ANNUAL REPORT

& FINANCIAL STATEMENTS

2017

ElectraLink

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

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**. We report company profits before tax of £2.3m for 2017 (2016: £1.9m).

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

We report excellent growth in our commercial revenues to **£4.6m** in 2017

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.

DTS profits, which are subject to a regulated pricing formula, were £0.3m after amortisation costs. 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 our commercial revenues to £4.6m in 2017 (2016: £3.4m) and in our commercial profit to £1.9m [2016: £1.3m]. We must compete for our commercial business. The energy industry faces ever more challenging times in working to resolve the conundrum of achieving energy affordability, reliable energy supplies and environmental safeguards within an increasingly complex mesh of changes in its markets, government and regulatory imperatives and of popular opinion. Accordingly we have continued development of our existing and prospective products and services. Again, we have been particularly successful in expanding our Governance Services activities and shall be investing further 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. We have noted within the year an increasingly widespread awareness of the value of industry data in times of great change and have been making sure that ElectraLink stands ready to support the industry in sharing the challenges and opportunities this brings.

The board was pleased to make a 2017 £0.75m dividend payment in November in line with our business plan [2016: £0.60m]. 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 £7.0m (2016: £6.9m) and an aggregate £6.0m (2016: £6.2m) 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 2017 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 has managed DTS operating expenses effectively, resulting in a **reduction in the regulated cost of using the service of 10%** at the start of 2017.

ElectraLink also provides commercial services to the UK energy market through a consent granted by Ofgem to the company's shareholders. These commercial services facilitate competitive innovation by improving market transparency and facilitating the implementation of change. ElectraLink's fastest growing commercial service is the management of industry codes and during 2017 the growth of the company's Governance Services business unit has reflected the rapid evolution of the energy market and the need for the central industry codes to accommodate this change.

The DTS provides 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 DTS continues to be regulated by Ofgem. In addition to procuring and managing the DTS, ElectraLink has also procured and is managing 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 is demonstrating how the central analysis of data can deliver consumer benefit by the better identification of theft in an energy supply market that is rapidly fragmenting.

During 2017 ElectraLink has continued to drive down the cost of the DTS to the energy industry. From the start of 2017 to the end of the year the volume of traffic carried by the service grew by 32%. 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 2017. 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 2017 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 35% (2016: 17%) on the prior year. Our Governance Services business unit in particular showed strong growth with a significant

The company generated a **21% net profit** before tax margin in 2017

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 continued to grow in 2017. 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.

Whilst continuing to invest in the DTS and innovative commercial services, ElectraLink has maintained a strong financial position. The company generated a 21% (2016: 20%) net profit before tax margin in 2017. Operating profits rose by 21% and total turnover rose by 19%. The company ended the year in a strong financial position with net assets of £9.4m (2016: £8.3m). This is after the payment of a dividend to shareholders of £0.75m (2016: £0.60m) during the year. Aggregate cash at bank and cash investments at the year-end are £6.0m (2016: £6.2m).

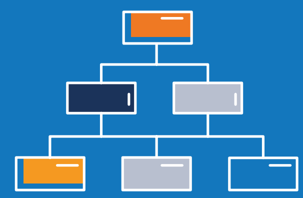
ElectraLink has a unique position in the UK energy market as a Central Body, owned by the Distribution Network Operators (DNOs), which operates across the electricity and gas markets. The UK energy market is currently in a period of profound change creating opportunities for innovative businesses with 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 centrally processed, regulated, energy market data to expand. We also expect the demand for high quality, cost effective governance services and innovative data analytics to grow as energy market competition increases and innovation takes hold. ElectraLink is well positioned to benefit from these developments.

Stuart Lacey

Chief Executive

IN BRIEF

During 2017 ElectraLink has continued to drive down the cost of the DTS to the energy industry. From the start of 2017 to the end of the year the volume of traffic carried by the service grew by 32%.



Our Governance Services business unit in particular showed strong growth with a significant investment in the size and the skills of the team.

To procuring and managing the DTS, ElectraLink has procured and is managing 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.

STRATEGIC REPORT

In 2017, 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

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 £9.4m (2016: £8.3m) and working capital is £7.0m (2016: £6.9m). The company had aggregate cash at bank and cash investments, see note 11, of £6.0m (2016: £6.2m) at the year-end date.

Overall, the company generated a 21% (2016: 20%) 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 2017, the company has managed DTS operating expenses effectively whilst accommodating continued traffic growth. During 2017 total traffic volume on the DTS was 1435Gb reflecting year-on-year growth of 32% against 2016 (2016: 23%). The above addresses all significant KPIs within the business.

In 2017, 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 2017, 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, 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.

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
15 March 2018

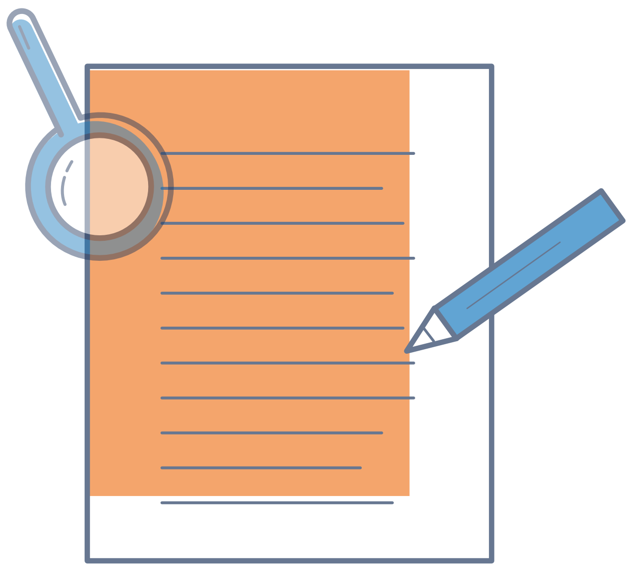
DIRECTORS' REPORT

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

DIRECTORS

The directors who served throughout the year were:

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



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 2017 are set out on pages 20 to 37.

The company's profit after tax for the year ended 31 December 2017 was £1,858,124 (2016: £1,521,334). The directors do not recommend the payment of a final dividend. An interim dividend of £750,075 was declared and paid during the year (2016: £600,060).

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.

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

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 2017 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 2017 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.

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 related notes 1 to 18.

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.

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.

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.

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

INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2017

	Notes	2017 £	2016 £
Turnover	1	11,100,078	9,341,276
Cost of sales		(3,540,044)	(2,973,813)
Gross profit		7,560,034	6,367,463
Administrative expenses		(5,253,446)	(4,480,217)
Operating profit		2,306,588	1,887,246
Finance costs (Net)	3	4,499	19,958
Profit before taxation	4	2,311,088	1,907,204
Tax on profit	6	(452,964)	(385,870)
Profit for financial year		1,858,124	1,521,334

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	2017 £	2016 £
Fixed assets			
Intangible assets	8	183,904	171,852
Tangible assets	9	2,216,977	1,289,406
Current assets		2,400,881	1,461,258
Debtors: amounts falling due within one year	10	2,939,025	2,514,233
Debtors: amounts falling due after one year	10	10,598	16,313
Cash at bank and in hand	11	6,014,928	6,238,181
		8,964,551	8,768,727
Creditors: amounts falling due within one year	12	(1,912,560)	(1,884,963)
Net current assets		7,051,991	6,883,764
Total assets less current liabilities		9,452,872	8,345,022
Provisions for liabilities	14	(17,208)	(17,407)
Net assets		9,435,664	8,327,615
Capital and reserves			
Called up share capital	15	1,000	1,000
Profit and loss account	15	9,434,664	8,326,615
Shareholders' funds		9,435,664	8,327,615

The financial statements of ElectraLink Limited, registered number 03271981 were approved by the Board of Directors on 15 March 2018.

Signed on behalf of the Board of Directors

STATEMENT OF CHANGES IN EQUITY

	Called up share capital	Profit and loss account	Total
At 1 January 2016	1,000	7,405,341	7,406,341
Profit for the financial year	-	1,521,334	1,521,334
Dividend Paid on equity Shares	-	(600,060)	(600,060)
At 1 December 2016	1,000	8,326,615	8,327,615
Profit for the financial year	-	1,858,124	1,858,124
Dividend	-	(750,075)	(750,075)
At 31 December 2017	1,000	9,434,664	9,435,664

CASH FLOW STATEMENT

	Notes	2017 £	2016 £
Net cash inflow from operating activities	16	1,986,579	1,977,854
Cashflows from investing activities			
Finance Costs (Net)		4,499	19,958
Purchase of equipment		(1,464,257)	(415,223)
Net cash inflow from operating activities		(1,459,757)	(395,265)
Cashflows from Financing activities			
Dividends Paid	7	(750,075)	(600,060)
Net cashflows from financing activities		(750,075)	(600,060)
Net increase in cash and cash equivalents		(223,253)	982,529
Cash and cash equivalents at beginning of year		6,238,181	5,255,652
Cash and cash equivalents at end of year		6,014,928	6,238,181
Reconciliation to cash at bank and in hand:			
Cash at bank and in hand at end of year	11	6,014,928	6,238,181
Cash and cash equivalents at end of year		6,014,928	6,238,181

NOTES TO THE FINANCIAL STATEMENTS

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 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 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. 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 reprocured 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	2019 end date	2020 end date
2017	474,848.11	335,570.63
2018	480,773.11	339,464.58
2019	200,322.13	339,464.58
2020	-	141,443.57

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.

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.

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 2017.

3. FINANCE INCOME(NET)

	2017 £	2016 £
Interest receivable	10,072	19,958
Interest payable	(5,573)	-
Finance Income (net)	**4,499**	**19,958**

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 BEFORE TAXATION

Profit before taxation is stated after charging:

	2017 £	2016 £
Depreciation and amortisation of fixed assets	524,633	542,930
Operating lease rentals	299,103	188,809
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	47,840	46,490
Fees payable to the company's auditor and their associates for other services to the company	9,000	9,300

NOTES TO THE FINANCIAL STATEMENTS

5. STAFF COSTS

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

	2017 £	2016 £
Wages and salaries	2,279,795	2,120,970
Social security costs	295,848	269,246
Pension costs	116,859	85,973
	2,692,502	2,476,189

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 £10,993 (2016: £9,242), 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:

	2017 £	2016 £
Managerial, technical and administration staff	40	30

Key Management Personnel

	2017 £	2016 £
Emoluments (excluding pension contributions)	1,111,070	1,085,973
Contribution to defined contribution scheme	59,552	41,783
	1,170,622	1,127,756

Directors' remuneration

The remuneration in respect of directors was as follows:

	2017 £	2016 £
Emoluments (excluding pension contributions)	421,485	445,389
Contribution to defined contribution scheme	3,179	9,079
	424,664	454,468

	2017 £	2016 £
Number of directors who are members of defined contribution scheme	1	1

Remuneration of the highest paid director

	2017 £	2016 £
Emoluments	330,085	305,697
Contribution to defined contribution scheme	3,179	9,079
	333,264	314,776

During the year the company paid a total of £41,200 (2016: £40,000) to shareholder companies for the provision of services of directors (see note 18).

NOTES TO THE FINANCIAL STATEMENTS

6. TAX ON PROFIT

Current tax on profit	2017 £	2016 £
United Kingdom corporation tax	428,643	369,940
Current tax prior year adjustment	24,519	-
Total current tax	449,572	369,940
Deferred tax charge	27,117	
Deferred tax prior year adjustment	(27,314)	15,930
Total tax on profit	452,964	385,870

The standard rate of tax that applies to reported profit is 19.25% (2016: 20%). 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:

	2017 £	2016 £
Profit before tax	2,311,088	1,907,204
Tax charge on profit at standard UK corporation tax rate of 19.25% (2016: 20 %)	444,884	381,441
Effect of:		
Expenses not deductible for tax purposes	10,875	4,429
Adjustment to tax charge in respect of previous periods	(2,796)	-
Total tax charge for period	452,964	385,870

Factors that may affect future tax charges

On 26 October 2015, the Finance Act was substantively enacted and provided for a reduction in the main rate of corporation tax from 20% to 19.25% 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 substantially 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

Equity shares	2017 £	2016 £
Interim dividend declared and paid of £75 (2016: £60) per ordinary share	750,075	600,060

8. INTANGIBLE ASSETS

	Software £	Data Asset £	Total £
Cost			
At 1 January 2017	43,188	132,405	175,593
Additions	78,663	-	78,663
Disposals	-	-	-
At 31 December 2017	121,851	132,405	175,593
Accumulated depreciation			
At 1 January 2017	3,741	-	3,741
Charge for the year	22,476	44,135	66,611
Disposals	-	-	-
At 31 December 2017	26,217	44,135	70,352
Net book value			
At 31 December 2017	95,634	88,270	183,904
At 31 December 2016	39,447	132,405	171,852

The data asset which was under development in 2016 has become operational from 2017.

NOTES TO THE FINANCIAL STATEMENTS

9. TANGIBLE FIXED ASSETS

	DTS Asset £	Leasehold improvements £	Fixtures and fittings £	Computer equipment £	Total £
Cost					
At 1 January 2017	2,073,875	187,681	60,551	581,220	2,903,327
Additions	880,132	272,996	104,915	127,551	1,385,594
Disposals	-	(187,680)	(60,551)	(271,162)	(519,393)
At 31 December 2017	2,954,007	272,997	104,914	437,609	3,769,528
Accumulated depreciation					
At 1 January 2017	949,120	166,371	60,551	437,881	1,613,922
Charge for the year	344,161	24,826	4,409	84,626	458,022
Disposals	-	(187,680)	(60,551)	(271,162)	(519,393)
At 31 December 2017	1,293,281	3,516	4,409	251,345	1,552,551
Net book value					
At 31 December 2017	1,660,726	269,481	100,505	186,264	2,216,977
At 31 December 2016	1,124,755	21,311	-	143,340	1,289,406

10. DEBTORS

	2017 £	2016 £
Amounts falling due within one year:		
Trade debtors	1,523,213	1,170,915
Amounts due from shareholders (note 18)	307,376	341,086
Other debtors	22,515	35,633
Prepayments and accrued income	1,085,921	966,599
	2,939,025	2,514,233
Amounts falling due after one year:		
Other debtors	10,598	16,313

11. CASH AND CASH EQUIVALENTS

	2017 £	2016 £
Cash at bank and in hand	6,014,928	6,238,181
	6,014,928	6,238,181

12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2017 £	2016 £
Trade creditors	438,706	351,575
UK corporation tax	167,209	267,622
Other taxes and sundry creditors	346,451	425,072
Amounts owed to Shareholders	61,314	26,410
Accruals and deferred income	898,880	814,284
	1,912,560	1,884,963

NOTES TO THE FINANCIAL STATEMENTS

13. FINANCIAL INSTRUMENTS

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

Falling due within one year	2017 £	2016 £
Financial assets		
Measured at undiscounted amount receivable		
- Trade and other debtors	1,545,728	1,206,548
- Amounts due from elated undertakings	307,376	341,086
Financial Liabilities		
Measured at undiscounted amount receivable		
- Trade and other creditors	438,706	351,575
- Amounts owed to Shareholders	61,314	26,410

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

Interest income and expense	2017 £	2016 £
Total interest income for financial assets at amortised cost	10,072	19,958
Total interest expense for financial liabilities at amortised cost	(5,573)	-

14.PROVISIONS FOR LIABILITIES

	Deferred taxation £	Total £
Company		
At 1 January 2017	(17,407)	(17,407)
Charged to profit and loss account	199	199
At 31 December 2017	**(17,208)**	**(17,208)**

15.CALLED UP SHARE CAPITAL AND RESERVES

	2017 £	2016 £
Called up, allotted and fully paid:		
10,001 ordinary shares of 10p each	1,000	1,000
Reserves		
Profit and loss account	9,434,664	8,326,615

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

NOTES TO THE FINANCIAL STATEMENTS

16.CASH FLOW INFORMATION

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

	2017 £	2016 £
Operating profit	2,306,588	1,887,246
Taxation (paid)	(553,575)	(336,142)
Adjustment for:		
Depreciation	524,633	542,931
Operating cash flow before movement in working capital	2,277,646	2,094,035
Decrease/(Increase) in debtors	(419,077)	(543,704)
Decrease in creditors	128,010	427,523
Cash generated by Operations	**1,986,579**	**1,977,854**

17.FINANCIAL COMMITMENTS

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

	2017		2016	
	Plant and equipment £	Other £	Plant and equipment £	Other £
Total payments				
- one year	2,014	201,439	4,076	146,478
- between two and five years	6,043	887,102	11,317	-

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

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):

	2017 £	2016 £
Eastern Power Networks plc	26,395	29,517
Western Power Distribution (East Midlands) plc	93,239	192,216
Scottish Hydro Electric Power Distribution Ltd	8,045	8,315
London Power Networks plc	-	-
SP Manweb plc	4,188	4,344
Western Power Distribution (West Midlands) plc	3,147	2,268
Northern Powergrid (Northeast) Limited	4,416	(6,299)
Electricity North West Limited	9,735	16,286
South Eastern Power Networks plc	4,779	10,455
Southern Electric Power Distribution plc	34,799	36,356
SP Distribution Ltd	105,590	38,042
Western Power Distribution (South West) plc	2,530	1,644
Western Power Distribution (South Wales) plc	3,351	1,644
Northern Powergrid (Yorkshire) plc	7,162	(111)
	307,376	**334,677**

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 2017 £1.4m (2016: £1.6m).

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

	2017 £	2016 £
Northern Powergrid (Northeast) Limited	20,600	20,000
UK Power Networks	40,600	20,000
	61,200	**40,000**