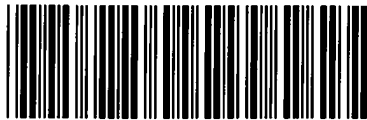


Company Registration No. SC263298 (Scotland)

**Flexitricity Limited**  
**Annual report and financial statements**  
**for the year ended 31 March 2018**

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# **FLEXITRICITY LIMITED**

## **COMPANY INFORMATION**

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<b>Directors</b>	Dr Alastair Martin Ronald Ramage Alastair Kerr Markus Brokhof Michel Kolly Hans Dahlberg
<b>Secretary</b>	Alastair Kerr
<b>Company number</b>	SC263298
<b>Registered office</b>	Mainpoint 102 West Port Edinburgh EH3 9DN
<b>Auditor</b>	Henderson Loggie 11-15 Thistle Street Edinburgh EH2 1DF
<b>Bankers</b>	HSBC 76 Hanover Street Edinburgh EH2 1HQ

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# Flexitricity Limited

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## **Flexitricity Limited**

### **Strategic report**

**for the year ended 31 March 2018**

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The directors present the strategic report for the year ended 31 March 2018.

#### **Fair review of the business**

During the year under review the company provided Demand Side Response services to National Grid to help balance supply and demand and to ensure the security and quality of electricity supply across Great Britain (GB). In addition, the company actively participated within the Capacity Market (CM) helping the Government secure more sustainable, low-carbon electricity capacity at the least cost for energy consumers. One of the company's goals is to continue to develop its position as the largest demand response aggregator in the GB market through the innovative design and reliable delivery of response and reserve services and the provision of dependable sources of capacity into the GB Capacity Market.

Flexitricity delivers frequency response, operating reserve and negative reserve services on a daily basis providing market opportunity and revenue continuity for contracted Energy Partners. Having successfully prequalified and participated within every CM auction to date, Flexitricity is the only market participant that has secured obligations from October 2016 to September 2036. It is Flexitricity's intention to participate in all future CM auctions in order to continue to secure strengthening revenue flows in future periods and to deliver materially improved financial performance.

During the year to March 2018 the GB market for reserve services remained challenging. Despite this backdrop, Flexitricity delivered further revenue growth while continuing to invest in an increasing level of resources and technology to secure and support the growth being generated from service developments in the GB market.

#### **Principal risks and uncertainties**

The electricity supply industry is in a period of significant change which creates both opportunity and risk for those involved. While the directors believe that Flexitricity is well positioned to benefit from the changing regulatory and commercial environment, there are risks associated with the procurement, delivery and reliability of ancillary services and the Capacity Market which the company cannot fully control, and which could adversely impact its commercial and financial performance.

Full industry and regulatory engagement coupled with the breadth of Flexitricity's portfolio and capabilities places it in a better position than its competitors to deal with these changes and the company is taking all steps necessary to minimise exposure to such risks.

## **Flexitricity Limited**

### **Strategic report (continued)**

**for the year ended 31 March 2018**

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#### **Future developments**

In its existing markets, the company continues to develop and promote a range of services to ensure it is best placed to benefit from ongoing changes. New and enhanced opportunity is expected as a result of the product changes anticipated from National Grid's recent System Needs and Product Strategy (SNaPS) consultation. Although still in development, the directors believe these changes will allow us to further improve the market and financial opportunity for Flexitricity in future years.

Having recognised the value-shift within the market, Flexitricity secured a gas and power supply licence in March 2018. This supplier status underpins a disruptive service diversification strategy that creates the opportunity for electricity customers, small generator owners and battery storage businesses to optimise their flexibility within day, by trading in National Grid's Balancing Mechanism (BM). For energy users, this is a major new revenue source.

This unique supply offering also provides pass-through access to the major wholesale markets for both electricity and gas, so that industrial and commercial energy users can fix their energy costs and revenues at timescales that suit their businesses.

This new proposition both complements and integrates energy trading with participation in the ancillary and capacity services described above.

The directors believe that this offering will transform both the electricity industry and the future financial performance of the company.

On behalf of the board



Ronald Ramage  
**Director**

27 September 2018

## **Flexitricity Limited**

### **Directors' report**

**for the year ended 31 March 2018**

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The directors present their report and financial statements for the year ended 31 March 2018.

#### **Principal activities**

The company's principal activity is the establishment and operation of an aggregated electricity reserve and balancing service.

#### **Directors**

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

Dr Alastair Martin

Ronald Ramage

Alastair Kerr

Raffaele Beffa

(Resigned 5 December 2017)

Markus Brokhof

Michel Kolly

Hans Dahlberg

(Appointed 5 December 2017)

#### **Results and dividends**

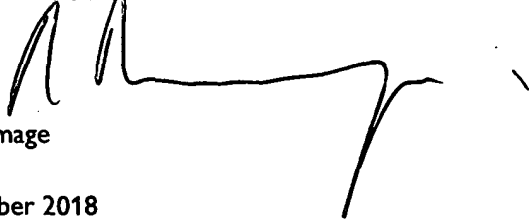
The results for the year are set out on page 8.

No ordinary dividends were paid. The directors do not recommend payment of a final dividend.

#### **Statement of disclosure to auditor**

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

On behalf of the board



Ronald Ramage

**Director**

27 September 2018

## **Flexitricity Limited**

### **Directors' responsibilities statement**

**for the year ended 31 March 2018**

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The directors are responsible for preparing the annual 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 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;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 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.

## **Flexitricity Limited**

### **Independent auditor's report**

#### **to the members of Flexitricity Limited**

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#### **Opinion**

We have audited the financial statements of Flexitricity Limited (the 'company') for the year ended 31 March 2018 which comprise the statement of comprehensive income, the balance sheet, the statement of changes in equity, the statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2018 and of its loss for the year 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.

#### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's *responsibilities for the audit of the financial statements* section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Conclusions relating to going concern**

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

## **Flexitricity Limited**

### **Independent auditor's report (continued) to the members of Flexitricity Limited**

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#### **Other information**

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

#### **Opinions on other matters prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of our audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

#### **Matters on which we are required to report by exception**

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report and the directors' report.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us 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.

#### **Responsibilities of directors**

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

## **Flexitricity Limited**

### **Independent auditor's report (continued)**

#### **to the members of Flexitricity Limited**


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#### **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <http://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

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.



**Andrew Niblock (Senior Statutory Auditor)**  
for and on behalf of Henderson Loggie

27 September 2018

**Chartered Accountants**  
**Statutory Auditor**

11-15 Thistle Street  
Edinburgh  
EH2 1DF

## Flexitricity Limited

### Statement of comprehensive income

for the year ended 31 March 2018

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	Notes	2018 £'000	2017 £'000
<b>Turnover</b>	<b>3</b>	<b>4,576</b>	4,323
Cost of sales		<b>(3,225)</b>	(2,995)
<b>Gross profit</b>		<b>1,351</b>	1,328
Distribution costs		<b>(232)</b>	(218)
Administrative expenses		<b>(2,081)</b>	(1,732)
Other operating income		<b>472</b>	362
<b>Operating loss</b>	<b>4</b>	<b>(490)</b>	(260)
Interest receivable and similar income	<b>8</b>	<b>1</b>	1
Interest payable and similar expenses	<b>9</b>	<b>(73)</b>	(52)
<b>Loss before taxation</b>		<b>(562)</b>	(311)
Tax on loss	<b>10</b>	<b>(5)</b>	(62)
<b>Loss for the financial year</b>		<b>(567)</b>	(373)

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

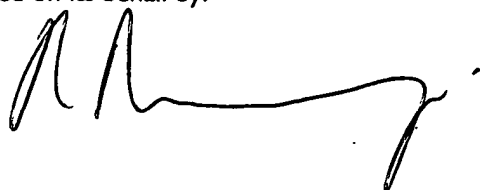
**Flexitricity Limited****Balance Sheet**

as at 31 March 2018

		2018		2017	
	Notes	£'000	£'000	£'000	£'000
<b>Fixed assets</b>					
Tangible assets	11		313		187
<b>Current assets</b>					
Debtors	13	2,887		3,032	
Cash at bank and in hand		1,259		677	
		<u>4,146</u>		<u>3,709</u>	
<b>Creditors: amounts falling due within one year</b>	14	<u>(5,169)</u>		<u>(1,495)</u>	
<b>Net current (liabilities)/assets</b>			<u>(1,023)</u>		<u>2,214</u>
<b>Total assets less current liabilities</b>			<u>(710)</u>		<u>2,401</u>
<b>Creditors: amounts falling due after more than one year</b>	15		-		(2,544)
<b>Net liabilities</b>			<u>(710)</u>		<u>(143)</u>
<b>Capital and reserves</b>					
Called up share capital	19		1,066		1,066
Share premium account			3,016		3,016
Profit and loss reserves			<u>(4,792)</u>		<u>(4,225)</u>
<b>Total equity</b>			<u>(710)</u>		<u>(143)</u>

The financial statements were approved by the board of directors and authorised for issue on 27 September 2018 and are signed on its behalf by:

Ronald Ramage  
Director



Company Registration No. SC263298

**Flexitricity Limited**

**Statement of changes in equity**

**for the year ended 31 March 2018**

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	<b>Share capital</b>	<b>Share premium account</b>	<b>Profit and loss reserves</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Balance at 1 April 2016</b>	1,066	3,016	(3,852)	230
<b>Year ended 31 March 2017:</b>				
Loss and total comprehensive income for the year	-	-	(373)	(373)
<b>Balance at 31 March 2017</b>	<u>1,066</u>	<u>3,016</u>	<u>(4,225)</u>	<u>(143)</u>
<b>Year ended 31 March 2018:</b>				
Loss and total comprehensive income for the year	-	-	(567)	(567)
<b>Balance at 31 March 2018</b>	<u><u>1,066</u></u>	<u><u>3,016</u></u>	<u><u>(4,792)</u></u>	<u><u>(710)</u></u>

**Flexitricity Limited****Statement of cash flows****for the year ended 31 March 2018**

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		2018		2017	
	Notes	£'000	£'000	£'000	£'000
<b>Cash flows from operating activities</b>					
Cash absorbed by operations	24		(151)		(641)
Interest paid			(73)		(52)
			<u>          </u>		<u>          </u>
<b>Net cash outflow from operating activities</b>			<b>(224)</b>		<b>(693)</b>
<b>Investing activities</b>					
Purchase of tangible fixed assets		(195)		(170)	
Interest received		1		1	
		<u>          </u>		<u>          </u>	
<b>Net cash used in investing activities</b>			<b>(194)</b>		<b>(169)</b>
<b>Financing activities</b>					
Proceeds from borrowings		1,000		789	
		<u>          </u>		<u>          </u>	
<b>Net cash generated from financing activities</b>			<b>1,000</b>		<b>789</b>
			<u>          </u>		<u>          </u>
<b>Net increase/(decrease) in cash and cash equivalents</b>			<b>582</b>		<b>(73)</b>
Cash and cash equivalents at beginning of year			677		750
			<u>          </u>		<u>          </u>
<b>Cash and cash equivalents at end of year</b>			<b>1,259</b>		<b>677</b>
			<u>          </u>		<u>          </u>

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# Flexitricity Limited

## Notes to the financial statements

for the year ended 31 March 2018

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### 1 Accounting policies

#### Company information

Flexitricity Limited is a private company limited by shares incorporated in Scotland. The registered office is Mainpoint, 102 West Port, Edinburgh, EH3 9DN.

#### 1.1 Accounting convention

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

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £'000.

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

#### 1.2 Going concern

The financial statements are prepared on a going concern basis. Having considered the financial projections of the company, possible future contracts and the support available from existing shareholders, the directors believe this basis to be appropriate.

#### 1.3 Turnover

Turnover is the value of reserve services supplied to National Grid and Energy Partners, and other goods and services, exclusive of VAT.

STOR availability, STOR utilisation and FCDM income is recognised in the month it is earned using internal estimations and is then corrected when statements are received from National Grid outlining energy provided.

Triad and Capacity Market income is recognised as and when services have been provided

Government grants are recognised at the fair value of the asset received or receivable when there is reasonable assurance that the grant conditions will be met and the grants will be received.

Government grants relating to operational activities are recognised as income over the periods when the related costs are incurred. Grants relating to an asset are recognised in income systematically over the asset's expected useful life. If part of such a grant is deferred it is recognised as deferred income rather than being deducted from the asset's carrying amount.

#### 1.4 Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

## Flexitricity Limited

### Notes to the financial statements (continued)

for the year ended 31 March 2018

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#### 1 Accounting policies (continued)

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 and machinery	20% and 33% straight line
Fixtures, fittings & equipment	20% and 33% straight line
Other assets	
Bespoke computer system	10%, 20% and 33% straight line

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 period end date, 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.

Recoverable amount is the higher of fair value less costs to sell and value in use. 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 for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

#### 1.6 Cash and cash equivalents

Cash at bank and in hand are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

## **Flexitricity Limited**

### **Notes to the financial statements (continued)**

**for the year ended 31 March 2018**

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#### **1 Accounting policies (continued)**

##### **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 FRS 102 to all of its financial instruments.

Financial instruments are recognised in the company's balance sheet 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.

##### **Basic financial assets**

Basic financial assets, which include debtors 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. Financial assets classified as receivable within one year are not amortised.

##### **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.

##### **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 end date.

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.

##### **Derecognition of financial assets**

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the company transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

# Flexitricity Limited

## Notes to the financial statements (continued)

for the year ended 31 March 2018

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### 1 Accounting policies (continued)

#### Classification of financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

#### Basic financial liabilities

Basic financial liabilities, including creditors, bank loans, loans from fellow group companies and preference shares that are classified as debt, 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 payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

#### Other financial liabilities

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or finance income as appropriate, unless hedge accounting is applied and the hedge is a cash flow hedge.

Debt instruments that do not meet the conditions in FRS 102 paragraph 11.9 are subsequently measured at fair value through profit or loss. Debt instruments may be designated as being measured at fair value through profit or loss to eliminate or reduce an accounting mismatch or if the instruments are measured and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

#### Derecognition of financial liabilities

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

### 1.8 Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

### 1.9 Taxation

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

## **Flexitricity Limited**

### **Notes to the financial statements (continued)**

**for the year ended 31 March 2018**

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#### **1 Accounting policies (continued)**

##### **Current tax**

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years 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 end 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 end 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 profit and loss account, 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.

#### **1.10 Employee benefits**

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

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.

#### **1.11 Retirement benefits**

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

## Flexitricity Limited

### Notes to the financial statements (continued)

for the year ended 31 March 2018

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#### 2 Judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

#### 3 Turnover and other revenue

An analysis of the company's turnover is as follows:

	2018 £'000	2017 £'000
<b>Turnover</b>		
Sale of services	<b>4,576</b>	<b>4,323</b>

#### Turnover analysed by geographical market

	2018 £'000	2017 £'000
United Kingdom	<b>4,542</b>	<b>4,272</b>
Europe	<b>34</b>	<b>51</b>
	<b>4,576</b>	<b>4,323</b>

#### 4 Operating loss

	2018 £'000	2017 £'000
Operating loss for the year is stated after charging/(crediting):		
Fees payable to the company's auditors for the audit of the company's financial statements	<b>6</b>	<b>6</b>
Depreciation of owned tangible fixed assets	<b>68</b>	<b>59</b>

## Flexitricity Limited

### Notes to the financial statements (continued)

for the year ended 31 March 2018

#### 5 Auditor's remuneration

	2018	2017
	£'000	£'000
Fees payable to the company's auditor and associates:		
<b>For audit services</b>		
Audit of the financial statements of the company	6	6
<b>For other services</b>		
Other taxation services	5	2

#### 6 Employees

The average monthly number of persons (including directors) employed by the company during the year was:

	2018	2017
	Number	Number
	31	30

Their aggregate remuneration comprised:

	2018	2017
	£'000	£'000
Wages and salaries	1,297	1,202
Social security costs	132	121
Pension costs	115	96
	1,544	1,419

The compensation of key management personnel, who are also directors, is £412k (2017: £402k)

**Flexitricity Limited****Notes to the financial statements (continued)****for the year ended 31 March 2018****7 Directors' remuneration**

	<b>2018</b>	2017
	<b>£'000</b>	£'000
Remuneration for qualifying services	<b>314</b>	305
Company pension contributions to defined contribution schemes	<b>60</b>	59
	<u><b>374</b></u>	<u>364</u>

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 3 (2017 - 3).

Remuneration disclosed above include the following amounts paid to the highest paid director:

	<b>£'000</b>	£'000
Remuneration for qualifying services	<b>110</b>	107
Company pension contributions to defined contribution schemes	<b>15</b>	15
	<u><b>125</b></u>	<u>122</u>

**8 Interest receivable and similar income**

	<b>2018</b>	2017
	<b>£'000</b>	£'000
<b>Interest income</b>		
Interest on bank deposits	<b>1</b>	1
	<u><b>1</b></u>	<u>1</u>

**9 Interest payable and similar expenses**

	<b>2018</b>	2017
	<b>£'000</b>	£'000
<b>Interest on financial liabilities measured at amortised cost:</b>		
Other interest on financial liabilities	<b>73</b>	52
	<u><b>73</b></u>	<u>52</u>

**10 Taxation**

	<b>2018</b>	2017
	<b>£'000</b>	£'000
<b>Deferred tax</b>		
Write down or reversal of write down of deferred tax asset	<b>5</b>	62
	<u><b>5</b></u>	<u>62</u>

## Flexitricity Limited

### Notes to the financial statements (continued)

for the year ended 31 March 2018

#### 10 Taxation (continued)

The actual charge for the year can be reconciled to the expected credit for the year based on the profit or loss and the standard rate of tax as follows:

	2018 £'000	2017 £'000
Loss before taxation	<u>(562)</u>	<u>(311)</u>
Expected tax credit based on the standard rate of corporation tax in the UK of 19.00% (2017: 19.00%)	(107)	(59)
Unutilised tax losses carried forward	<u>112</u>	<u>121</u>
Taxation charge for the year	<u>5</u>	<u>62</u>

#### 11 Tangible fixed assets

	Plant and machinery £'000	Fixtures, fittings & equipment £'000	Other assets £'000	Bespoke computer system £'000	Total £'000
<b>Cost</b>					
At 1 April 2017	5	96	-	971	1,072
Additions	<u>1</u>	<u>63</u>	<u>65</u>	<u>66</u>	<u>195</u>
At 31 March 2018	<u>6</u>	<u>159</u>	<u>65</u>	<u>1,037</u>	<u>1,267</u>
<b>Depreciation and impairment</b>					
At 1 April 2017	4	49	-	833	886
Depreciation charged in the year	<u>1</u>	<u>35</u>	<u>-</u>	<u>32</u>	<u>68</u>
At 31 March 2018	<u>5</u>	<u>84</u>	<u>-</u>	<u>865</u>	<u>954</u>
<b>Carrying amount</b>					
At 31 March 2018	<u>1</u>	<u>75</u>	<u>65</u>	<u>172</u>	<u>313</u>
At 31 March 2017	<u>2</u>	<u>47</u>	<u>-</u>	<u>138</u>	<u>187</u>

**Flexitricity Limited****Notes to the financial statements (continued)****for the year ended 31 March 2018**

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<b>12 Financial instruments</b>		<b>2018</b>	<b>2017</b>
		<b>£'000</b>	<b>£'000</b>
<b>Carrying amount of financial assets</b>			
Debt instruments measured at amortised cost		<b>1,425</b>	<b>1,643</b>
		<u>          </u>	<u>          </u>
<b>Carrying amount of financial liabilities</b>			
Measured at amortised cost		<b>5,094</b>	<b>3,950</b>
		<u>          </u>	<u>          </u>
<b>13 Debtors</b>		<b>2018</b>	<b>2017</b>
		<b>£'000</b>	<b>£'000</b>
<b>Amounts falling due within one year:</b>			
Trade debtors		<b>317</b>	<b>396</b>
Other debtors		<b>2,194</b>	<b>2,256</b>
		<u>          </u>	<u>          </u>
		<b>2,511</b>	<b>2,652</b>
		<u>          </u>	<u>          </u>
		<b>2018</b>	<b>2017</b>
<b>Amounts falling due after more than one year:</b>		<b>£'000</b>	<b>£'000</b>
Deferred tax asset (note 17)		<b>376</b>	<b>380</b>
		<u>          </u>	<u>          </u>
<b>Total debtors</b>		<b>2,887</b>	<b>3,032</b>
		<u>          </u>	<u>          </u>
<b>14 Creditors: amounts falling due within one year</b>		<b>2018</b>	<b>2017</b>
	<b>Notes</b>	<b>£'000</b>	<b>£'000</b>
Other borrowings	<b>16</b>	<b>3,544</b>	<b>-</b>
Trade creditors		<b>418</b>	<b>396</b>
Other taxation and social security		<b>75</b>	<b>88</b>
Accruals and deferred income		<b>1,132</b>	<b>1,011</b>
		<u>          </u>	<u>          </u>
		<b>5,169</b>	<b>1,495</b>
		<u>          </u>	<u>          </u>

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**Flexitricity Limited**

**Notes to the financial statements (continued)**

**for the year ended 31 March 2018**

**15 Creditors: amounts falling due after more than one year**

	Notes	2018 £'000	2017 £'000
Other borrowings	16	-	2,544

**16 Loans and overdrafts**

	2018 £'000	2017 £'000
Loans from group undertakings	3,544	2,544
Payable within one year	3,544	-
Payable after one year	-	2,544

The balance above consists of two loans from the parent company. The first is a loan for £2,544k which matures on 31 October 2018. The applicable interest rate is a 4-year interest rate swap plus a 2% credit margin, payable on a half-yearly basis. The second loan is for £1,000k which forms part of a £4.4million loan facility ending on 22 March 2023. This is repayable on demand. The applicable interest rate is 3.59% p.a., payable on a half-yearly basis.

**17 Deferred taxation**

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:

	Assets 2018 £'000	Assets 2017 £'000
<b>Balances:</b>		
Tax losses	376	380
<b>Movements in the year:</b>		<b>2018 £'000</b>
Liability/(Asset) at 1 April 2017		(380)
Charge to profit or loss		4
Liability/(Asset) at 31 March 2018		(376)

## Flexitricity Limited

### Notes to the financial statements (continued)

for the year ended 31 March 2018

#### 17 Deferred taxation (continued)

The deferred tax asset set out above is expected to reverse within 36 months and relates to the utilisation of tax losses against future expected profits of the same period.

#### 18 Retirement benefit schemes

	2018	2017
	£'000	£'000
Defined contribution schemes		
Charge to profit or loss in respect of defined contribution schemes	115	96
	<u>115</u>	<u>96</u>

#### 19 Share capital

	2018	2017
	£'000	£'000
Ordinary share capital		
Issued and fully paid		
996,471 Ordinary shares of £1 each	996	996
70,000 Deferred ordinary shares of £1 each	70	70
	<u>1,066</u>	<u>1,066</u>

Ordinary shares carry full voting rights and dividend rights. Deferred shares are entitled to receive notice of all general meetings but carry no voting or dividend rights.

#### 20 Financial commitments, guarantees and contingent liabilities

The company has been the recipient of a number of grant awards from Marie Curie for the Advantage Project fund. These awards amounting to £111k (2017: £55k) are repayable in whole or in part on the occurrence of certain events as set out in the offer documents.

#### 21 Operating lease commitments

At the reporting end date the company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2018	2017
	£'000	£'000
Within one year	140	33
Between two and five years	421	561
	<u>561</u>	<u>594</u>

## **Flexitricity Limited**

### **Notes to the financial statements (continued)**

**for the year ended 31 March 2018**

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#### **21 Operating lease commitments (continued)**

#### **22 Related party transactions**

During the year the company entered into the following transactions with related parties:

The company paid membership costs of £1k (2017: £14k) to the Association of Decentralised Energy, an organisation in which Alastair Martin is a director. At the year end there was an outstanding balance of £20k (2017: £nil)

During the year, the company was also invoiced for £51k (2017: £52k) of interest costs from its ultimate parent company. Of this balance, £22k (2017: £15k) is outstanding at the year end. Additionally, the balance on the loans provided by Alpiq Holding AG is £3,544k (2017: £2,544k) and this amount is included within creditors at the year end.

#### **23 Controlling party**

The ultimate parent company is Alpiq Holding AG, a Swiss Plc, whose wholly owned subsidiary Alpiq Blue Energy AG, owns 100% of the issued share capital.

Alpiq Blue Energy AG is the parent undertaking of the smallest group of which the company is a member and for which group financial statements are drawn up. The group financial statements of this company are available to the public and may be obtained from Bahnhofquai 12, 4600 Olten, Switzerland.

Alpiq Holding AG is the parent undertaking of the largest group of which the company is a member and for which group financial statements are drawn up. The group financial statements of this company are available to the public and may be obtained from Bahnhofquai 12, 4600 Olten, Switzerland.

**Flexitricity Limited**

**Notes to the financial statements (continued)**

**for the year ended 31 March 2018**

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**24 Cash generated from operations**

	<b>2018</b>	2017
	<b>£'000</b>	£'000
Loss for the year after tax	<b>(567)</b>	(373)
<b>Adjustments for:</b>		
Taxation charged	<b>5</b>	62
Finance costs	<b>73</b>	52
Investment income	<b>(1)</b>	(1)
Depreciation and impairment of tangible fixed assets	<b>68</b>	59
<b>Movements in working capital:</b>		
Decrease/(increase) in debtors	<b>141</b>	(823)
Increase in creditors	<b>130</b>	383
<b>Cash absorbed by operations</b>	<b>(151)</b>	(641)