ElectraLink

2018

ANNUAL REPORT &

FINANCIAL STATEMENTS

COMPANY NO: 03271981

CONTENTS

DIRECTORS, OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

K D Lee	Non Executive Director and Chairman
H Jones	Non Executive Director
J Purdy	Non Executive Director
J McOmish	Non Executive Director
P Geddes	Non Executive Director
P Denniff	Non-Executive Director (appointed 15.11.18)
S Lacey	Executive Director

OFFICERS

S Lacey	Chief Executive
G Drake	Commercial and Finance Director and Company Secretary
P Gath	Chief Technical Officer

REGISTERED OFFICE

Third Floor, Northumberland House
303-306 High Holborn
London
WC1V 7JZ

BANKERS

HSBC plc
60 Queen Victoria Street
London
EC4N 4TR

SOLICITORS

Marshall Haines
351 Norton Way South
Letchworth
Hertfordshire
SG6 1SZ

Herbert Smith Freehills LLP
Exchange House
Primrose Street
London
EC2A 2HS

INDEPENDENT AUDITOR

Deloitte LLP
Statutory Auditor
London
United Kingdom

Chairman's report

I am pleased to report on a further year of progress in the development of our services, the maintenance of high standards of service delivery and of solid financial performance.

The context is a year which, in my view, heralds a watershed in energy industry thinking about how UK energy will be sourced, transported and supplied in the future. The number and roles of agents involved in the provision of energy and related services to end users continues to multiply, stimulating competition and innovation and, increasingly, responding to the need to address simultaneously and in a coherent fashion issues of availability, the environment and affordability. The key to gaining consensus and pursuing optimisation across the energy supply chain (perhaps more appropriately now described as the energy supply matrix, and, further, one of some complexity) is the ready availability of energy data and the capability to translate this into useful information that informs real world investment, operational decision making and governance. These are ElectraLink's core purposes. Bringing value to all of our stakeholders and to shareholders and is our focus. My colleagues and I feel privileged and energised to be part of progressing this industry transformation in 2018 and in preparing the company for an exciting future.

We report company profits before tax of £1.89m for 2018 (2017: £2.3m). The company's overall financial performance again reflects the composite of both its core activity of funding and operating the Data Transfer Service (DTS) on behalf of GB electricity industry companies and of its commercial activities, which provide data and governance services across the energy sector.

The DTS made a loss of £0.2m after amortisation costs in 2018, reflecting the within-year financial effect of the longer term regulated pricing formula to which it is subject. Increased traffic volumes and a growing and increasingly diverse customer base were accommodated by the DTS whilst maintaining high system availability, high transfer speeds and rapid resolution of issues with minimal service impact. We have continued to work closely with our existing and prospective DTS customers to identify their current and future needs. We have invested in maintaining fully up-to-date systems and increasing the scope and performance of the service without increasing prices. Our recent independently conducted customer survey shows increased overall satisfaction and improved perception of the DTS as value for money. We continue to plan further developments of the service which anticipate continuing volume growth and accommodates the evolution of our users' interconnected systems and increasingly wide-ranging data transfer requirements.

I am pleased to report excellent growth in both our commercial revenues to £5.8m in 2018 (2017: £4.6m) **and commercial profit to £2.1m** (2017: £1.9m). We must compete for our commercial business. The energy industry faces ever more challenging times and we have continued to invest in developing our existing and prospective products and services which anticipate the ways in which we can support the industry and share these challenges and the opportunities they bring. Again, we have been particularly successful in expanding our Governance Services activities to better serve our existing and prospective customers. We have also continued to develop our business organisation and capabilities to assist the industry with its data analytics, for reporting and for identifying potential improvements in operating processes and practices and for informing strategically important decisions.

The board was pleased to make a 2018 £1.0m dividend payment in December 2018 in line with our business plan (2017: £0.75m). Our dividend is predominantly funded from our commercial activities as DTS profitability is limited under the DTSA to a return on working capital and outstanding investment in the DTS asset, which remains minimal as we have progressively driven down the cost of the service since its inception. Subsequent to this distribution **we maintain a strong balance sheet with year-end working capital of £7.6m** (2017: £7.1m) and **an aggregate £7.1m** (2017: £6.0m) **of cash at bank and cash investments,** sufficient to meet all of the operating and development needs of the DTS and potential commercial activities in our business plan without recourse to external funding.

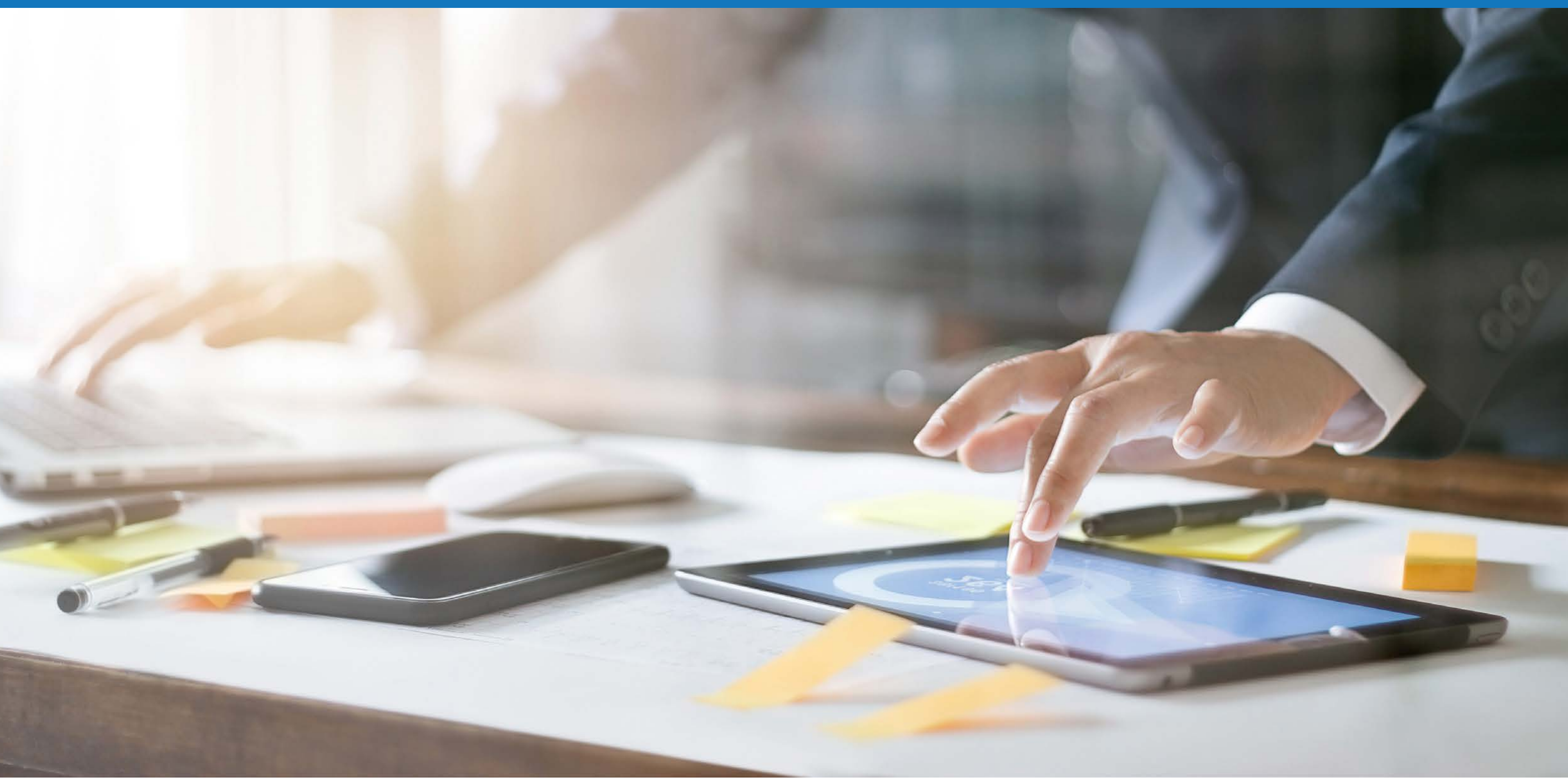
The Board was pleased to welcome Paul Denniff as a non-executive Director of the ElectraLink Board during 2018. Paul is currently Network & Safety Director and previously Director of Customer Service & Engineering Support within SGN (Scotia Gas Networks). Paul's appointment reflects the ongoing convergence and commonality of issues between gas and electricity sourcing, transport and supply.

ElectraLink's future continues to rest with innovation in support of the energy industry's collective endeavours whilst maintaining service levels, quality support and up to date technical capabilities for all of our existing activities. On behalf of the Board, my thanks once again to our shareholders and customers for their continuing support in 2018 and to our executive team and all of our staff for their hard work, dedication and very considerable achievements in the development and delivery of our services throughout the year.

Kevin Lee
Chairman

CHIEF EXECUTIVE OFFICER'S REPORT

I am pleased to report that over the last 12 months **ElectraLink has continued to grow and transform its operations**. ElectraLink's core business is the delivery of the Data Transfer Service (DTS) which supports business processes, such as change of supplier, through the provision of a secure and cost effective means of transferring data between market participants.



ElectraLink also provides commercial services to the UK utilities market through a consent granted by Ofgem to the company's shareholders. These commercial services facilitate competition and innovation by improving data transparency and facilitating the implementation of change in a complex industry. The growth of ElectraLink's commercial services reflects the rapid evolution of the UK energy market and the need for central systems and codes to accommodate this change.

The DTS provides utility market participants with a standard market data interface facilitating competition and making it easier for innovative service providers to enter the energy market. Before 2016 the DTS was provided by ElectraLink only to the retail electricity market however, in 2016 the DTS was extended into the gas market and the service is now governed by a combination of gas and electricity industry codes. The company is now looking to extend the service into the water market. The DTS continues to be regulated by Ofgem.

During 2018 ElectraLink has continued to drive down the cost of the DTS to the energy industry maintaining the level of DTS charges at 2017 levels. **Over 2018 the volume of traffic carried by the service grew by 17%**. Service levels and DTS customer satisfaction was maintained over the year consolidating ElectraLink's position as the highest ranked provider of central services to the UK energy market. These excellent results are a tribute to the dedicated ElectraLink team and our service providers.

ElectraLink's commercial services grew in 2018 with revenues up 25% (2017: 35%) on the prior year.

In addition to procuring and managing the DTS, ElectraLink has also procured and is managing as a commercial service the Theft Risk Assessment Service (TRAS). The TRAS pools market data to provide intelligence in support of the investigation of theft of gas and electricity. The TRAS, and ElectraLink's reporting of market data into the regulator, are demonstrating how the central analysis of data can deliver consumer benefit by the better identification of issues in an energy market that is rapidly fragmenting.

ElectraLink's commercial services grew in 2018 with revenues up 25% (2017: 35%) on the prior year. Our Governance Services business unit in particular showed strong growth with a significant investment in the size and the skills of the team. Through the permission of the users of the DTS, ElectraLink is able to store and analyse the data that passes across the DTS. **The company's analysis of the DTS dataset has created a range of Energy Market Insight (EMI) services, the revenues from which grew by 88% in 2018** (2017: -4%). The UK's continuing growth in renewable generation, the deployment of storage batteries, the installation of smart meters and the transformation of the role of the supplier are strong drivers of continuing growth of both the Governance Services and EMI business units.

> The company ended the year in a **strong financial position** with **net assets** of **£10.0m** (2017: £9.4m).

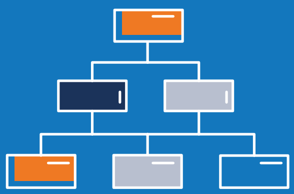
Whilst continuing to invest in the DTS and innovative commercial services, ElectraLink has maintained a strong financial position. The company generated a 15% (2017: 21%) net profit before tax margin in 2018. Operating profits fell by 18%, driven by system re-procurement costs, and total turnover rose by 14%. **The company ended the year in a strong financial position with net assets of £10.0m** (2017: £9.4m). This is after the payment of a dividend to shareholders of £1.0m (2017: £0.75m) during the year. Aggregate cash at bank and cash investments at the year-end are £7.1m (2017: £6.0m).

ElectraLink has a unique position in the UK energy market as a Central Body, owned by the Distribution Network Operators (DNOs), which operates across the electricity and gas markets. The UK energy market is currently in a period of profound change creating opportunities for innovative businesses with non-traditional approaches. ElectraLink's vision is to be the bridge that underpins the transformation of the energy market. We have an established role in the current arrangements but with a strong team, committed shareholders, and financial strength we will be at the forefront of this transformation growing both as a Central Body and as a provider of commercial services. We expect the role of regulated data and central market systems to expand. We also expect the demand for high quality, cost effective code management services and innovative data analytics to grow as energy market competition increases and innovation takes hold.

Stuart Lacey
Chief Executive

IN BRIEF

ElectraLink's commercial services grew in 2018 with revenues up **25%** on the prior year.



2018 marked 20 years of ElectraLink being at the heart of the UK energy industry. A lot has changed in that time and we continue to grow to meet the ever changing needs of the energy industry. In 2018 alone our headcount increased by 46%, reflective not only of our increasing remit but also the increasing demand for our services.

Overall, we generated a 15% net profit before tax return on sales, reflecting the financial performance of the DTS with an impact on the increasing number of users, growing traffic and the winding down of the DTS Asset amortisation costs.

STRATEGIC REPORT

In 2018, ElectraLink continued to engage with the market and deliver service excellence. This supported the continuing growth of its commercial services in particular an expansion of governance services contracts.

BUSINESS REVIEW AND KEY PERFORMANCE INDICATORS

The company has ended the year in a strong financial position with sufficient net assets and liquid resources available to meet all our anticipated trading and operational commitments for the coming year. **Net assets at the year-end are £10.0m** (2017: £9.4m) **and working capital is £7.6m** (2017: £7.1m). The company had aggregate cash at bank and cash investments, see note 11, of £7.1m (2017: £6.0m) at the year-end date.

Overall, the company generated a 15% (2017: 21%) net profit before tax return on sales, reflecting:

- The financial performance of the DTS due to the impact of an increasing number of users, growing traffic and the winding down of the DTS Asset amortisation costs; and
- The continuing strong growth of our commercial businesses.

The DTS continues to be provided in accordance with the DTS Charging Principles that set out the cost pass-through and investment recovery arrangements for that service. Any accelerated or delayed investment recovery in one year is a timing item reversed in the subsequent year through a “k factor” adjustment to the pricing, thus impacting reported DTS profits in that subsequent year but with the revenue effect of this pricing adjustment being met from existing cash reserves.

During 2018, the company has managed DTS operating expenses effectively whilst accommodating continued traffic growth. During 2018 total traffic volume on the DTS was 1721Gb reflecting year-on-year growth of 17% against 2017 (2017: 32%). The above addresses all significant KPIs within the business.

In 2018, ElectraLink continued to engage with the market and deliver service excellence. This supported the continuing growth of its commercial services in particular an expansion of governance services contracts. Our ongoing marketing activities in the year have continued to provide us with a sound foundation on which to build our commercial services portfolio. During 2018, the company continued to invest in strengthening its market position, through contribution to and participation in industry initiatives as well as increasing our internal delivery and development resource.

FURTHER DEVELOPMENTS

The ongoing challenge for the coming year will be to continue to build upon our excellent service delivery record and increase and expand our service portfolio in the UK utilities markets, capitalising on technology and governance opportunities arising out of the ongoing roll out of Smart Metering, faster switching for energy consumers, further consolidation between electricity and gas market, and the continued development of our data transfer and analysis services to underpin industry changes.

PRINCIPAL RISKS AND UNCERTAINTIES AND FINANCIAL RISK MANAGEMENT

The Board examines the major strategic, business and operational risks that the Company faces on a regular basis, including formal reviews at Board Meetings. A system has been established that ensures risks are monitored and reported regularly at all levels, and that appropriate actions are in place to mitigate perceived significant risks.

ElectraLink maintains a comprehensive set of delegations of authority and financial regulations, and any material breach is reported to the Audit Committee. The financial controls and procedures are reviewed regularly and there were no breaches during the year.

The Board manages credit risk by trading with reputable counterparties who have an established credit history. Liquidity risk is managed by maintaining strong cash reserves.

The Board has a clear risk management strategy. As part of that strategy, it regularly assesses business risk by reviewing and updating the corporate risk register in context of developments in the external environment and internal operations. A number of core risks are continuously managed including:

- The impacts of regulatory and industry changes taking place in relation to our core contracts;
- Increased competition from existing competitors and new entrant organisations into the energy market;
- Dependency on key suppliers; and
- Other internal operational risks include the retention of key talent and infrastructure resilience.

These risks are regularly appraised, and mitigating actions are put in place as appropriate. The risks facing the business are regularly assessed against the 3-year Business Plan, which is reviewed on an annual basis and modified to reflect significant changes in the operating environment.

Approved by the Board of Directors and signed on behalf of the Board

K D Lee
Director
21 March 2019

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31 December 2018.

PRINCIPAL ACTIVITY

The principal activity of the company is the provision of the Data Transfer Service ("DTS"), which underpins the effective and efficient exchange of business critical data between electricity supply, distribution, meter agents and the balancing and settlement code company in the UK domestic electricity supply market.

The company also provides data transfer services to customers in the wider electricity and gas markets in support of their Distribution Use of System ("DuoS"), Gas Metering, Notification of Old Supplier Information ("NOSI"), Review of Gas Metering Arrangements ("RGMA") and File Cloner activities. Since 2012, the company has provided Data Analytics services to energy market participants using the DTS data set and third party data to improve the efficiencies of the energy market.

The company also delivers sector leading code administration and secretarial agreement services in support of code governance arrangements in both the electricity and gas markets.

RESULTS AND DIVIDENDS

The audited accounts for the year ended 31 December 2018 are set out on pages 20 to 37.

The company's profit after tax for the year ended 31 December 2018 was £1,543,444 (2017: £1,858,124).
The directors do not recommend the payment of a final dividend. An **interim dividend of £1,000,100 was declared and paid during the year (2017: £700,075)**.

DIRECTORS

The directors who served throughout the year were:

K. D. Lee (Chairman)
H. Jones
J. Purdy
J. McOmish
P. Geddes
P Denniff (appointed 15.11.18)
S. Lacey

STATEMENT OF DISCLOSURE OF INFORMATION TO AUDITOR

Each of the directors 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 to make themselves 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 s418 of the Companies Act 2006.

AUDITOR

Deloitte LLP have expressed their willingness to continue in office as auditor and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

CORPORATE GOVERNANCE: BOARD STATEMENT

ElectraLink is committed to maintaining high standards of corporate governance throughout its activities. The company is a private limited company and is not subject to the corporate governance principles and practice set out in the April 2016 UK Corporate Governance Code ("the Code") as incorporated in the UK Listing Authority Listing Rules. However, the Board has adopted those provisions in the September 2014 edition of the Code on corporate governance and in respect of the conduct of audit committees that the directors consider appropriate for the company.

THE BOARD

There is an effective and appropriately constituted Board that receives such information as required to properly fulfil its duties. The Board currently comprises a Non-Executive Chairman; four Non-Executive Directors and one Executive Director who together bring a wide range of skills and experience to the Board. All directors are obliged to submit themselves for re-election at least every three years.

The Board normally meets every month and may meet on an ad hoc basis to consider matters that are time critical. The Board's principal focus is the overall strategic direction, development, and operation of the company. In support of this focus, the Board approves the company's annual budget, capital expenditure proposals, business development plans, governance and compliance and has oversight of the company's operating and financial performance. The Board is also responsible for the company's overall system of internal controls.

The Board takes the opportunity afforded by the AGM to ensure the company's operating performance and plans are communicated to shareholders.
In addition, the company's forward-looking business plan is presented to shareholders at the end of each financial year and shareholders are provided regular updates on key strategic matters throughout the year.

PRINCIPAL BOARD COMMITTEES

The Board has established Audit, Remuneration, and Nomination committees comprising the Non-Executive Directors only, supported by members of the executive management team and professional advisers as required to ensure appropriate governance procedures and controls are applied.

The Audit Committee is chaired by the Non-Executive Chairman and its terms of reference include the review of the company's annual financial statements, accounting policies and internal management and financial controls. It also considers the appointment and fees of the external auditor and reviews the audit scope as well as the findings and management letters arising from audits. The fees for non-audit services provided by the auditor are reviewed and agreed by the Board. Company Officers and the external auditor attend meetings at the request of the committee.

The Remuneration Committee's key role is to determine the appropriate levels of remuneration for the company's executive management team. In 2016 the Committee worked with Independent Remuneration Advisors to benchmark and review remuneration structures for these roles. Directors' remuneration is set at the level appropriate to the size of the business and commensurate with the need to run the business successfully and is approved by the shareholders at the AGM.

The Nominations Committee considers arrangements for the appointment of directors and appointments of senior managers within the executive management team.

INTERNAL CONTROL

The Board is responsible for the company's system of internal control and for reviewing its effectiveness. Such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives and is not an absolute assurance against material misstatement or loss.

The Board has reviewed the key business, financial, operational and compliance risks facing the company, prioritised their significance and determined current procedures and processes in place to detect and address them. The Board has also developed a mechanism for the monitoring of risk and associated controls and a company risk register is reviewed by the Board quarterly.

The company's business activities, together with factors likely to affect its future development, performance and position are set out in the Strategic report, the Chairman's report and the Chief Executive's report. These reports also outline the company's financial position, liquidity position and financial risk management risks.

The company has considerable financial resources, no borrowings and, due to the nature of its core business, a secure revenue stream. Therefore, the directors believe that the company is well placed to manage its business risks successfully against the background of general uncertainties in economic outlook.

After making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

Approved by the Board of Directors and signed on behalf of the Board

K D Lee
Director

DIRECTORS' RESPONSIBILITIES STATEMENT

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), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They 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.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

INDEPENDENT AUDITOR'S REPORT

We have audited the financial statements of Electralink Limited for the year ended 31st December 2018 which comprise the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity, the Cash Flow Statement and the related notes 1 to 18.

OPINION

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its profit for the year then ended;

- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and

- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Electralink Limited (the 'company') which comprise:

- the Income Statement;
- the balance sheet;
- the statement of changes in equity;
- the cash flow statement;
- the statement of accounting policies; and
- the Notes to the financial statements 1 to 17.

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

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 are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in 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..

We have nothing to report in respect of these matters.

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 respect of these matters.

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.

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: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Opinions on other matters prescribed by the Companies Act 2006

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

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 any material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

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

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

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

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

We have nothing to report in respect of these matters.

USE OF OUR 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.

Dean Cook MA FCA
(Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom
21 March 2018

INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	2018 £	2017 £
Turnover	1	12,603,455	11,100,078
Cost of sales		(3,865,903)	(3,540,044)
Gross profit		8,737,552	7,560,034
Administrative expenses		(6,849,187)	(5,253,446)
Operating profit		1,888,365	2,306,588
Finance costs (Net)	2	5,583	4,499
Profit before taxation	3	1,893,948	2,311,088
Tax on profit	5	(350,504)	(452,964)
Profit for financial year		1,543,444	1,858,124

The company's results are all derived from continuing activities. There are no items of Other Comprehensive Income in addition to the profit stated above, and therefore no separate statement of Other Comprehensive Income is produced.

BALANCE SHEET

	Notes	2018 £	2017 £
Fixed assets			
Intangible assets	7	237,737	183,904
Tangible assets	8	2,073,715	2,216,977
Current assets		**2,311,452**	**2,400,881**
Debtors: amounts falling due within one year	9	2,922,403	2,939,025
Debtors: amounts falling due after one year	9	0	10,598
Cash at bank and in hand	10	7,116,054	6,014,928
		10,038,457	**8,964,551**
Creditors: amounts falling due within one year	11	(2,398,052)	(1,912,560)
Net current assets		**7,640,405**	**7,051,991**
Total assets less current liabilities		9,951,856	9,452,872
Provisions for liabilities	13	27,152	(17,208)
Net assets		**9,979,008**	**9,435,664**
Capital and reserves			
Called up share capital	14	1,000	1,000
Profit and loss account	14	9,978,008	9,434,664
Shareholders' funds		**9,979,008**	**9,435,664**

The financial statements of ElectraLink Limited, registered number 03271981 were approved by the Board of Directors on 21 March 2019.

Signed on behalf of the Board of Directors

K D Lee
Director

STATEMENT OF CHANGES IN EQUITY

	Called up share capital	Profit and loss account	Total
At 1 January 2017	1,000	8,326,614	8,327,615
Profit for the financial year	-	1,858,124	1,858,124
Dividend Paid on equity Shares	-	(700,075)	(700,075)
At 31 December 2017	1,000	9,434,663	9,435,663
Profit for the financial year	-	1,543,444	1,543,444
Dividend paid on Equity shares	-	(1,000,100)	(1,000,100)
At 31 December 2018	1,000	**9,978,008**	**9,979,008**

CASH FLOW STATEMENT

	Notes	2018 £	2017 £
Net cash flow from operating activities	16	2,626,553	1,986,579
Cashflows from investing activities			
Finance Costs (Net)		5,583	4,499
Purchase of equipment		(530,911)	(1,464,257)
Net cash flow from operating activities		**(525,327)**	**(1,459,757)**
Cashflows from Financing activities			
Dividends Paid	7	(1,000,100)	(750,075)
Net cashflows from financing activities		**(1,000,100)**	**(750,075)**
Net increase in cash and cash equivalents		**1,101,126**	**(223,253)**
Cash and cash equivalents at beginning of year		6,014,928	6,238,181
Cash and cash equivalents at end of year		**7,116,054**	**6,014,928**
Reconciliation to cash at bank and in hand:			
Cash at bank and in hand at end of year	11	6,014,928	6,014,928
Cash and cash equivalents at end of year		**7,116,054**	**6,014,928**

NOTES TO THE FINANCIAL STATEMENTS

Accounting Policies

A summary of the principal accounting policies is set out below. They have all been applied consistently throughout the year and to the preceding year.

General information and basis of accounting

ElectraLink Limited is a private company incorporated in the United Kingdom (England & Wales) under the Companies Act 2006. The address of the registered office is given on page 3. The nature of the company's operations and its principal activities are set out in the Directors' report on pages 12 to 14.

The financial statements have been prepared under the historical cost convention, and in accordance with Financial Reporting Standard 102 (FRS102) issued by the Financial Reporting Council. The Company has applied the amendments to FRS 102 issued by the FRC in July 2015 and the amendments to Company law made by The Companies, Partnerships and Groups (Accounts and Reports) Regulations 2015.

The functional currency of ElectraLink Limited is considered to be pounds sterling because that is the currency of the primary economic environment in which the Company operates.

Going concern

The financial statements have been prepared on the going concern basis for the reasons set out in the Directors' Report. After making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

Intangible fixed assets

Intangible fixed assets are stated at cost, net of amortisation and include software costs unless they are closely related to specific hardware when they are instead capitalised as tangible fixed assets. Internally generated intangible assets are capitalised from the point which the project moves from a research to a development phase. Amortisation is provided on all intangible fixed assets at rates calculated to write off the cost of each asset on a straight-line basis over its expected useful life as follows:

Software	three years
Data asset	three years

The amortisation expenses are classified within administrative expenses.

Tangible fixed assets

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment. Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost, less estimated residual value, of each asset on a straight-line basis over its expected useful life, as follows:

DTS asset	over life of service contract
Leasehold improvements	over life of lease
Fixtures and fittings	three years
Computer equipment	three years

Residual value represents the estimated amount which would currently be obtained from disposal of an asset, after deducting estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life.

With the DTS asset the expectation was that it would be re-procured in May 2019. However, ElectraLink's plans are now such that, the life of the asset wil be extended to the original date of May 2020. The change in the useful life of the asset changes the amortisation as follows:

Amortisation	One Year	Two to Five Years	Over Five Years
	504,814	622,005	168,911

Cash equivalents

Cash equivalents are short-term highly liquid investments, with a maturity period of less than three months from the date of acquisition, that are readily convertible to known amounts of cash and that are subject to an insignificant risk of changes in value.

Turnover

Turnover is stated net of VAT. Turnover from the supply of services represents the value of services provided under contracts to the extent that there is a right to consideration and is recorded at the value of the consideration date. Where a contract has only been partially completed at the balance sheet date turnover represents the value of the service provided to the date based on a proportion of the total contract value. Where payments are received from customers in advance of services provided, the amounts are recorded as Deferred Income and included as part of creditors due within one year. All turnover is from the UK for the rendering of services.

Cost of sales

Cost of sales represents amounts payable for services received from external network service providers recognised on an accruals basis.

Financial Instruments

Financial assets and financial liabilities are recognised when the company becomes a party to the contractual provisions of the instrument.

All financial assets and liabilities are initially measured at transaction price (including transaction costs).
Financial assets are derecognised when and only when a) the contractual rights to the cash flows from the financial asset expire or are settled, b) the company transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or c) the company, despite having retained some significant risks and rewards of ownership, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without needing to impose additional restriction on the transfer.

Debt instruments which meet the following conditions of being 'basic' financial instruments as defined in paragraph 11.9 of FRS 102 are subsequently measured at amortised cost using the effective interest method. Debt instruments that have no stated interest rate (and do not constitute financing transaction) and are classified as payable or receivable within one year are initially measured at an undiscounted amount of the cash or other consideration expected to be paid or received, net of impairment.

Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

Retirement benefits

For defined contribution schemes the amount charged to the profit and loss account in respect of pension costs and other post-retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

Finance costs

Finance costs that are directly attributable to the construction of tangible fixed assets are capitalised as part of the cost of those assets. The commencement of capitalisation begins when both finance costs and expenditures for the asset are being incurred and activities that are necessary to get the asset ready for use are in progress. Capitalisation ceases when substantially all the activities that are necessary to get the asset ready for use are complete.

NOTES TO THE FINANCIAL STATEMENTS

Recognition of profits and losses

The accounts have been prepared on the basis of revenues and costs incurred in the year, which are considered to reflect the services provided in the year.

Taxation

Current tax, including UK corporation tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date that are expected to apply to the reversal of the timing difference.

Current tax assets and liabilities are offset only when there is a legally enforceable right to set off the amounts and the company intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Deferred tax assets and liabilities are offset only if a) the Company has a legally enforceable right to set off current tax assets against current tax liabilities; and b) the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Leases

Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis. Benefits received and receivable as lease incentives are similarly spread on a straight line basis over the lease term.

2. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Company's accounting policies, which are described in note 1, 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 if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

There are no critical judgments made by the directors in applying the Company`s accounting policies other than revenue recognition and the useful life of property, plant and equipment. There are no key sources of estimation uncertainty.

Revenue Recognition

Service revenue is recognised in profit or loss based on the stage of completion of the services at the end of the reporting period, and therefore requires management judgement as to the stage of completion at the period end.

Useful life of property plant and equipment

As described in note 9, the Company reviews the estimated useful lives of its property, plant and equipment annually at the end of each reporting period. During the year the Company assessed the useful lives of its assets and concluded that the period adopted in prior years reasonably represents the average useful life of the Company's assets and should be maintained for its equipment in 2018.

1. TURNOVER

	2018 £000s	2017 £000s
Data Transfer Service	6,794	6,436
Commercial	5,810	4,653
	12,604	11,089

2. FINANCE INCOME(NET)

	2018 £	2017 £
Interest receivable	5,583	10,072
Interest payable	-	(5,573)
Finance Income (net)	5,583	4,499

Interest receivable is generated from short-term cash deposits and late payment interest charges on receivables. Interest payable relates to late payment interest charges on payable balances.

3. PROFIT BEFORE TAXATION

Profit before taxation is stated after charging:

	2018 £	2017 £
Depreciation and amortisation of fixed assets	718,595	524,633
Operating lease rentals	271,862	299,103
The analysis of the auditors' remuneration is as follows:		
Fees Payable to the company's auditor and their associates for the audit of the company's annual accounts	50,000	47,840
Fees payable to the company's auditor and their associates for other services to the company	9,000	9,000

NOTES TO THE FINANCIAL STATEMENTS

4. STAFF COSTS

Employee costs (excluding executive and non-executive directors' costs) during the year amounted to:

	2018 £	2017 £
Wages and salaries	2,585,165	2,279,795
Social security costs	356,244	295,848
Pension costs	190,177	116,859
	3,131,587	**2,692,502**

The company operates a workplace pension scheme (from January 2018) and a group personal pension scheme. Contributions for the workplace pension scheme are made by the employer at the prescribed rate, and additional voluntary contributions are matched to a maximum company contribution per employee of £3,266. This is accounted for as a defined contribution scheme under FRS 102:28. The outstanding balance at year-end was £18,872 (2017:£10,993), included within creditors: amounts falling due within one year (note 12).

The average number of persons directly employed by the company during the year was as follows:

	2018 No.	2017 No.
Managerial, technical and administration staff	53	40

Key Management Personnel	2018 £	2017 £
Emoluments (excluding pension contributions)	977,180	1,111,070
Contribution to defined contribution scheme	75,364	59,552
	1,052,544	**1,170,622**

Directors' remuneration

The remuneration in respect of directors was as follows:

	2018 £	2017 £
Emoluments (excluding pension contributions)	511,819	421,485
Contribution to defined contribution scheme	3,242	3,179
	515,061	424,664

	2018 No.	2017 No.
Number of directors who are members of defined contribution scheme	1	1

Remuneration of the highest paid director	2018 £	2017 £
Emoluments	372,669	330,085
Contribution to defined contribution scheme	3,242	3,179
	375,911	333,264

During the year the company paid a total of £42,400 (2017: £41,200) to shareholder companies for the provision of services of directors (see note 18).

NOTES TO THE FINANCIAL STATEMENTS

5. TAX ON PROFIT

Current tax on profit	2018 £	2017 £
United Kingdom corporation tax	371,926	428,643
Current tax prior year adjustment	22,938	24,519
Total current tax	394,864	449,572
Deferred tax charge	(3,650)	27,117
Deferred tax prior year adjustment	(40,710)	(27,314)
Total tax on profit	**350,504**	**452,964**

The standard rate of tax that applies to reported profit is 19.00% (2017: 19.25%). The applicable tax rate has changed following the substantive enactment of the Finance Act 2014.

The differences between the total tax charge shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax is as follows:

	2018 £	2017 £
Profit before tax	1,893,948	2,311,088
Tax charge on profit at standard UK corporation tax rate of 19.25% (2016: 20 %)	359,850	444,884
Effect of:		
Expenses not deductible for tax purposes	7,997	10,875
Adjustment to tax charge in respect of previous periods	(17,772)	(2,796)
Total tax charge for period	**350,075**	**452,964**

Factors that may affect future tax charges

On 26 October 2015, the Finance (No. 2) Act 2015 was substantively enacted and provided for a reduction in the main rate of corporation tax from 20% to 19% effective from 1 April 2017. On 6 September 2016, the Finance Act 2016 was substantively enacted and provided for an additional reduction in the main rate of UK corporation tax to 17% from 1 April 2020. Where relevant the reduced rates have been reflected in the calculation of deferred tax at the balance sheet date.

6. DIVIDENDS PAID AND DECLARED

Equity shares	2018 £	2017 £
Interim dividend declared and paid of £100 (2017: £75) per ordinary share	1,000,100	750,075

7. INTANGIBLE ASSETS

	Software £	Data Asset £	Total £
Cost			
At 1 January 2018	121,851	132,405	254,256
Additions	53,020	98,255	151,275
Disposals	-	-	-
At 31 December 2018	174,871	230,660	405,531
Accumulated depreciation			
At 1 January 2018	26,217	44,135	70,352
Charge for the year	53,307	44,135	97,442
Disposals	-	-	-
At 31 December 2018	79,524	88,270	167,794
Net book value			
At 31 December 2018	95,347	142,390	237,737
At 31 December 2017	95,634	88,270	183,904

NOTES TO THE FINANCIAL STATEMENTS

8. TANGIBLE FIXED ASSETS

	DTS Asset £	Leasehold improvements £	Fixtures and fittings £	Computer equipment £	Total £
Cost					
At 1 January 2018	2,954,007	272,997	104,914	437,609	3,769,527
Additions	403,052	16,069	14,847	43,923	477,891
Disposals	-	-	-	-	-
At 31 December 2018	3,357,059	289,066	119,761	481,532	4,247,418
Accumulated depreciation					
At 1 January 2018	1,293,281	3,516	4,409	251,345	1,552,551
Charge for the year	444,565	29,705	38,483	108,401	621,154
Disposals	-	-	-	-	-
At 31 December 2018	1,737,846	33,221	42,892	359,746	2,173,705
Net book value					
At 31 December 2018	**1,619,213**	**255,845**	**76,869**	**121,786**	**2,073,713**
At 31 December 2017	1,660,726	269,481	100,505	186,264	2,216,977

9. DEBTORS

	2018 £	2017 £
Amounts falling due within one year:		
Trade debtors	1,296,256	1,523,213
Amounts due from shareholders (note 18)	181,131	307,376
Other debtors	31,946	22,515
Prepayments and accrued income	1,413,069	1,085,921
	2,922,403	**2,939,025**
Amounts falling due after one year:		
Other debtors	-	10,598

10. CASH AND CASH EQUIVALENTS

	2018 £	2017 £
Cash at bank and in hand	7,116,054	6,014,928
	7,116,054	**6,014,928**

11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2018 £	2017 £
Trade creditors	668,463	438,706
UK corporation tax	43,929	167,209
Other taxes and sundry creditors	533,839	346,451
Amounts owed to Shareholders	42,400	61,314
Accruals and deferred income	1,151,821	898,880
	2,398,052	**1,912,560**

NOTES TO THE FINANCIAL STATEMENTS

12. FINANCIAL INSTRUMENTS

The carrying value of the company's financial assets and liabilities are summarised by category below:

Falling due within one year	2018 £	2017 £
Financial assets		
Measured at undiscounted amount receivable		
- Trade and other debtors	1,328,202	1,545,728
- Amounts due from elated undertakings	181,131	307,376
Financial Liabilities		
Measured at undiscounted amount receivable		
- Trade and other creditors	668,463	438,706
- Amounts owed to Shareholders	42,400	61,314

The company's income, expense and gains and losses in respect of financial instruments are summarised below:

Interest income and expense	2018 £	2017 £
Total interest income for financial assets at amortised cost	5,583	10,072
Total interest expense for financial liabilities at amortised cost	-	(5,573)

13.PROVISIONS FOR LIABILITIES

	Deferred taxation £	Total £
Company		
At 1 January 2018	(17,208)	(17,208)
Charged to profit and loss account	44,360	44,360
At 31 December 2018	**27,152**	**27,152**

14.CALLED UP SHARE CAPITAL AND RESERVES

	2018 £	2017 £
Called up, allotted and fully paid:		
10,001 ordinary shares of 10p each	1,000	1,000
Reserves		
Profit and loss account	9,978,008	9,434,664

The profit and loss reserve represent cumulative profits or losses net of dividends paid and other adjustments.

NOTES TO THE FINANCIAL STATEMENTS

15.CASH FLOW INFORMATION

Reconciliation of operating profit to net cash inflow from operating activities

	2018 £	2017 £
Operating profit	1,888,365	2,306,588
Taxation (paid)	(518,150)	(553,575)
Adjustment for:		
Depreciation	718,595	524,633
Operating cash flow before movement in working capital	2,088,810	2,277,646
Decrease/(Increase) in debtors	27,220	(419,077)
Decrease in creditors	510,524	128,010
Cash generated by Operations	**2,626,553**	**1,986,579**

16.FINANCIAL COMMITMENTS

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

	2018		2017	
	Plant and equipment £	Other £	Plant and equipment £	Other £
Total payments				
- one year	2,686	185,770	2,014	201,439
- between two and five years	**4,700**	**479,907**	**6,043**	**887,102**

Other commitments relate primarily to the lease of the company`s corporate office.

17.RELATED PARTY TRANSACTIONS AND CONTROLLING PARTIES

The company is owned by the 14 electricity distribution licence holder companies in England, Scotland and Wales with a distribution services area specified in their licence, each of whom owns less than 10% of the share capital. The company provides data transfer and governance services to its shareholders and to other parties. There is no ultimate controlling party.

Year-end balances due from each of its shareholders are as follows (note 10): these receivables are unsecured and interest-free:

	2018 £	2017 £
Eastern Power Networks plc	5,209	26,395
Western Power Distribution (East Midlands) plc	92,081	93,239
Scottish Hydro Electric Power Distribution Ltd	6,694	8,045
London Power Networks plc	-	-
SP Manweb plc	3,542	4,188
Western Power Distribution (West Midlands) plc	-	3,147
Northern Powergrid (Northeast) Limited	1,959	4,416
Electricity North West Limited	3,692	9,735
South Eastern Power Networks plc	4,356	4,779
Southern Electric Power Distribution plc	29,124	34,799
SP Distribution Ltd	30,401	105,590
Western Power Distribution (South West) plc	-	2,530
Western Power Distribution (South Wales) plc	-	3,351
Northern Powergrid (Yorkshire) plc	4,073	7,162
	181,131	**307,376**

Trading with shareholders throughout the year was undertaken in the normal course of business, with all charges made on the same basis as other users of the same services. The aggregate value of turnover to shareholders was 2018 £1.3m (2017: £1.4m).

Fees, including reimbursement of expenses paid to third parties in respect of directors' services:

	2018 £	2017 £
Northern Powergrid (Northeast) Limited	21,200	20,600
UK Power Networks	21,200	40,600
	42,4200	**61,200**