Company Registration No. SC234694

ENERGETICS ELECTRICITY LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE 15 MONTHS ENDED 31 MARCH 2016

ENERGETICS ELECTRICITY LIMITED

COMPANY INFORMATION

Directors	G K McCall	(Appointed 3 October 2016)
	S J Morris	(Appointed 3 October 2016)
	M W Pearce	(Appointed 16 December 2016)
Company number	SC234694	
Registered office	International House Stanley Boulevard Blantyre Glasgow United Kingdom G72 0BN	
Auditor	PricewaterhouseCoopers LLP 141 Bothwell Street Glasgow G2 7EQ	

ENERGETICS ELECTRICITY LIMITED

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ENERGETICS ELECTRICITY LIMITED

STRATEGIC REPORT

FOR THE 15 MONTHS ENDED 31 MARCH 2016

The directors present the strategic report and financial statements for the 15 months ended 31 March 2016.

The directors, in preparing this strategic report, have complied with section 414C of the Companies Act 2006.

Principle activities

Energetics Electricity Limited (the "company") is a licensed Independent Distribution Network Operator (IDNO) the main activities of which are the ownership and operation of electricity distribution networks. Revenue, which is generated from the use of the company's electricity distribution networks, is regulated by Ofgem.

Business review

During the 15 months to 31 March 2016 the number of new electricity connections energised was 15,005 (12 months to 31 December 2014 - 10,387). This represents an annualised growth in the number of connections of 13% and is representative of the continued growth in the UK housing market.

The order book of new domestic connections secured through new contract awards has increased by 39% from 31 December 2014 to 48,377 on the back of some large contract wins by fellow subsidiary Energetics Design & Build Limited, such as Towcester with 2,750 homes, Newark with 2,650 homes and Horley with 1,510 homes.

In addition to the increase in new energised domestic connections the business has also seen further project wins secured across the industrial & commercial sector from developments such as the Olympic Park Data Centre and Bracknell Shopping Centre. The industrial & commercial sector has proved to be very slow over the 15 months to March 2016 with many customer decisions being delayed or indeed postponed. Part of this uncertainty was the decision by the UK Government to hold a referendum on membership of the EU. Now that the vote has taken place, the expectation is that this particular investment community will start to make final decisions on their respective developments.

Turnover for the 15 months ended 31 March 2016 was £12,011,000 (12 months to 31 December 2014: £7,390,000) resulting in a net profit after financing costs of £1,740,000 (12 months to 31 December 2014: £1,372,000). On an annualised basis turnover has increased by 30% compared to 2014.

As at the reporting date the company had net assets of £5,470,000 (31 December 2014: £4,025,000).

Key performance indicators

The directors primarily consider financial KPI's in their evaluation of performance of the business. These include:

	15 months to 31 March 2016 £000	12 months to 31 December 2014 £000
Turnover	12,011	7,391
Turnover % increase (annualised)	30%	29%
Operating profit	3,722	2,443
Operating profit %	31%	33%

Non-financial KPI's considered include:

Energised connections in the period	15,005	10,387
Order book connections	48,377	33,083

Principal risks and uncertainties

Competition
The principal risk facing the company is the increasing level of competition in the sector. This could make it more difficult to secure new assets with a subsequent slowdown in growth. Energetics Electricity Limited manages this risk through tailoring commercial offerings to its customers and also securing new connections through its fellow subsidiary Energetics Design & Build Limited.

Revenues
The risk of fluctuations in market pricing significantly impacting revenues is considered to be relatively low following the introduction of specific IDNO tariffs under the CDCM initiative in 2010. In addition the electricity distribution sector is regulated on a Relative Price Control (RPC) basis. The regulated income from each live connection is relatively predictable. RPC also mitigates the effects of annual inflation through annual adjustments which take account of the movement in retail prices.

Funding
Capital to fund future connections is provided via a secured debt facility from Macquarie Bank Limited (London Branch). The company is an indirect subsidiary of Macquarie Bank Limited.

Housing markets
The recent vote by the UK to leave the EU has created a degree of uncertainty in markets which may impact the rate of growth in new connections. Management will continue to monitor the impact on the UK domestic and commercial markets and take the necessary steps to manage the risks to the business.

Market risk
Market risk represents the risk of adverse changes in the value of Energetic Group's construction activities and network asset portfolios from changes in market prices. The Group mitigate and manage this risk via regular raw material price reviews, maintaining strong relationships with key suppliers, and upfront purchases of key building materials and plant. Recurring network revenue is regulated by OFGEM and falls under the annual OFGEM pricing regime.

Credit risk
Credit risk represents the risk of a counterparty failing to complete its contractual obligations when they fall due. The Group mitigate and manage this risk with regular monitoring of construction cash flow profiles ensure billing matches construction activity, and regular monitoring of aged trade debtors. Recurring network revenue is regulated by OFGEM and falls under the OFGEM payment regime

Future developments
The directors are confident that the company will continue to grow and trade profitably for the foreseeable future.

Approved by the board of directors and signed on its behalf by:

S. Morris.

Director

21/12/2016

Date

ENERGETICS ELECTRICITY LIMITED

DIRECTORS' REPORT

FOR THE 15 MONTHS ENDED 31 MARCH 2016

The directors present their report and the audited financial statements of the company for the 15 months ended 31 March 2016.

The accounting year end of the company was changed from 31 December to 31 March to align its financial year end with that of its ultimate parent undertaking. These financial statements are therefore for the 15 month period from 1 January 2015 to 31 March 2016.

Results

The results for the 15 months ended 31 March 2016 are presented in the income statement and discussed in the strategic report.

Reporting framework

These are the first financial statements of Energetics Electricity Limited prepared in accordance with FRS 102. The date of transition to FRS 102 was the 1 January 2014. An explanation of how the transition to FRS 102 has affected the reported financial position and financial performance of the company is given in note 22.

Strategic report

The information which fulfils the Companies Act requirements of the business review is included within the strategic report. This includes a review of the development of the business, financial risk management and likely future developments within the business.

Going concern

The statement of financial position of the company shows net current liabilities of £2,369,000 and a net asset position of £5,470,000.

The group has a loan facility from Macquarie Bank Limited which is due for repayment in August 2018. In July 2016 an additional capital expenditure facility of £20,000,000 was provided by Macquarie Bank Limited, at which time covenant levels were reset. The group continues to operate within the limits of its facility and its revised covenants. The facility can be drawn down as new connections are energised. Based on projections, this funding will enable the company to continue to invest in the construction of new network assets, support the growth plans of the group and significantly mitigates any liquidity risk that may arise.

After considering the above, the directors believe that the company is well placed, at the time of approving the financial statements, to manage its business risks (as detailed in the strategic report) successfully and has adequate resources to continue in operational existence for a period of at least twelve months from the signing of the financial statements. Accordingly, the directors continue to adopt the going concern basis in preparing the financial statements.

Dividends

No dividends were paid or proposed in the period (2014: £nil).

Directors

The directors who held office during the period and up to the date of approval of the financial statements were as follows:

G K McCall	(Appointed 3 October 2016)
S J Morris	(Appointed 3 October 2016)
M W Pearce	(Appointed 16 December 2016)
W G McClymont	(Resigned 4 October 2016)
N J Alcock	(Resigned 18 September 2015)

Directors' indemnities

The company has made qualifying third party indemnity provisions for the benefit of its directors which were made during the period and remain in force at the date of this report.

ENERGETICS ELECTRICITY LIMITED

DIRECTORS' REPORT

FOR THE 15 MONTHS ENDED 31 MARCH 2016

Disclosure of information to auditors

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- the director has taken all the steps that they ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

PricewaterhouseCoopers LLP have indicated their willingness to continue in office and appropriate arrangements have been put in place for them to be deemed reappointed as auditor in the absence of an annual general meeting.

Approved by the board of directors and signed on its behalf by:

S MORRIS

Director

21/12/2016

Date

ENERGETICS ELECTRICITY LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE 15 MONTHS ENDED 31 MARCH 2016

The directors are responsible for preparing the strategic report, directors' report and financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial period. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.
- follow United Kingdom Generally Accepted Accounting Practices (United Kingdom Accounting Standards and applicable law), subject to any material departures disclosed and explained in the financial statements.

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 are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Approved by the board of directors and signed on its behalf by:

.... S MORRIS

Director

21/12/2016

Date

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ENERGETICS ELECTRICITY LIMITED

Report on the financial statements

Our opinion

In our opinion, Energetics Electricity Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 31 March 2016 and of its profit for the 15 month period (the "period") then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited

The financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), comprise:

- the statement of financial position as at 31 March 2016;
- the income statement for the period then ended;
- the statement of changes in equity for the period then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinion on other matter prescribed by the Companies Act 2006

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

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

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

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

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Directors' Responsibilities Statement set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). An audit 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.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

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.

Michael Timar (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Glasgow
22 December 2016

ENERGETICS ELECTRICITY LIMITED

INCOME STATEMENT

FOR THE 15 MONTHS ENDED 31 MARCH 2016

	Note	15 months to 31 March 2016 £000	12 months to 31 December 2014 £000
Turnover	2	12,011	7,391
Cost of sales		(6,316)	(3,558)
Gross profit		5,695	3,833
Administrative expenses		(1,974)	(1,182)
Exceptional item	3	-	(207)
Operating profit	4	3,721	2,444
Interest receivable and similar income		-	2
Interest payable and similar charges	6	(1,981)	(1,074)
Profit on ordinary activities before taxation		1,740	1,372
Taxation	7	(295)	74
Profit for the financial period		1,445	1,446
Total income for the period		1,445	1,446

There are no components of other comprehensive income recognised as part of total comprehensive income outside the income statement.

The income statement has been prepared on the basis that all operations are continuing operations.

The notes on pages 11 to 24 form part of these financial statements.

ENERGETICS ELECTRICITY LIMITED

STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2016

	Note		31 March 2016		31 December 2014
		£000	£000	£000	£000
Fixed assets					
Tangible assets	8		26,724		13,150
Current assets					
Debtors: amounts falling due within one year	9	921		899	
Cash at bank and in hand		361		684	
		1,282		1,583	
Creditors: amounts falling due within one year	10	(3,651)		(1,173)	
Net current (liabilities)/assets			(2,369)		410
Total assets less current liabilities			24,355		13,560
Creditors: amounts falling due after more than one year	11		(18,292)		(9,213)
Provisions for liabilities					
Deferred tax liability	12	(593)		(322)	
			(593)		(322)
Net assets			5,470		4,025
Capital and reserves					
Called up share capital	14		-		-
Share premium account			417		417
Profit and loss reserves			5,053		3,608
Total equity			5,470		4,025

The financial statements were approved by the board of directors and authorised for issue on 21\12\16 and signed on its behalf by:

....

S. MORRIS

Director

Company Registration No. SC234694

The notes on pages 11 to 24 form part of these financial statements.

ENERGETICS ELECTRICITY LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE 15 MONTHS ENDED 31 MARCH 2016

	Called up share capital	Share premium account	Profit and loss reserves	Total
	£000	£000	£000	£000
Balance at 1 January 2014	-	417	2,162	2,579
Profit for the financial period	-	-	1,446	1,446
Balance at 31 December 2014	-	417	3,608	4,025
Profit for the financial period	-	-	1,445	1,445
Balance at 31 March 2016	-	417	5,053	5,470

The notes on pages 11 to 24 form part of these financial statements.

1 Accounting policies

Company information

Energetics Electricity Limited is a company limited by shares and incorporated in Scotland. The registered office is International House, Stanley Boulevard, Blantyre, Glasgow, United Kingdom, G72 0BN.

The principal accounting policies are summarised below. They have all been applied consistently throughout the current and the preceding periods.

1.1 Accounting convention

These financial statements have been prepared in accordance with FRS102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The company has changed its reporting date from 31 December to 31 March to align its accounting reference date with that of its parent. The financial statements for the period ended 31 March 2016 are a 15 month period commencing on 1 January 2015. The current period is not directly comparable with the previous period which was a 12 month period ending on 31 December 2014.

These financial statements for the 15 months ended 31 March 2016 are the first financial statements of Energetics Electricity Limited prepared in accordance with FRS102. The date of transition to FRS102 was 1 January 2014. An explanation of how transition to FRS 102 has affected the reported financial position and financial performance of the company is given in note 22.

Energetics Electricity Limited is a qualifying entity in accordance with FRS 102 as it is a member of a group where the parent of that group prepares publicly available consolidated financial statements. It therefore qualifies for disclosure exemptions in relation to related parties, cash flow statements and financial instruments as detailed in note 16.

The financial statements are prepared in sterling, which is the functional and presentation currency of the company. Monetary amounts in these financial statements are rounded to the nearest thousand.

The financial statements have been prepared using the historical cost convention, modified to include financial instruments at fair value.

1.2 Going concern

The statement of financial position of the company shows net current liabilities of £2,369,000 and a net asset position of £5,470,000.

The group has a loan facility from Macquarie Bank Limited which is due for repayment in August 2018. In July 2016 an additional capital expenditure facility of £20,000,000 was provided by Macquarie Bank Limited, at which time covenant levels were reset. The group continues to operate within the limits of its facility and its revised covenants. The facility can be drawn down as new connections are energised. Based on projections, this funding will enable the company to continue to invest in the construction of new network assets, support the growth plans of the group and significantly mitigates any liquidity risk that may arise.

After considering the above, the directors believe that the company is well placed, at the time of approving the financial statements, to manage its business risks (as detailed in the strategic report) successfully and has adequate resources to continue in operational existence for a period of at least twelve months from the signing of the financial statements. Accordingly, the directors continue to adopt the going concern basis in preparing the financial statements.

1 Accounting policies (continued)

1.3 Turnover

Turnover is recognised to the extent that it is probable that the economic benefits will flow to the company and the turnover can be readily measured. Turnover is measured at the fair value of the consideration receivable, excluding rebates and VAT, for use of system charges invoiced to electricity supply companies for the use of the company's electricity distribution networks. Turnover is generated wholly within the United Kingdom.

1.4 Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost, net of depreciation and any impairment losses. Such cost includes costs directly attributable to making the asset capable of operating as intended.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Plant & machinery	on a straight line basis over 5 years
Computer equipment	on a straight line basis over 5 years
Network assets	on a straight line basis over 40 years

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to profit or loss.

1.5 Impairment of fixed assets

At each reporting date and when events or changes in circumstances indicate the carrying value may not be recoverable, the company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Tangible fixed assets are reviewed for impairment by the directors at each financial reporting date and when events or changes in circumstances indicate the carrying value may not be recoverable. Useful lives and residual values are reviewed annually and reassessed in light of commercial and technological developments. If an asset's carrying value is greater than its recoverable amount due to an adjustment to its useful life, residual value or impairment, the carrying amount is written down immediately to its recoverable amount. Adjustments arising from such items are recognised in the profit and loss account.

1.6 Cash and cash equivalents

Cash and cash equivalents include cash in hand and deposits held at call with banks.

1.7 Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS102 to all of its financial instruments.

Financial instruments are recognised in the company's statement of financial position when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

1 Accounting policies (continued)

Financial instruments

Determination of whether an item is a financial liability or equity is based upon the contractual obligation to repay. A financial liability is a contractual obligation to deliver cash or another financial asset to another entity; or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the entity. No such contractual obligation exists with equity instruments

Basic financial instruments

Basic financial assets, which include trade and other receivables, other payables and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

Other financial assets

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

Other financial liabilities

Basic financial liabilities, including trade and other payables, bank loans, and loans from related companies, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Derecognition of financial liabilities

Financial liabilities are derecognised when the company's contractual obligations expire or are discharged or cancelled.

Derivate financial instruments

Derivative financial instruments are recognised at fair value with any gains or losses as a result of movements in fair value being reported in profit or loss.

Impairment of financial assets

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting date. Impairment of financial assets is assessed at each reporting date and when events or changes in circumstances indicate the carrying value may not be recoverable.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

1 Accounting policies (continued)

1.8 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax
The tax currently payable is based on taxable profit for the period. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other periods and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax
Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

Deferred tax assets and liabilities are not discounted. Deferred tax is measured at the tax rates that are expected to apply in the periods in which the timing differences reverse, based on the tax rates and laws enacted or substantially enacted at the statement of financial position date.

1.9 Employee benefits

The costs of short-term employee benefits are recorded as a liability and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short term cash bonus or profit sharing plans if the company has a present or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

1.10 Pension costs

The company is a member of the Energetics Networked Energy Limited defined contribution pension scheme and makes payments on behalf of its employees to this scheme. The contributions payable are charged to the income statement as they fall due.

Amounts not paid are shown in accruals in the Statement of Financial Position. The assets of the plans are held separately from the company in independently administered funds.

1.11 Equity instruments

Equity instruments issued by the company are recorded at the value of proceeds received, net of direct issue costs.

1 Accounting policies (continued)

1.12 Expenses

Expenses incurred have been recognised on an accruals basis.

1.13 Significant judgements and estimates

The preparation of figures in these financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the end of the reporting period and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Estimates and judgements are continually evaluated and are based on historic information and experience. The most significant areas where judgements and estimates are applied are

- the review for impairment of tangible assets
- the assessment of useful lives of tangible fixed assets
- the assessment of fair value in relation to derivatives.

2 Turnover

An analysis of the company's turnover, which is generated wholly in the United Kingdom is as follows:

	15 months to 31 March 2016	12 months to 31 December 2014
	£000	£000
Electricity Distribution	12,011	7,391

3 Exceptional costs

	15 months to 31 March 2016	12 months to 31 December 2014
	£000	£000
Exceptional item	-	207

During the 12 months to 31 December 2014 the directors took the opportunity to revise the commercial agreement between the group companies in respect of the timing of recognition and transfer of assets. This resulted in an additional depreciation charge of £207,000.

4 Operating profit

	15 months to 31 March 2016	12 months to 31 December 2014
Operating profit for the period is stated after charging:	£000	£000
Depreciation of owned tangible fixed assets	949	559
Auditor's remuneration – as auditor	33	31
Auditor's remuneration – for other services	3	4

5 Employees

The average monthly number of persons (including directors) employed by the company during the period was 6 (2014: 5).

The aggregate remuneration comprised:

	15 months to 31 March 2016	12 months to 31 December 2014
	£000	£000
Wages and salaries	359	168
Social security costs	22	18
Pension costs	9	3
	390	189

For the 15 months ended 31 March 2016, all costs of employment of directors were borne by another company within the Energetics Topco Limited group.

6 Interest payable and similar charges

	15 months to 31 March 2016	12 months to 31 December 2014
	£000	£000
Interest on bank overdrafts and loans	1,915	1,030
Interest rate swap	13	12
Other interest	53	31
	1,981	1,073

7 Tax on profit on ordinary activities

	15 months to 31 March 2016	12 months to 31 December 2014
	£000	£000
Analysis of tax charge/(credit)		
Current tax		
Group relief charge for the period	24	-
	24	-
Deferred tax		
Origination and reversal of temporary differences	328	(80)
Adjustment in respect of previous periods	12	-
Effect of changes in tax rates	(69)	6
Total deferred tax	271	(74)
Tax per income statement	295	(74)

7 Tax on profit on ordinary activities (continued)

The income tax expense for the period is lower (2014: higher) than the standard rate of corporation tax in the UK of 20.2% (2014: 21.5%). The differences are explained below:

	15 months to 31 March 2016	12 months to 31 December 2014
	£000	£000
Profit before income tax	**1,741**	**1,372**
Profit on ordinary activities before taxation multiplied by standard rate of corporation tax in the UK of 20.20% (2014: 21.49%)	352	295
Effects of:		
Adjustment to tax charge in respect of previous periods	12	-
Group relief not paid for	-	(375)
Effect of changes in tax rates	(69)	6
Total income tax	295	(74)

For companies subject to the main rate of UK corporation tax, the tax rate from 1 April 2015 was reduced from 21% to 20%. In October 2015, the main rate of UK corporation tax was reduced from 20% to 19% from 1 April 2017 and 18% from 1 April 2020. As a result the closing deferred tax assets and liabilities have been measured at 18%.

In the recent Finance Bill, the UK Government announced a revised reduction to the Corporation Tax main rate for the year starting 1 April 2020; setting the rate at 17% rather than 18%. The 17% rate was not enacted or substantively enacted at the balance sheet date and so is not reflected in the period end workings.

8 Tangible fixed assets

	Plant & machinery	Computer equipment	Network assets	Total
	£000	£000	£000	£000
Cost				
At 1 January 2015	19	278	14,363	14,660
Additions	-	202	14,321	14,523
At 31 March 2016	19	480	28,684	29,183
Accumulated depreciation				
At 1 January 2015	19	274	1,217	1,510
Depreciation charge for the period	-	9	940	949
At 31 March 2016	19	283	2,157	2,459
Net book value				
At 31 March 2016	-	197	26,527	26,724
At 31 December 2014	-	4	13,146	13,150

9 Debtors: amounts falling due within one year

	31 March 2016 £000	31 December 2014 £000
Trade debtors	-	62
Deferred tax asset (note 12)	2	2
Accrued Income	893	738
Prepayments	26	97
	921	899

10 Creditors: amounts falling due within one year

	31 March 2016 £000	31 December 2014 £000
Trade creditors	382	59
Amounts due to group undertakings	2,168	270
Other taxation and social security	54	-
Other creditors	480	257
Accruals and deferred income	567	587
	3,651	1,173

Amounts owed to group undertakings are repayable on demand. They are unsecured and interest free.

11 Creditors: amounts falling due after more than one year

	31 March 2016 £000	31 December 2014 £000
Loans	18,292	9,213

Amounts shown above are due in full to Macquarie Bank Limited by way of a balloon payment in August 2018 and are repaid on an interest only basis until that time. Included within the balance are arrangement fees of £303,000 (2014 - £286,000). The arrangement fees are charged to the income statement using the effective interest rate method.

The interest rate is based upon 3 month LIBOR plus a margin, on the drawn facilities, with a commitment fee payable on the undrawn facilities.

The loan is secured by a floating charge over the company's assets to the extent permitted by its license agreement.

12 Deferred tax asset/ liabilities

Deferred tax assets and liabilities are offset where the company has a legally enforceable right to do so. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	31 March 2016	31 December 2014
	£000	**£000**
The balance comprises temporary differences attributable to:		
Financial instruments	2	2
Total deferred income tax assets	2	2
Fixed assets	(593)	(322)
Total deferred income tax liabilities	(593)	(322)
Net deferred income tax (liabilities)/assets	(591)	(320)
Reconciliation of the company's movement in deferred tax assets:		
Balance at the beginning of the financial year	2	-
Temporary differences - effect of changes in tax rates	-	(1)
Transferred to deferred tax assets from deferred tax liabilities	-	3
Balance at the end of the financial year	2	2
Reconciliation of the Company's movement in deferred tax liabilities:		
Balance at the beginning of the financial year	(322)	(393)
Temporary differences:		
Deferred tax charged to income statement for the period	(328)	80
Effect of changes in tax rates	69	(6)
Adjustment in respect of previous periods	(12)	-
Transferred to deferred tax assets from deferred tax liabilities	-	(3)
Balance at the end of the financial year	(593)	(322)

13 Financial liabilities

	31 March 2016	31 December 2014
	£000	**£000**
Financial liabilities measured at fair value through profit or loss	25	12

The interest rate swap was entered into with Macquarie Bank Limited in September 2013. It is not traded on an active market therefore fair value has been obtained using observable forward exchange rates and interest rates corresponding to the maturity of the contract.

13 Financial liabilities (continued)

	31 March 2016	31 December 2014
	£000	£000
Brought forward	12	-
Loss due to movement in fair value	13	12
At 31 March 2016	25	12

14 Share capital

	No	31 March 2016	31 December 2014
		£000	£000
Ordinary shares of £1 each	244	-	-

15 Reserves

Called-up share capital represents the nominal value of shares which have been issued.

Share premium account are premiums received on the issue of share capital. Transaction costs associated with the issue of shares are deducted from the share premium account.

Profit and loss account includes all current and prior period retained profits and losses.

16 Qualifying entity exemptions

Energetics Electricity Limited is a qualifying entity in accordance with FRS 102 as it is a member of a group where the parent of that group prepares publicly available consolidated financial statements. The group into which the company is consolidated is headed by Energetics Topco Limited. Copies of the consolidated financial statements of Energetics Topco Limited can be obtained from Companies House.

As a qualifying entity, the company has taken advantage of the exemptions within:-

- Section 7 of FRS 102 from the requirement to prepare a statement of cash flows.
- Section 11 paragraphs 11.41(e) and 11.48 (a)(iv) relating to the disclosure of financial instruments at amortised cost.
- Section 33 Related Party Disclosures paragraph 33.7 to disclose key management personnel compensation.

17 Contingent liabilities & commitments

The company has no commitments or contingent liabilities which are individually material or a category of commitments or contingent liabilities which are material.

18 Events after the reporting date

There are no events after the reporting date that require disclosure.

19 Related party transactions

The company has taken advantage of the exemption contained in FRS102 Section 33.1A and has therefore not disclosed transactions with other members of the Energetics Topco Limited group of companies other than intercompany balances which are disclosed in the debtors and creditors notes.

20 Ultimate parent company

The company's immediate parent undertaking is Energetics Networked Energy Limited. The company's ultimate parent undertaking and controlling party is Macquarie Group Limited.

Energetics Topco Limited is the smallest group company for which group financial statements are prepared. Copies of the consolidated financial statements of Energetics Topco Limited can be obtained from Companies House.

Macquarie Group Limited, a company incorporated in Australia, is the largest group company for which group financial statements are prepared. Copies of the consolidated financial statements of Macquarie Group Limited can be obtained from the company secretary, Level 6, 50 Martin Place Sydney, New South Wales, 2000, Australia.

21 Financial commitments

The company has financial commitments for the period ending 31 March 2016 in respect of paying variable network capacity charges in connection with electricity networks owned. Such costs are incurred as part of the normal course of business as a regulatory cost of sale and are compensated for through regulated revenue streams. The company has no annual commitments under non-cancellable leases.

Until December 2014 the company maintained an escrow account as part of its regulatory licence for the purpose of holding six months operating costs and one month of upstream Use of System charges. This licence condition was updated every six months (January and July). This was in place until the company achieved an investment grade rating or the regulator introduced any changes.

The amount held in the escrow at the 31 December 2014 was £437,000. This amount is included in "cash at bank and in hand".

As at 31 March 2016 the financial commitments were covered by a bank guarantee of £850,000 given by Macquarie Bank Limited in favour of the regulator.

22 Reconciliations on adoption of FRS 102

This is the first year that the company has presented results under FRS 102. The last financial statements under UK GAAP were for the year ended 31 December 2014. The date of transition to FRS102 was 1 January 2014. Set out below are the effects of the transition as at 1 January 2014 and 31 December 2014.

Income statement

	12 months to December 2014		
	As previously stated	Effect of transition	FRS102 (as restated)
	£000	£000	£000
Turnover	7,391	-	7,391
Cost of sales	(3,558)	-	(3,558)
Gross profit	3,833	-	3,833
Administrative expenses	(1,389)	-	(1,389)
Operating profit/ (loss)	**2,444**	**-**	**2,444**
Interest receivable	2	-	2
Interest payable and similar charges	(1,030)	(44)	(1,074)
Profit on ordinary activities before taxation	**1,416**	**(44)**	**1,372**
Taxation	64	10	74
Profit for the financial period	**1,480**	**(34)**	**1,446**

22 Reconciliations on adoption of FRS 102

Statement of financial position as at 31 December 2014

	As at 1 January 2014			As at 31 December 2014		
	As previously stated	Effect of transition	FRS 102 (as restated)	As previously stated	Effect of transition	FRS 102 (as restated)
	£000	£000	£000	£000	£000	£000
Fixed assets						
Tangible	9.897	-	9,897	13,150	-	13,150
Current assets						
Debtors	681	32	713	897	2	899
Cash at bank	717	-	717	684	-	684
	1,398	32	1,430	1,581	2	1,583
Current liabilities						
Creditors	(2,329)	-	(2,329)	(1,162)	(11)	(1,173)
Net current assets/(liabilities)	(931)	32	(899)	419	(9)	410
Total assets less current liabilities	8.966	32	8,998	13,569	(9)	13,560
Non-current liabilities	(6,026)	-	(6,026)	(9,213)	-	(9,213)
Provisions for liabilities						
Deferred taxation	(386)	(7)	(393)	(322)	-	(322)
Net assets	2,554	25	2,579	4,034	(9)	4,025
Capital and reserves						
Called up share capital	-	-	-	-	-	-
Share premium account	417	-	417	417	-	417
Profit and loss account	2,137	25	2,162	3,617	(9)	3,608
Shareholders' funds	2,554	25	2,579	4,034	(9)	4,025

Reconciliation of total equity

	£000
Total equity at 1 January 2014 under UK GAAP – as reported	2,554
FRS 102 transition adjustments	25
Total equity at 1 January 2014 under FRS 102	2,579

The transition is in relation to an interest rate swap which was entered into with Macquarie Bank Limited in September 2013. FRS102 requires derivative financial instruments to be recognised at fair value. Previously under UK GAAP the company did not recognise these instruments in the financial statements.