ElectraLink

ANNUAL REPORT & FINANCIAL STATEMENTS

2016

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
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

Ground Floor, Grafton House
2-3 Golden Square
London
W1F 9HR

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

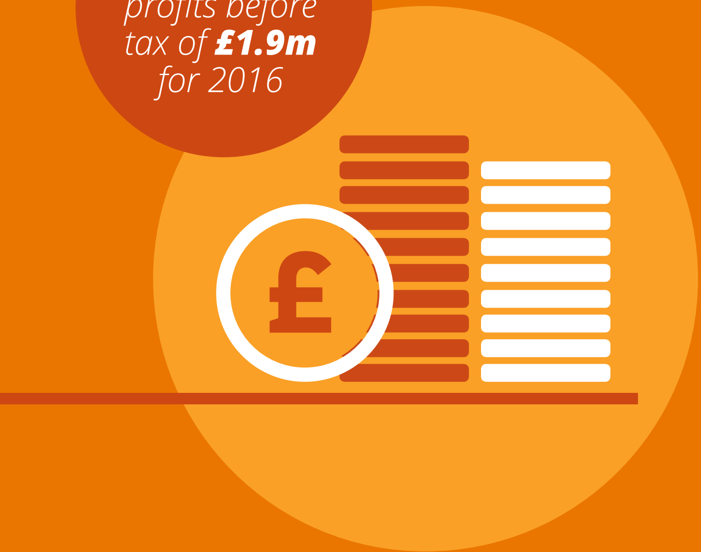
INDEPENDENT AUDITOR

Deloitte LLP
Chartered Accountants and
Statutory Auditor
London
United Kingdom

CHAIRMAN'S REPORT

I am pleased to report on a year of further progress in the development of our services, the maintenance of high standards of service delivery and of solid financial performance. We have continued to work closely with customers of our core business, the Data Transfer Services (DTS), to identify their current and future needs.

We report company profits before tax of ***£1.9m*** *for 2016*



Traffic volumes and the number of service users have grown significantly within the year, nevertheless high system availability and high transfer speeds have been maintained and any identified issues quickly resolved without significant service impacts. We continue to plan further developments of the service which anticipate continuing volume growth and accommodate the evolution of our users' interconnected systems and increasingly diverse data transfer requirements

We report company profits before tax of £1.9m for 2016 (2015: £2.2m). The company's overall financial performance again reflects the composite of both its core activity of funding and operating the DTS on behalf of GB electricity industry companies and its commercial activities, which provide data and governance services across the energy sector.

Once again the majority of DTS profits, £0.6m after amortisation costs, arise from our achieving lower than budgeted costs for the development and operation of the data transfer network, with the revenue reduction following from our mid-year traffic price reduction of 15% effective from 1st July partially offset by higher volumes of network traffic through the year. Under the pricing formula in the DTS Agreement the bulk of these profits will flow back into future DTS user charges. ElectraLink's staff continues to work towards reducing the cost of the DTS to its users.

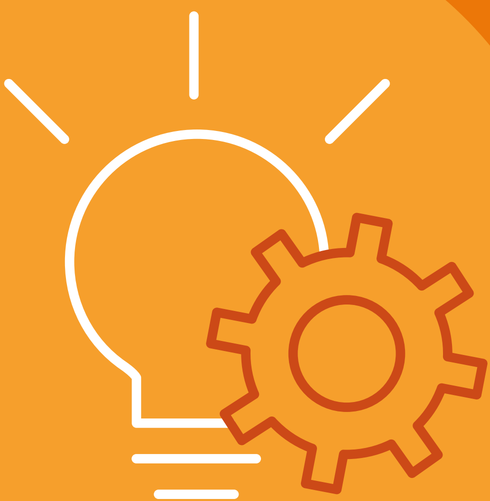
Growth in our commercial revenues to £3.4m in 2016 (2015: £2.9m) has been offset by investment in our Data Analytics division decreasing commercial profit to £1.3m [2015: £1.4m]. Our commercial business must be won competitively and relies on our continuing development of existing and prospective products and services. Once again, we have been particularly successful in expanding our Governance Services activities. We shall be investing further in our Governance Services resources to better serve our existing and prospective customers. We are also continuing to develop our business organisation and capabilities to assist the industry with its transfer and use of data for reporting and for identifying potential improvements in operating processes and practices.

The board was pleased to make a 2016 £0.6m dividend payment in November in line with our business plan [2015: £0.57m]. 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 £6.9m (2015: £5.8m) and an aggregate £6.2m (2015: £5.3m) 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.

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 2016 and to our executive team and all of our staff for their commitment and achievements in the development and delivery of our services throughout the year.

Kevin Lee
Chairman

*ElectraLink's future **continues to rest with innovation** in support of the energy industry's collective endeavours*



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 participants in the UK energy market.

ElectraLink has managed DTS operating expenses effectively, resulting in a ***reduction in the regulated cost of using the service of 10%*** *at the start of 2016 followed by an* ***unprecedented further price reduction of 15%*** *in traffic charges at the mid-year*

The DTS provides its users with a standard market data interface facilitating competition and making it easier for innovative service providers to enter the energy market. Building from these unique foundations, ElectraLink provides a range of commercial services through a consent granted by Ofgem to the company's shareholders. These services also serve to facilitate competitive innovation by improving market transparency and facilitating the implementation of change.

Before 2016 the DTS was provided by ElectraLink only to the retail electricity market. During 2016 however, the DTS was extended into the gas market and the service is now governed by a combination of gas and electricity industry codes. It continues to be regulated by Ofgem. The DTS is the first example in UK energy of a collective IT service that straddles both the gas and electricity markets. The second such dual-fuel system was launched by ElectraLink in 2016, the Theft Risk Assessment Service (TRAS). The TRAS pools market data to provide energy suppliers with intelligence in support of their investigation of the theft of gas and electricity. Delivered by ElectraLink using the same procure and manage model as the DTS, the launch of TRAS demonstrated how complex IT services with multiple stakeholders can be rolled out in the UK energy market, on time and on budget.

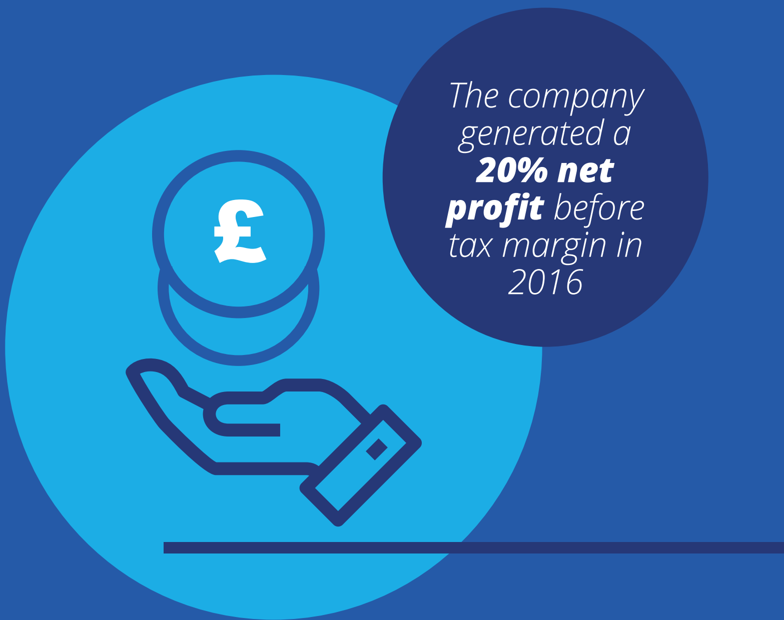
During 2016 ElectraLink has continued to drive down the cost of the DTS to the energy industry. From the start of 2016 to the end of the year the volume of traffic carried by the service grew by 23% and the number of market participants connected to the DTS jumped by 39%. Despite this rapid growth ElectraLink has managed DTS operating expenses effectively, resulting in a reduction in the regulated cost of using the service of 10% at the start of 2016 followed by an unprecedented further price reduction of 15% in traffic charges at the mid-year. Service levels have been maintained and DTS customer satisfaction improved 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 continued in 2016 to facilitate the operation of the UK energy market, reduce costs and allow participants to deliver a better experience to their customers. Commercial services grew with revenues up 17% (2015: 17%) on the prior year. Our Governance Services business unit in particular showed strong growth leading the launch of the TRAS, the creation of the Energy Theft Tip Off Service (ETTOS) and the delivery of a series of initiatives in support of core industry codes preparing them for the mass deployment of smart meters. 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 in 2016. ElectraLink continues to invest in the capabilities required to develop, sell and deliver EMI services. The continuing UK's growth in renewable generation, the deployment of smart meters and the transformation of the supplier environment are strong drivers of continuing growth of this business unit.

Whilst continuing to invest in the DTS and innovative commercial services, ElectraLink has maintained a strong financial position. The company generated a 20% (2015: 26%) net profit before tax margin in 2016. Operating profits fell by 13% and total turnover rose by 9%. The company ended the year in a strong financial position with net assets of £8.3m (2015: £7.4m). This is after the payment of a dividend to shareholders of £0.6m (2015: £0.57m) during the year. Aggregate cash at bank and cash investments at the year-end are £6.2m (2015: £5.3m).

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 retail electricity and gas markets. The UK energy market is embarking on a period of profound change. ElectraLink has a strong team, committed shareholders, and relative financial strength. These will allow us to grow both as a Central Body and as a provider of data transfer, governance and energy market data analytics services. We expect that the markets for high quality, cost effective governance services and innovative data analytics will continue to grow as energy market competition increases. ElectraLink is well positioned to benefit from these developments.

Stuart Lacey
Chief Executive



STRATEGIC REPORT

BUSINESS REVIEW

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 £8.3m (2015: £7.4m) and working capital is £6.9m (2015: £5.8m). The company had aggregate cash at bank and cash investments, see note 11, of £6.2m (2015: £5.3m) at the year-end date.

Overall, the company generated a 20% (2015: 26%) 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, with the new asset investment being lower; and
- The strong growth of our commercial businesses.

> *In 2016, ElectraLink continued to engage with the market and deliver* ***service excellence***

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 2016, the company has managed DTS operating expenses effectively, resulting in a reduction in traffic charges for the service of 10% from the start of 2016 and a further 15% from midyear. The revenue impact of this reduction has been partially offset by continued traffic growth. During 2016 total traffic volume on the DTS was 1088Gb reflecting year-on-year growth of 23% against 2015. The above addresses all significant KPIs within the business.

In 2016, 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 existing governance services contracts. Our ongoing marketing activities in the year have provided us with a sound foundation on which to build our commercial services portfolio. During 2016, 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.

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 and the continued development of our data transfer and analysis services.

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
16 March 2017

During 2016, the company continued to ***invest in strengthening*** *its market position*

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31 December 2016.

The principal activity of the company is the provision of the ***Data Transfer Service***

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.

DIRECTORS

The directors who served throughout the year were:

K D Lee (Chairman)
H Jones
J Purdy
J McOmish
P Geddes
S Lacey

RESULTS AND DIVIDENDS

The audited accounts for the year ended 31 December 2016 are set out on pages 16 to 32.

The company's profit after tax for the year ended 31 December 2016 was £1,521,334 (2015: £1,741,165).

The directors do not recommend the payment of a final dividend. An interim dividend of £600,060 was declared and paid during the year (2015: £570,057).

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 information 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 September 2014 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.

GOING CONCERN

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
16 March 2017

The company has considerable financial resources, no borrowings and, due to the nature of its core business, a ***secure revenue stream***

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 2016 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.

Our responsibility is to ***audit and express an opinion*** *on the financial statements in accordance with applicable law and International Standards on Auditing*

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

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.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITOR

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

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error.

This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

OPINION ON FINANCIAL STATEMENTS

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2016 and of its profit 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.

OPINION 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.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

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.

Dean Cook MA FCA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, United Kingdom
16 March 2017

STATEMENT OF COMPREHENSIVE INCOME

Year Ended 31 December 2016

	NOTES	2016 £	2015 £
Turnover		9,341,276	8,599,050
Cost of sales		(2,973,813)	(2,996,326)
Gross profit		6,367,463	5,602,724
Administrative expenses		(4,480,217)	(3,423,501)
Operating profit		1,887,246	2,179,223
Finance costs (Net)	3	19,958	24,530
Profit on ordinary activities before taxation	4	1,907,204	2,203,753
Tax on profit on ordinary activities	6	(385,870)	(462,588)
Profit for financial year		1,521,334	1,741,165

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

As at 31 December 2016

	NOTES	2016 £	2015 £
Fixed assets			
Intangible assets	8	171,852	-
Tangible assets	9	1,289,406	1,588,965
		1,461,258	1,588,965
Current Assets			
Debtors: amounts falling due within one year	10	2,514,233	1,955,098
Debtors: amounts falling due after one year	10	16,313	31,744
Cash at bank and in hand	11	6,238,181	5,255,652
		8,768,727	7,242,494
Creditors: amounts falling due within one year	12	(1,884,963)	(1,423,641)
Net current assets		6,883,764	5,818,853
Total assets less current liabilities		8,345,022	7,407,818
Provisions for liabilities	14	(17,407)	(1,477)
Net assets		8,327,615	7,406,341
Capital and reserves			
Called up share capital	15	1,000	1,000
Profit and loss account	15	8,326,615	7,405,341
Shareholders' funds		8,327,615	7,406,341

The financial statements of ElectraLink Limited, registered number 03271981
were approved by the Board of Directors and authorised for issue on 16 March 2017.

Signed on behalf of the Board of Directors, K D Lee Director

STATEMENT OF CHANGES IN EQUITY

Year Ended 31 December 2016

	CALLED UP SHARE CAPITAL	PROFIT AND LOSS ACCOUNT	TOTAL
At 1 January 2015	1,000	6,234,233	6,235,233
Profit for the financial year	-	1,741,165	1,741,165
Dividend Paid on equity Shares	-	(570,057)	(570,057)
At 31 December 2015	1,000	7,405,341	7,406,341
Profit for the financial year	-	1,521,334	1,521,334
Dividend	-	(600,060)	(600,060)
At 31 December 2016	1,000	8,326,615	8,327,615

CASH FLOW STATEMENT

Year Ended 31 December 2016

	NOTES	2016 £	2015 £
Net cash inflow from operating activities	16	1,977,854	2,079,908
Cashflows from investing activities			
Finance Costs (Net)		19,958	24,530
Purchase of equipment		(415,223)	(339,094)
Net cash flows from investing activities		(395,265)	(314,564)
Cashflows from Financing activities			
Dividends Paid		(600,060)	(570,057)
Net cashflows from financing activities		(600,060)	(570,057)
Net increase in cash and cash equivalents		982,529	1,195,287
Cash and cash equivalents at beginning of year		5,255,652	4,060,365
Cash and cash equivalents at end of year		6,238,181	5,255,652
Reconciliation to cash at bank and in hand:			
Cash at bank and in hand at end of year	11	6,238,181	5,255,652
Cash and cash equivalents at end of year		6,238,181	5,255,652

NOTES TO THE FINANCIAL STATEMENTS

Year Ended 31 December 2016

1. 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 2. The nature of the company's operations and its principal activities are set out in the Directors' report on pages 10 to 12.

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 Group 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.

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:

NOTES TO THE FINANCIAL STATEMENTS

Year Ended 31 December 2016

1. ACCOUNTING POLICIES (CONTINUED)

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.

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.

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

Year Ended 31 December 2016

1. ACCOUNTING POLICIES (CONTINUED)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

Year Ended 31 December 2016

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.

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 2016.

3. FINANCE COSTS

	2016 £	2015 £
Interest receivable	19,958	29,190
Interest payable	-	(4,660)
Finance Costs (net)	19,958	24,530

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.

4. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

Profit on ordinary activities before taxation is stated after charging:

	2016 £	2015 £
Depreciation and amortisation of fixed assets	542,930	484,338
Operating lease rentals	188,809	135,815

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	46,490	52,965
Fees payable to the company's auditor and their associates for other services to the company	9,300	8,700

NOTES TO THE FINANCIAL STATEMENTS

Year Ended 31 December 2016

5. STAFF COSTS

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

	2016 £	2015 £
Wages and salaries	2,120,970	1,422,467
Social security costs	269,246	174,130
Pension costs	85,973	118,073
	2,476,189	1,714,670

The company operates a group personal pension scheme and provides 100% employer contributions. This is accounted for as a defined contribution scheme under FRS 102:28. The outstanding balance at year-end was £9,242 (2015:£7,781), 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:

	2016 £	2015 £
Managerial, technical and administration staff	30	24

Key Management Personnel

	2016 £	2015 £
Emoluments (excluding pension contributions)	1,085,973	836,979
Contribution to defined contribution scheme	41,783	85,037
	1,127,756	922,016

Directors' remuneration

The remuneration in respect of directors was as follows:

	2016 £	2015 £
Emoluments (excluding pension contributions)	445,389	420,189
Contribution to defined contribution scheme	9,079	21,989
	454,468	442,178

NOTES TO THE FINANCIAL STATEMENTS

Year Ended 31 December 2016

5. STAFF COSTS (CONTINUED)

	2016 £	2015 £
Number of directors who are members of defined contribution scheme	1	1

Remuneration of the highest paid director

	2016 £	2015 £
Emoluments	305,697	282,199
Contribution to defined contribution scheme	9,079	21,989
	314,776	304,188

During the year the company paid a total of £40,000 (2015: £39,303) to shareholder companies for the provision of services of directors (see note 18).

6. TAX ON PROFIT ON ORDINARY ACTIVITIES

Current tax on profit on ordinary activities.

	2016 £	2015 £
United Kingdom corporation tax	369,940	459,376
Under / (Over) provision in respect of prior years	-	14,447
Total current tax	369,940	473,823
Deferred tax:		
Origination and reversal of timing differences	15,930	(11,235)
Total tax on profit on ordinary activities	385,870	462,588

The standard rate of tax that applies to reported profit on ordinary activities is 20% (2015: 20.25%). The applicable tax rate has changed following the substantive enactment of the Finance Act 2014.

NOTES TO THE FINANCIAL STATEMENTS

Year Ended 31 December 2016

6. TAX ON PROFIT ON ORDINARY ACTIVITIES (CONTINUED)

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:

	2016 £	2015 £
Profit on ordinary activities before tax	1,907,204	2,203,753
Tax charge on profit on ordinary activities at standard UK corporation tax rate of 20% (2015: 20.25%)	381,441	446,259
Effects of:		
Expenses not deductible for tax purposes	4,429	1,882
Adjustment to tax charge in respect of previous periods	-	14,447
Total tax charge for period	385,870	462,588

Factors that may affect future tax charges

On 26 October 2015, the Finance Act was substantively enacted and provided for a reduction in themain rate of corpotarion tax from 20% to 19% effective from 1 April 2017 and a further 1% reduction to 18% from 1 April 2020. On 6 September 2016, the Finance Act 2016 was substantively enacted and provided for a reduction in the main rate of UK corporation tax to 17% from 1 April 2020.

7. DIVIDENDS PAID AND DECLARED

	2016 £	2015 £
Equity shares		
Interim dividend declared and paid of £60 (2015: £57) per ordinary share	600,060	570,057

NOTES TO THE FINANCIAL STATEMENTS

Year Ended 31 December 2016

8. INTANGIBLE FIXED ASSETS

	SOFTWARE £	DATA ASSET £	TOTAL £
Cost			
At 1 January 2016	-	-	-
Additions	43,188	132,405	175,593
Disposals	-	-	-
At 31 December 2016	43,188	132,405	175,593
Accumulated depreciation			
At 1 January 2016	-	-	-
Charge for the year	3,741	-	3,741
Disposals	-	-	-
At 31 December 2016	3,741	-	3,741
Net book value			
At 31 December 2016	39,447	132,405	171,852
At 31 December 2015	-	-	-

The data asset was under construction in 2016 and will be operational from early 2017.

NOTES TO THE FINANCIAL STATEMENTS

Year Ended 31 December 2016

9. TANGIBLE FIXED ASSETS

	DTS ASSET £	LEASEHOLD IMPROVEMENTS £	FIXTURES AND FITTINGS £	COMPUTER EQUIPMENT £	TOTAL £
Cost					
At 1 January 2016	1,978,083	187,681	60,551	437,382	2,663,697
Additions	95,792	-	-	143,838	239,630
Disposals	-	-	-	-	-
At 31 December 2016	2,073,875	187,681	60,551	581,220	2,903,327
Accumulated depreciation					
At 1 January 2016	511,801	147,974	60,551	354,406	1,074,732
Charge for the year	437,319	18,396	-	83,474	539,189
Disposals	-	-	-	-	-
At 31 December 2016	949,120	166,370	60,551	437,880	1613,921
Net book value					
At 31 December 2016	1,124,755	21,311	-	143,340	1,289,406
At 31 December 2015	1,466,282	39,707	-	82,976	1,588,965

NOTES TO THE FINANCIAL STATEMENTS

Year Ended 31 December 2016

10. DEBTORS

	2016 £	2015 £
Amounts falling due within one year:		
Trade debtors	1,170,915	932,106
Amounts due from shareholders (note 18)	341,086	38,990
Other debtors	35,633	18,076
Prepayments and accrued income	966,599	965,926
	2,514,233	1,955,098
Amounts falling due after one year:		
Other debtors	16,313	31,744

11. CASH AND CASH EQUIVALENTS

	2016 £	2015 £
Cash at bank and in hand	6,238,181	5,225,652
	6,238,181	5,225,652

12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2016 £	2015 £
Trade creditors	351,575	396,181
UK corporation tax	267,622	233,823
Other taxes and sundry creditors	425,072	302,706
Amounts owed to Shareholders	26,410	39,003
Accruals and deferred income	814,284	451,928
	1,884,963	1,423,641

NOTES TO THE FINANCIAL STATEMENTS

Year Ended 31 December 2016

13. FINANCIAL INSTRUMENTS

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

	2016 £	2015 £
Falling due within one year:		
Financial assets Measured at undiscounted amount receivable		
- Trade and other debtors	1,206,548	950,182
- Amounts due from related undertakings	341,086	38,990
Financial Liabilities Measured at undiscounted amount payable		
- Trade and other creditors	351,575	396,181

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

	2016 £	2015 £
Interest income and expense		
Total interest income for financial assets at amortised cost	19,958	29,190
Total interest expense for financial liabilities at amortised cost	-	4,660

14. PROVISIONS FOR LIABILITIES

	DEFERRED TAXATION £	TOTAL £
Company		
At 1 January 2016	(1,477)	(1,477)
Charged to profit and loss account	(15,930)	(15,930)
At 31 December 2016	(17,407)	(17,407)

NOTES TO THE FINANCIAL STATEMENTS

Year Ended 31 December 2016

15. CALLED UP SHARE CAPITAL AND RESERVES

	2016 £	2015 £
Called up, allotted and fully paid:		
10,001 ordinary shares of 10p each	1,000	1,000
Reserves		
Profit and loss account	8,326,615	7,405,341

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

16. CASH FLOW INFORMATION

(a) Reconciliation of operating profit to net cash inflow from operating activities

	2016 £	2015 £
Operating profit	1,887,246	2,179,223
Taxation (paid)	(336,142)	(631,788)
Adjustment for:		
Depreciation	542,931	447,855
Operating cash flow before movement in working capital	2,094,035	1,995,290
Decrease/(Increase) in debtors	(543,704)	138,428
Decrease in creditors	427,523	(53,810)
Cash generated by Operations	1,977,854	2,079,908

17. FINANCIAL COMMITMENTS

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

	2016		2015	
	PLANT AND EQUIPMENT £	OTHER £	PLANT AND EQUIPMENT £	OTHER £
Total payments				
- one year	4,076	146,478	2,452	131,129
- between two and five years	11,317	-	8,219	120,201

NOTES TO THE FINANCIAL STATEMENTS

Year Ended 31 December 2016

18. 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):

	2016 £	2015 £
Eastern Power Networks plc	29,517	4,551
Western Power Distribution (East Midlands) plc	192,216	1,517
Scottish Hydro Electric Power Distribution Ltd	8,315	8,395
London Power Networks plc	-	-
SP Manweb plc	4,344	4,863
Western Power Distribution (West Midlands) plc	2,268	1,517
Northern Powergrid (Northeast) Limited	(6,299)	1,520
Electricity North West Limited	16,286	1,517
South Eastern Power Networks plc	10,455	5,630
Southern Electric Power Distribution plc	36,356	3,051
SP Distribution Ltd	38,042	3,296
Western Power Distribution (South West) plc	1,644	1,616
Western Power Distribution (South Wales) plc	1,644	-
Northern Powergrid (Yorkshire) plc	(111)	1,517
	334,677	38,990

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 2016 £1.6m (2015:£1.8m).

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

	2016 £	2015 £
Northern Powergrid (Northeast) Limited	20,000	19,500
UK Power Networks	20,000	19,803
	40,000	39,303

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