ireland. All turnover is generated within the United Kingdom. Turnover is shown net of value-added tax, returns, rebates and discounts. Turnover is recognised in accordance with the terms of the licence issued by the regulatory authority, namely in line with the applicable costs incurred by the company over the same period. The company recognises turnover when the amount of turnover can be reliably measured and it is probable that future economic benefits will flow to the entity.

Tangible fixed assets and depreciation

Tangible fixed assets are stated at historical cost less accumulated depreciation and accumulated impairment losses. The initial cost of an asset comprises purchase cost plus any costs directly attributable to bringing the asset into operation and an estimate of any decommissioning costs.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the profit and loss account during the financial period in which they are incurred.

The charge for depreciation is calculated so as to write off the depreciable amount of assets over their estimated useful economic lives on a straight line basis. The useful economic lives of each major class of depreciable asset are as follows:

Pipeline	43 years
Plant and machinery	15 years
Computer equipment	3 years

The assets' residual values and useful economic lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. An asset is derecognised upon disposal or when no future economic benefit is expected to arise from the asset.

Notes to the financial statements for the year ended 31 March 2017

1 Accounting policies, financial risk management and critical accounting estimates/judgements (continued)

Impairment of non-financial assets

The company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses of continuing operations are recognised in the profit and loss account in those expense categories consistent with the function of the impaired asset.

Investments

Investments in unquoted companies are recorded at cost, which is the fair value of the consideration paid. The company assesses at each balance sheet date whether there is objective evidence that these investments are impaired.

Classification of financial assets

The company classifies its financial assets in the following categories: available for sale and, loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as debtors falling greater than one year. The company's loans and receivables comprise 'debtors' and 'cash at bank and in hand' on the balance sheet.

Loans and receivables (financial instruments)

(a) Debtors

Debtors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

Debtors with a maturity of more than twelve months from the balance sheet date are shown as current debtors falling due after one year.

(b) Cash at bank and in hand

Cash at bank and in hand includes cash in hand, deposits held at call or for short maturity periods with banks, other short-term highly liquid investments with original maturities of three months or less.

(c) Financial assets

Financial assets includes deposits with banks which have original maturities of more than three months.

Notes to the financial statements for the year ended 31 March 2017

1 Accounting policies, financial risk management and critical accounting estimates/judgements (continued)

Impairment of financial assets

The company assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The criteria that the company uses to determine that there is objective evidence of an impairment loss include:

- significant financial difficulty of the issuer or obligor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- the company, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- it becomes probable that the borrower will enter bankruptcy or other financial reorganisation;
- the disappearance of an active market for that financial asset because of financial difficulties; or
- observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including i) adverse changes in the payment status of borrowers in the portfolio; and ii) national or local economic conditions that correlate with defaults on the assets in the portfolio.

The company first assesses whether objective evidence of impairment exists. The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in an allowance account and in the profit and loss account in operating costs. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. If a financial asset is considered uncollectible, it is written off against the allowance account.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the profit and loss account.

Called up share capital

Ordinary shares are classified as equity.

Other financial liabilities at amortised cost (financial instruments)

(a) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the profit and loss account as a finance expense over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the company has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

(b) Financial liabilities

Financial liabilities represent financial guarantees issued by the company to a 3rd party in respect of liabilities of the company's parent undertaking. Financial liabilities are recognised initially at fair value and subsequently stated at amortised cost with the amortisation being recognised in finance income in the profit and loss account.

Notes to the financial statements for the year ended 31 March 2017

1 Accounting policies, financial risk management and critical accounting estimates/judgements (continued)

Other financial liabilities at amortised cost (financial instruments) (continued)

(c) Creditors

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less. If not, they are presented as creditors: amounts falling due after one year.

Creditors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Current income tax and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the profit and loss account.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates and laws that are enacted or substantively enacted by the balance sheet date.

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither an accounting nor a taxable profit or loss. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Tax is charged or credited directly to reserves if it relates to items that are credited or charged to reserves. Otherwise tax is recognised in the profit and loss account.

Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the company will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the profit and loss account over the period necessary to match them with the costs they are intended to compensate.

Government grants relating to tangible fixed assets are included in liabilities as deferred government grants and are credited to the profit and loss account on a straight line basis over the expected useful economic lives of the related assets.

Operating lease commitments

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the profit and loss account on a straight-line basis over the period of the lease.

Pensions and other post-retirement benefits

The company contributes to individuals' personal pension schemes. Contributions are recognised in the profit and loss account in the period in which they become payable.

Notes to the financial statements for the year ended 31 March 2017

1 Accounting policies, financial risk management and critical accounting estimates/judgements (continued)

Foreign currency translation

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss account.

Financial risk management

Financial risk factors

The company operates the gas pipeline which links the gas transmission systems of Northern Ireland and Scotland under a licence agreement with the Northern Ireland Authority for Utility Regulation. Under the licence agreement the company, together with its parent undertaking, receives turnover that allows full recovery of its operating expenses, financing costs and repayment of borrowings. Accordingly the company has limited financial risk.

(a) Market risk- interest rate risk

The company's interest rate risk arises from amounts borrowed from its parent undertaking. These borrowings are index linked to the Retail Price Index and expose the company to interest rate cash flow risk. A change in the Retail Price Index by 1% would have increased/decreased interest costs, profit and equity during the year by £548,000. The company does not need to actively manage its exposure to interest rate risk as a result of its licence agreement mentioned in the preceding paragraph.

Under the terms of its licence agreement the company receives sufficient turnover to settle its operating costs and its repayments of borrowings. Accordingly the company does not need to actively manage its exposure to cash flow interest rate risk.

The long term borrowings are amounts due to the company's parent undertaking and were used to settle group balances existing at acquisition date. The company monitors its cash flow regularly to ensure it can meet the repayments due under the terms of its borrowings.

(b) Credit risk

The company has limited exposure to credit risk as its customers are high profile gas suppliers, who are reliant on the use of the company's transmission assets. Given the nature of the industry in which the company operates, its customers are regulated by the Northern Ireland Authority for Utility Regulation. The company's debtors are not impaired or past due and management does not expect any losses from non-performance by its customers.

(c) Liquidity risk

Under the company's licence agreement it receives turnover that compensates the company, and its parent undertaking, for their operating expenses, financing costs and repayment of borrowings. Accordingly the company has limited liquidity risk. The company also retains significant cash reserves and a liquidity facility with an A – rated bank to manage any short term liquidity risk.

Notes to the financial statements for the year ended 31 March 2017

1 Accounting policies, financial risk management and critical accounting estimates/judgements (continued)

Critical accounting estimates and judgements

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed below.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical accounting estimates and assumptions

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying value of assets and liabilities within the next financial year are discussed below.

Estimate of useful economic life of assets

The company assesses the useful economic life of assets on an annual basis. The remaining useful economic life of the Pipeline was determined as approximately 23.5 years at the beginning of the year. If the remaining useful economic life had been 24.5 years, depreciation would have decreased by £128,000 and if the remaining useful economic life had been assessed at 22.5 years, depreciation would have increased by £139,000.

Notes to the financial statements for the year ended 31 March 2017

2 Net operating expenses

	2017 £'000	2016 £'000
Employee benefit expense (note 3)	**417**	357
Depreciation	**4,714**	3,780
Amortisation of deferred government grants	**(1,096)**	(1,096)
Operating lease payments	**81**	81
Fees payable to the company's auditor in respect of the audit of the company's financial statements	**12**	11
Other expenses	**12,437**	15,799
Net operating expenses	**16,565**	18,932

Other expenses include grid control costs, engineering works, IT system costs, rates, insurance and licence fees, costs payable to Gas Networks Ireland (UK) for access and maintenance to the SWOS pipeline, together with administrative costs.

3 Employee benefit expense

	2017 £'000	2016 £'000
Wages and salaries	**375**	321
Social security costs	**42**	36
	417	357

The average monthly number of employees during the year (including only directors holding contracts of service with the company) was 7 (2016: 7). All staff perform asset management activities.

The company's directors were not remunerated for their services to the company (2016: £nil) but instead received emoluments for their services to the Mutual Energy group of companies. The directors do not believe that it is practicable to apportion this amount between their services as directors of the company and their services as directors of other group companies.

4 Interest payable - net

	2017 £'000	2016 £'000
Interest payable and similar charges		
Borrowings from parent undertaking	**4,820**	4,074
Bank charges	**106**	136
	4,926	4,210
Interest receivable and similar income		
Short-term bank deposits	**(236)**	(202)
Financial liabilities	**(114)**	(125)
	(350)	(327)
Interest payable - net	**4,576**	3,883

Notes to the financial statements for the year ended 31 March 2017

5 Tax charge/(credit) on profit on ordinary activities

	2017 £'000	2016 £'000
Current tax:		
Current tax on profits for the year	**414**	589
Group relief claimed	**819**	543
Adjustment in respect of previous periods	**305**	(423)
Total current tax	**1,538**	709
Deferred tax:		
Origination and reversal of temporary differences	**(462)**	(240)
Reduction in tax rates in respect of deferred tax liabilities	**(435)**	(870)
Adjustments in respect of previous periods	**-**	(85)
Total deferred tax (note 14)	**(897)**	(1,195)
Tax charge/(credit) on profit on ordinary activities	**641**	(486)

The tax charge/(credit) in the profit and loss account for the year is different from the standard rate of corporation tax in the UK of 20% (2016: 20%). The differences are reconciled below:

	2017 £'000	2016 £'000
Profit on ordinary activities before taxation	**2,290**	3,575
Tax calculated at the UK standard rate of corporation tax of 20% (2016: 20%)	**458**	715
Effect of:		
Income not taxable	**(23)**	(25)
Disallowed expenses	**255**	202
Reduction in tax rates in respect of deferred tax liabilities	**(435)**	(870)
Other timing differences	**81**	-
Adjustments in respect of previous periods	**305**	(508)
Tax charge/(credit) on profit on ordinary activities	**641**	(486)

Future tax changes

The tax rate for the current year remained at the prior year rate of 20%, accordingly the company's taxable profits are taxed at a rate of 20% during the year. Reductions to the UK Corporation Tax rate were introduced as part of the Finance Act 2016 (substantively enacted on 5 September 2016). These reduce the main rate of tax to 19% from 1 April 2017 and to 17% from 1 April 2020. The deferred tax has been calculated at 17%.

Premier Transmission Limited

Notes to the financial statements for the year ended 31 March 2017

6 Tangible assets

	Pipeline £'000	Plant and machinery £'000	Computer equipment £'000	Total £'000
Cost				
At 1 April 2016 and **at 31 March 2017**	133,412	77	2,971	136,460
Accumulated depreciation				
At 1 April 2016	59,312	11	630	60,013
Provided during the year	3,148	5	1,561	4,714
At 31 March 2017	**62,520**	**16**	**2,191**	**64,727**
Net book amount				
At 31 March 2017	**70,892**	**61**	**780**	**71,733**
At 31 March 2016	74,040	66	2,341	76,447

Depreciation expense of £4,714,000 (2016: £3,780,000) has been fully charged to net operating expenses. The borrowings of the company's parent undertaking are secured on all of the tangible fixed assets of the company.

7 Investments

	Other investments £'000
Cost	
At 1 April 2016 and **at 31 March 2017**	**1,988**

Other investments represent an amount the company invested in a 0.9% share in PRISMA European Capacity Platform GmbH, at a cost of £1,988.

The investments are recorded at cost, which is the fair value of the consideration paid.

8 Debtors

	2017 £'000	2016 £'000
Trade receivables	**892**	737
Prepayments	**1,133**	1,671
Accrued income	**1,741**	1,929
Other receivables	**2,026**	2,000
Amounts owed by related parties	**22,357**	19,718
	28,149	26,055

Amounts owed by related parties are unsecured, interest free, have no fixed date of repayment and are repayable on demand

Notes to the financial statements for the year ended 31 March 2017

9 Financial assets

	2017	2016
	£'000	£'000
Cash deposits	**13,667**	13,511

10 Cash at bank and in hand

	2017	2016
	£'000	£'000
Cash at bank and in hand	**20,341**	19,425

11 Called up share capital

	2017	2016
	£'000	£'000
Allotted and fully paid		
860,928 ordinary shares of £1 each	**861**	861

12 Profit and loss account

	£'000
At 1 April 2015	19,750
Profit for the financial year	4,061
At 31 March 2016	23,811
Profit for the financial year	1,649
At 31 March 2017	**25,460**

Included in the profit and loss account reserves is an amount of £1,874,000 (2016: £1,874,000) which the company has agreed with the regulator will be applied to costs of future EU compliance projects.

13 Creditors: amounts falling due after one year

	2017	2016
	£'000	£'000
Amounts owed to group undertakings	**54,840**	53,841
Financial liabilities (note 16)	**550**	653
Government grants (note 17)	**23,528**	24,624
	78,918	79,118

The amounts owed to group undertakings relate to a 2.953% index linked (linked to the Retail Price Index) unsecured loan from the company's parent undertaking. The borrowings are repayable in full on 31 March 2030.

Notes to the financial statements for the year ended 31 March 2017

14 Provisions for liabilities

The gross movement on the deferred income tax account is as follows:

	Deferred tax £'000
At 1 April 2015	9,025
Credited to the profit and loss account	(1,195)
At 31 March 2016	7,830
Credited to the profit and loss account	(897)
At 31 March 2017	**6,933**

Deferred income tax relates to accelerated capital allowances. It is not possible to determine the portion of the group's deferred tax liability arising from accelerated capital allowances that is expected to fall due after more than 12 months as this is dependent on future profits and management decisions.

15 Creditors: amounts falling due within one year

	2017 £'000	2016 £'000
Trade creditors	**336**	66
Other creditors	**215**	-
Accruals	**3,124**	6,743
Amounts owed to related parties	**855**	924
Other tax and social security	**605**	607
Financial liabilities (note 16)	**103**	114
Government grant (note 17)	**1,096**	1,096
	6,334	9,550

Amounts owed to related parties are unsecured, interest free and are repayable on demand

16 Financial liabilities

	2017 £'000	2016 £'000
Financial guarantee	**653**	767
Less current portion	**(103)**	(114)
Non-current portion	**550**	653

The financial guarantee represents the amortised cost of issuing a financial guarantee to a 3rd party in respect of borrowings by the company's parent undertaking.

Notes to the financial statements for the year ended 31 March 2017

17 Government grant

	£'000
At 1 April 2015	26,816
Amortised during the year	(1,096)
At 31 March 2016	25,720
Amortised during the year	(1,096)
At 31 March 2017	**24,624**

The government grant was provided to the company for the purpose of its expenditure on its property, plant and equipment. The current portion of deferred income is £1,096,000 (2016: £1,096,000) and the non-current portion is £23,528,000 (2016: £24,624,000).

18 Commitments

Operating lease commitments

The company has entered into a commercial lease on land and this lease has a remaining lease term of 18 years. There are no restrictions placed upon the lessee by entering into these leases. The lease expenditure charged to the profit and loss account during the year is disclosed in note 2.

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	2017	2016
	£'000	£'000
Not later than one year	**81**	81
After one year but not more than five years	**323**	323
After more than five years	**1,047**	1,128
	1,451	1,532

19 Ultimate controlling party and ultimate parent undertaking

The ultimate controlling party of the company are the members of Mutual Energy Limited.

The immediate parent undertaking is Premier Transmission Financing plc, a company incorporated in Northern Ireland. Group financial statements for this company are prepared and are available to the public from First Floor, The Arena Building, 85 Ormeau Road, Belfast, BT7 1SH.

The ultimate parent undertaking is Mutual Energy Limited, a company incorporated in Northern Ireland. Group financial statements for this company are prepared and are available to the public from First Floor, The Arena Building, 85 Ormeau Road, Belfast, BT7 1SH.