

Capital Meters Limited
COMPANY NUMBER 04800317

Strategic Report, Directors' Report and Financial Statements
for the financial year ended 31 March 2020



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The Company's registered office is:
Ropemaker Place
28 Ropemaker Street
London EC2Y 9HD
United Kingdom

Capital Meters Limited

2020 Strategic Report, Directors' Report and Financial Statements

Contents

	Page
Strategic Report	2
Directors' Report	4
Independent Auditors' Report to the members of Capital Meters Limited	7
Profit and loss account	9
Statement of comprehensive income	9
Balance sheet	10
Statement of changes in equity	11
Notes to the financial statements	
Note 1. Company information	12
Note 2. Summary of significant accounting policies	12
Note 3. Profit on ordinary activities before taxation	22
Note 4. Interest receivable and similar income	22
Note 5. Interest payable and similar charges	22
Note 6. Taxation	22
Note 7. Tangible assets	24
Note 8. Debtors	25
Note 9. Cash at bank	25
Note 10. Creditors: amounts falling due within one year	26
Note 11. Creditors: amounts falling due after more than one year	26
Note 12. Provisions for liabilities	27
Note 13. Called up share capital	27
Note 14. Other reserves and profit and loss account	27
Note 15. Dividends	27
Note 16. Related party information	27
Note 17. Directors' remuneration	28
Note 18. Contingent liabilities and commitments	28
Note 19. Derivative financial instruments	28
Note 20. Ultimate parent undertaking	28
Note 21. Events after the reporting date	28

Capital Meters Limited

Strategic Report for the financial year ended 31 March 2020

In accordance with a resolution of the directors (the "Directors") of Capital Meters Limited (the "Company"), the Directors submit herewith the Strategic Report of the Company as follows:

Principal activities

The principal activity of the Company during the financial year ended 31 March 2020 was the provision and management of gas and electricity meters to energy suppliers.

Review of operations

The profit for the financial year ended 31 March 2020 was £6,945,000 (2019: £7,777,000).

Operating profit for the year ended 31 March 2020 was £9,490,000 (2019: £10,280,000).

Total operating expenses for the year ended 31 March 2020 were £284,000 (2019: £178,000).

As at 31 March 2020, the Company had net assets of £2,296,000 (2019: £7,021,000).

The primary key performance indicators (KPIs) that the Company monitors are Turnover, Net Profit before Tax "NPBT" and Net Book Value "NBV" of meters removed. Turnover for the year ended 31 March 2020 was £15,765,000 (2019: £18,279,000). NPBT for the year ended 31 March 2020 was £9,017,000 (2019: £9,708,000). The Company also monitors levels of supplier churn and meters which have been removed. These removals can be for several reasons including fault, functionality and upgrade to a smart meter. The business continually assesses the KPIs across each of its contracts and can confirm that these KPIs continue to perform in line with business expectations.

Principal risks and uncertainties

From the perspective of the Company, the principal risks and uncertainties are integrated with the principal risks of the Macquarie Group and are not managed separately. Accordingly, the principal risks and uncertainties of Macquarie Group Limited ("MGL"), which include those of the Company, are discussed in MGL's financial statements and can be obtained from the address given in Note 20.

The Macquarie Group operates parts of its European Union ("EU") business from United Kingdom based subsidiaries such as the Company. On 29 March 2017, the United Kingdom invoked Article 50 of the Lisbon Treaty and officially notified the EU of its decision to withdraw from the EU (known as "Brexit"). On 31 January 2020, the United Kingdom officially left the EU and began a transition period which will continue until 31 December 2020 (unless an extension to the transition period is agreed before 1 July 2020). The economic, regulatory and legal environment as a result of Brexit will depend on the nature of the post-transition arrangements (if any), and the Company continues to assess the possible impacts of Brexit and its strategic options to mitigate those impacts.

Financial risk management

Risk is an integral part of the Macquarie Group's businesses. The Company is exposed to a variety of financial risks that include the effects of credit risk, liquidity risk and operational risk. Additional risks faced by the Company include legal, compliance and documentation risk. Responsibility for management of these risks lies with the individual businesses giving rise to them. It is the responsibility of the Risk Management Group ("RMG") to ensure appropriate assessment and management of these risks.

As ultimately an indirect subsidiary of MGL, the Company manages risk within the framework of the overall strategy and risk management structure of the Macquarie Group. RMG is independent of all other areas of the Macquarie Group, reporting directly to the Managing Director and the Board of MGL. The Head of RMG is a member of the Executive Committee of MGL. RMG authority is required for all material risk acceptance decisions. RMG identifies, quantifies and assesses all material risks and sets prudential limits. Where appropriate, these limits are approved by the Executive Committee and the Board of MGL. The risks which the Company is exposed to are managed on a globally consolidated basis for MGL as a whole, including all subsidiaries, in all locations. Macquarie's internal approach to risk ensures that risks in subsidiaries are subject to the same rigour and risk acceptance decisions.

Capital Meters Limited

Strategic Report (continued) for the financial year ended 31 March 2020

Financial Risk management (continued)

Credit risk

Credit exposures, approvals and limits are controlled with the Macquarie Group's credit framework, as established by RMG.

Liquidity risk

Liquidity risk is the risk of an entity encountering difficulty in meeting obligations with financial liabilities. The Directors have adopted the risk model used by the Macquarie Group, as approved by RMG. This model is incorporated into the Macquarie Group's risk management systems to enable the Company to manage this risk effectively.

Interest rate risk

The Company has both interest bearing assets and interest bearing liabilities. Interest bearing assets include cash balances and receivables from other Macquarie Group undertakings and external parties, all of which earn a variable rate of interest. Interest bearing liabilities include payables to other Macquarie Group undertakings and external parties, which also incur a variable rate of interest.

Foreign exchange risk

The Company has no significant foreign exchange risk.


Section 172 of the Companies Act 2006

From the perspective of the board, the matters that it is responsible for considering under Section 172 of the Companies Act 2006 have been considered to an appropriate extent by the Company. To the extent necessary for understanding the development, performance and position of the Company, an explanation of how the board has considered these matters is set out in the Director's report.

Other matters

Given the straightforward nature of the business and the information provided elsewhere in this report, the Directors are of the opinion that the Company's business impact on the environment and social, community and human rights issues in the Strategic Report is not necessary for an understanding of the development, performance or position of the business.

On behalf of the Board



NEIL DENLEY
Director

25th June 2020

Capital Meters Limited

Directors' Report **for the financial year ended 31 March 2020** **Company Number 04800317**

In accordance with a resolution of the Directors of the Company, the Directors submit herewith the audited financial statements of the Company and report as follows:

Directors and Secretaries

The Directors who each held office as a Director of the Company throughout the year and until the date of this report, unless disclosed otherwise, were:

N Denley (appointed 23 March 2020)

J Liddy

S Mackie

L Tricarico (resigned 23 March 2020)

The Secretary who held office as a Secretary of the Company throughout the year and until the date of this report, unless disclosed otherwise, was:

H Everitt

Results

The profit for the financial year ended 31 March 2020 was £6,945,000 (2019: £7,777,000).

Dividends

Interim dividends of £11,963,000 (2019: Interim £9,301,000) were paid during the current financial year.

No final dividend has been proposed.

State of affairs

There were no other significant changes in the state of affairs of the Company that occurred during the current financial year under review not otherwise disclosed in the Directors' report.

The Directors have considered the impact of COVID-19, which occurred prior to the year end and has had minimal impact on the underlying assets as at 31 March 2020.

Events after the reporting date

At the date of this report, the Directors are not aware of any matter or circumstance which has arisen that has significantly affected or may significantly affect the operations of the Company, the results of those operations or the state of affairs of the Company in the financial years subsequent to 31 March 2020 not otherwise disclosed in this report.

The Directors have considered the effect of COVID-19 on the Company in the financial years subsequent to 31 March 2020. No post-balance sheet impairments of assets held at the balance sheet date are currently envisaged as a result of COVID-19. There has been minimal impact on the underlying assets and the cash resources held at the date of approval of the financial statements are considered sufficient, such that the Company can remain a going concern even in the event of severe but plausible downside scenarios.

Likely developments, business strategies and prospects

The Directors believe that no significant changes are expected other than those already disclosed in this report.

Financial risk management

The financial risk management objectives and policies of the Company and the exposure of the Company to credit risk, liquidity risk, interest rate risk, foreign exchange risk and operational risk are contained within the Strategic Report.

Directors' Report (continued) for the financial year ended 31 March 2020

Indemnification and insurance of Directors

As permitted by the Company's Articles of Association, the Directors have the benefit of an indemnity which is a qualifying third party indemnity provision as defined by Section 234 of the Companies Act 2006. The indemnity was in force throughout the last financial year and is currently in force. The ultimate parent purchased and maintained throughout the financial year directors' liability insurance in respect of the Company and its Directors.

Statement of Directors' responsibilities

The Directors are responsible for preparing the Strategic Report, Directors' 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 prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law).

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on a 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. The Directors 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.

Section 172 (1) Statement

The Directors acknowledge their responsibility under section 172(1) of the Companies Act 2006 and have acted in a way that they considered, in good faith, to be most likely to promote the long-term success of the Company whilst having regard to all relevant matters in respect of the Company's stakeholders, who are principally its group shareholders, its customers, regulators and other government bodies. The Directors understand the need to foster the Company's business relationships with its stakeholders, and have done so by engaging on principal decisions taken by the Company during the financial year, and informing the stakeholders of major developments, activities or transactions which are discussed in the principal activities in the strategic report as well as the dividends section of this report. The Company is one entity within the wider Macquarie meter asset provision business and the actions taken by the Company to promote its long-term success are generally conducted with view to this wider business.

The Board is committed to strong and effective engagement with these key stakeholders to ensure their requirements are considered in all decision-making and this informs the wider strategy of the Company.

Group Shareholder

All Directors are directly employed by Macquarie Bank Limited and have effective communication routes up to the Macquarie Group board.

Customers

The Board recognises that working with its customers to ensure the Company understands their issues is crucial to the success of the Company. The Company has regular meetings at all levels with its key customers with whom the Company has generally had longstanding relationships. The Company fitted its first meter for British Gas in 2004.

Capital Meters Limited

Directors' Report (continued) for the financial year ended 31 March 2020

Section 172 (1) Statement (continued)

Regulators and UK Government bodies

The Board recognises the importance of having good relationship with the regulators and with UK Government bodies such as BEIS and OFGEM. This relationship is driven by the Directors across all the Macquarie meter asset provision business entities to ensure a collective approach is taken. This business (of which the Company forms part) has regular meetings with these bodies as well as being a founding member of CMAP (Community of Meter Asset Providers), an industry body set up to provide a single voice for Meter Asset Providers.

Employees

There are no direct employees of the Company.

Disclosure of information to auditors


In the case of each Director in office at the date the Directors' Report is approved:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Independent Auditors

Pursuant to section 487(2) of the Companies Act 2006, the auditors of the Company are deemed re-appointed for each financial year unless the Directors or the members of the Company resolve to terminate their appointment. As at the date of these financial statements, the Directors are not aware of any resolution to terminate the appointment of the auditors.

On behalf of the Board



NEIL DENLEY
Director

25th June 2020

Independent auditors' report to the members of Capital Meters Limited

Report on the audit of the financial statements

Opinion

In our opinion, Capital Meters Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Strategic Report, Directors' Report and Financial Statements (the "Annual Report"), which comprise: the balance sheet as at 31 March 2020; the profit and loss account, the statement of comprehensive income, the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

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

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

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance 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 an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of 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 based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Capital Meters Limited

Independent auditors' report to the members of Capital Meters Limited (continued)

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 March 2020 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities set out on page 5, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they 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.

Auditors' 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 auditors' 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 FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

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

Other required reporting

Companies Act 2006 exception reporting

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

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.



Andy Grimbly (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Cambridge
26 June 2020
Capital Meters Limited 2020

Capital Meters Limited

Financial Statements

Profit and loss account for the financial year ended 31 March 2020

	Note	2020 ¹ £000	2019 £000
Turnover		15,765	18,279
Cost of sales		(5,991)	(7,821)
Gross profit		9,774	10,458
Administrative expenses	3	(284)	(178)
Other operating expenses		-	-
Operating profit		9,490	10,280
Interest receivable and similar income	4	54	54
Interest payable and similar charges	5	(512)	(348)
Net impairment losses on financial assets	3	(15)	(278)
Profit on ordinary activities before taxation	3	9,017	9,708
Tax on profit on ordinary activities	6	(2,072)	(1,931)
Profit for the financial year	14	6,945	7,777

The above profit and loss account should be read in conjunction with the accompanying notes on pages 12 to 28, which form an integral part of the financial statements.

¹The March 2020 financial results reflect the adoption of IFRS 16 *Leases* ("IFRS 16") on 1 April 2019. As permitted by IFRS 16, the Company has not restated previously reported financial years. Refer to Note 2 *Summary of significant accounting policies* for the impact on initial adoption of IFRS 16.

Turnover and profit on ordinary activities before taxation relate wholly to continuing operations.

Statement of comprehensive income for the financial year ended 31 March 2020

	Note	2020 ¹ £000	2019 £000
Profit after tax for the financial year	14	6,945	7,777
Other comprehensive income/(expense):			
Movements in items that may be subsequently reclassified to the profit and loss account:			
Cash flow hedges, net movement recognised in OCI, net of tax		351	612
Movement in deferred tax relating to cash flow hedges	6	(58)	(104)
Total other comprehensive income	14	293	508
Total comprehensive income		7,238	8,285
Total comprehensive income for the financial year that are attributable to ordinary equity holders of the Company		7,238	8,285

The above statement of comprehensive income should be read in conjunction with the accompanying notes on pages 12 to 28, which form an integral part of the financial statements.

¹ The March 2020 financial results reflect the adoption of IFRS 16 *Leases* on 1 April 2019. As permitted by IFRS 16, the Company has not restated previously reported financial years. Refer to Note 2 *Summary of significant accounting policies* for the impact on initial adoption of IFRS 16.

Capital Meters Limited


Balance sheet as at 31 March 2020

	Note	2020 ¹ £000	2019 £000
Fixed assets			
Tangible assets	7	11,791	17,287
Current assets			
Debtors (including £nil (2019: £401,000) due after more than one year)	8	4,097	5,547
Cash at bank	9	3,754	8,669
		7,851	14,216
Current liabilities			
Creditors: amounts falling due within one year	10	(14,346)	(17,402)
Net current liabilities		(6,495)	(3,186)
Total assets fewer current liabilities		5,296	14,101
Creditors: amounts falling due after more than one year	11	(580)	(4,101)
Provisions for liabilities	12	(2,420)	(2,979)
Net assets		2,296	7,021
Capital and reserves			
Called up share capital	13	50	50
Other reserves	14	(65)	(358)
Profit and loss account	14	2,311	7,329
Total shareholders' funds		2,296	7,021

The above balance sheet should be read in conjunction with the accompanying notes on pages 12 to 28, which form an integral part of the financial statements.

¹The March 2020 financial results reflect the adoption of IFRS 16 Leases on 1 April 2019. As permitted by IFRS 16, the Company has not restated previously reported financial years. Refer to Note 2 *Summary of significant accounting policies* for the impact on initial adoption of IFRS 16.

The financial statements of Capital Meters Limited, registered number 04800317, on pages 9 to 28 were authorised for issue by the Board of Directors on 25th June 2020 and were signed on its behalf by:


NEIL DENLEY
Director

Capital Meters Limited

Statement of changes in equity for the financial year ended 31 March 2020

	Note	Called up share capital £000	Cash flow hedging reserve ¹ £000	Profit and loss account ² £000	Total shareholders' funds £000
Balance at 1 April 2018		50	(866)	8,853	8,037
Profit for the financial year		-	-	7,777	7,777
Other comprehensive income, net of tax		-	508	-	508
Total comprehensive income		-	508	7,777	8,285
Transactions with equity holders in their capacity as ordinary equity holders:					
Dividends paid	15	-	-	(9,301)	(9,301)
Balance at 31 March 2019	14	50	(358)	7,329	7,021
Profit for the financial year		-	-	6,945	6,945
Other comprehensive income, net of tax		-	293	-	293
Total comprehensive income		-	293	6,945	7,238
Transactions with equity holders in their capacity as ordinary equity holders:					
Dividends paid	15	-	-	(11,963)	(11,963)
Balance at 31 March 2020	14	50	(65)	2,311	2,296

The above statement of changes in equity should be read in conjunction with the accompanying notes on pages 12 to 28, which form an integral part of the financial statements.

¹The Cash flow hedging reserve relates to derivatives or financial instruments which were previously designated as hedging instruments in qualifying hedge relationships. The reserve represents the gain or loss on a derivative or financial instrument associated with the effective portion of the hedge, which is subsequently released to the profit and loss account when the hedged item affects the profit and loss account.

²The profit and loss account represents accumulated comprehensive income for the year and prior years and transfers from the cash flow hedging reserve less dividends paid.

Capital Meters Limited

Notes to the financial statements for the financial year ended 31 March 2020

Note 1. Company information

Capital Meters Limited ('the Company') provides and manages gas and electricity meters to energy suppliers.

The Company is a private company limited by shares and is incorporated and domiciled in the United Kingdom and registered in England and Wales. The address of its registered office is Ropemaker Place, 28 Ropemaker Street, London EC2Y 9HD, United Kingdom. The Company's principal place of business is Suites 3-4 Warners Mill, Silks Way, Braintree CM7 3GB, United Kingdom.

Note 2. Summary of significant accounting policies

i) Basis of preparation

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the financial years presented, unless otherwise stated.

The financial statements have been prepared in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' ("FRS 101"). The financial statements have been prepared in accordance with the Companies Act 2006 and under the historical cost convention, except for the financial instruments (including derivatives) required to be measured at fair value through profit or loss (FVTPL), financial assets classified as fair value through other comprehensive income (FVOCI) and financial instruments that have been designated as FVTPL (DFVTPL).

The financial statements contain information about the Company as an individual company.

FRS 101 sets out a reduced disclosure framework for a 'qualifying entity' as defined in FRS 101 which addresses the financial reporting requirements and disclosure exemptions in the financial statements of qualifying entities that otherwise apply the recognition, measurement and disclosure requirements of EU-adopted International Financial Reporting Standards ("IFRS").

The Company is a qualifying entity for the purposes of FRS 101. Note 20 gives details of the Company's parent and from where its consolidated financial statements prepared in accordance with IFRS may be obtained.

In accordance with FRS 101, the Company has availed of an exemption from the following paragraphs of IFRS:

- The requirements of IFRS 7 'Financial Instruments: Disclosures'.
- The requirements of paragraphs 91 to 99 of IFRS 13 'Fair Value Measurement' (disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities).
- The requirements of paragraphs 38 of International Accounting Standards ("IAS") 1 'Presentation of Financial Statements' to present comparative information in respect of:
 - o Paragraph 79(a)(iv) of IAS 1 (reconciliation of shares outstanding).
 - o Paragraph 73(e) of IAS 16 'Property, Plant and Equipment'.
- The requirements of paragraphs 10(d), 16, 38B to 38D, 111 and 134 to 136 of IAS 1 'Presentation of Financial Statements' (additional comparatives and capital management disclosures).
- The requirements of IAS 7 'Statement of Cash Flows'.
- The requirements of paragraphs 30 and 31 of IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' (disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective).
- The requirements of paragraph 17 of IAS 24 'Related Party Disclosures' (key management compensation).
- The requirements of IAS 24 to disclose related party transactions entered between two or more members of a group where both parties to the transaction are wholly owned within the group.
- The requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15 Revenue from Contracts with Customers.

Notes to the financial statements (continued) for the financial year ended 31 March 2020

Note 2. Summary of significant accounting policies (continued)

i) Basis of preparation (continued)

Critical accounting estimates and significant judgements

The preparation of the financial statements in compliance with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in the process of applying the accounting policies. The notes to the financial statements set out areas involving a higher degree of judgement or complexity, or areas where assumptions are significant to the Company and the financial statements such as:

- the choice of inputs, estimates and assumptions used in the measurement of Expected Credit Loss (ECL) including forecasts of economic conditions and determination of significant increase in credit risk (SICR) (Note 2(xviii));
- fair value of assets and liabilities including determination of non-recurring fair values (Note 19);
- recoverability of tax receivables, deferred tax assets and measurement of current and deferred tax liabilities (Notes 6 and 12);
- measurement and assumptions in relation to the recognition of other creditors (Note 10).

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including reasonable expectations of future events.

Management believes the estimates used in preparing this financial report are reasonable. Actual results in the future may differ from those reported and it is therefore reasonably possible, on the basis of existing knowledge, that outcomes within the next financial year that are different from management's assumptions and estimates could require an adjustment to the carrying amounts of the reported assets and liabilities in future reporting periods.

New Accounting Standards and amendments to Accounting Standards that are either effective in the current financial year or have been early adopted

(i) IFRS 16 Leases

IFRS 16 replaced IAS 17 Leases for the Company's financial year that commenced on 1 April 2019. Subject to certain exceptions, contracts that are leases within the scope of IFRS 16 from the lessee's perspective require the recognition of a right-of-use (ROU) asset and a related lease liability. The classification of leases where the Company is a lessor remains unchanged under IFRS 16.

Transition:

The transition had no impact on the Company.

(ii) IFRIC 23 Interpretation 23 Uncertainty over Income Tax Treatment

IFRIC Interpretation 23 (Interpretation 23) clarified the application of the recognition and measurement criteria in IAS 112 Income Taxes (IAS 112) where there is uncertainty over income tax treatments and requires an assessment of each uncertain tax position as to whether it is probable that a taxation authority will accept the position. Where it is not probable, the effect of the uncertainty is reflected in determining the relevant taxable profit or loss, tax bases, unused tax losses and unused tax credits or tax rates.

The amount is determined as either the single most likely amount or the sum of the probability weighted amounts in a range of possible outcomes, whichever better predicts the resolution of the uncertainty. Judgements are reassessed as and when new facts and circumstances are presented.

Interpretation 23 is effective for the Company's annual financial reporting period beginning on 1 April 2019. The Company's existing recognition and measurement accounting policies, together with accounting related judgements, were in alignment with those required by Interpretation 23 and hence no transition adjustment to retained earnings was required. On adoption of Interpretation 23 the Company has not needed to amend the presentation of its uncertain tax positions.

There are no other amendments to accounting standards, or IFRIC interpretations that are effective for the year ended 31 March 2020 that have had a material impact on the Company's financial statements.

Capital Meters Limited

Notes to the financial statements (continued) for the financial year ended 31 March 2020

Note 2. Summary of significant accounting policies (continued)

ii) Going concern

The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. The Company therefore continues to adopt the going concern basis in preparing its financial statements.

iii) Deficiency of net current assets

The Directors of the Company have prepared the financial statements on a going concern basis despite there being an excess of current liabilities over current assets at 31 March 2020 of £6,152,000. The company's forecasts and projections, taking into account reasonable possible changes in performance, show that the company will be able to meet its obligations with its current cash reserves and borrowings.

iv) Foreign currency translation

Functional and presentation currency

The functional currency of the Company is determined as the currency of the primary economic environment in which the Company operates. The Company's financial statements are presented in 'Pounds Sterling' (£), which is also the Company's functional currency.

Transactions and balances

Foreign currency transactions are translated into the Company's functional currency using the exchange rates prevailing at the transaction date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss account.

v) Revenue and expense recognition

Operating lease income

Operating lease income is recognised on a straight-line basis over the period of the lease, with any rental increases recognised in the period to which they relate.

All lease rentals received but unearned under the lease agreements are recorded as deferred income in creditors on the balance sheet until earned.

The income due in relation to the removal of a meter that is subject to a premature replacement charge from the supplier is accrued at the point of removal.

Finance lease income

Interest income on finance leases is recognised using the effective interest method.

Other operating income/expense

Other operating income/expense comprises other gains and losses relating to foreign exchange differences.

Net interest income/expense

Interest income and interest expense are recognised using the effective interest rate (EIR) method for financial assets and financial liabilities carried at amortised cost. The EIR method calculates the amortised cost of a financial instrument at a rate that discounts estimated future cash receipts or payments through the expected life of the financial instrument or, when appropriate, a shorter period, to the net carrying amount of the financial asset or liability. Fees and transaction costs that are integral to the lending arrangement are recognised in the profit and loss account over the expected life (or, when appropriate, a shorter period) of the instrument in accordance with the EIR method.

Expenses

Expenses are recognised in the profit and loss account as and when the provision of services is received.

vi) Turnover

All activities are generated in the United Kingdom and relate to the Company's principal business.

vii) Dividends

The interim dividend is recognised when paid, and the final dividend is recognised when approved by the shareholders.

Notes to the financial statements (continued) for the financial year ended 31 March 2020

Note 2. Summary of significant accounting policies (continued)

viii) Taxation

The balance sheet approach to tax effect accounting has been adopted whereby the income tax expense for the financial year is the tax payable on the current year's taxable income adjusted for changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and unused tax losses.

Deferred tax assets are recognised when temporary differences arise between the tax bases of assets and liabilities and their respective carrying amounts which give rise to a future tax benefit, or when a benefit arises due to unused tax losses. In both cases, deferred tax assets are recognised only to the extent that it is probable that future taxable amounts will be available against which to utilise those temporary differences or tax losses. Deferred tax liabilities are recognised when such temporary differences give rise to taxable amounts that are payable in future periods. Deferred tax assets and liabilities are recognised at the tax rates expected to apply when the assets are recovered, or the liabilities are settled under enacted or substantively enacted tax law.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority.

Current tax assets and liabilities are offset when there is a legally enforceable right to offset and an intention to either settle on a net basis or realise the asset and settle the liability simultaneously.

Current and deferred taxes attributable to amounts recognised in other comprehensive income (OCI) are also recognised in OCI.

The Company exercises judgement in determining whether deferred tax assets, particularly in relation to tax losses, are probable of recovery.

Factors considered include the ability to offset tax losses within the tax group, the nature of the tax loss, the length of time that tax losses are eligible for carry forward to offset against future taxable profits and whether future taxable profits are expected to be sufficient to allow recovery of deferred tax assets.

The Company undertakes transactions in the ordinary course of business where the income tax treatment requires the exercise of judgement. The Company estimates the amount expected to be paid to/ (recovered from) tax authorities based on its understanding and interpretation of the law. Uncertain tax positions are presented as current or deferred tax assets or liabilities.

ix) Financial instruments

Recognition of financial instruments

Financial instruments are recognised when the Company becomes a party to the contractual provisions of the instrument.

A financial instrument is initially recognised at fair value and is adjusted for (in the case of instruments not classified at FVTPL) transaction costs that are incremental and directly attributable to the acquisition or issuance of the financial instrument, and fees that are an integral part of the effective interest rate. Transaction costs and fees earned relating to financial instruments carried at FVTPL are recorded in the profit and loss account.

De-recognition of financial instruments

Financial assets

Financial assets are de-recognised from the balance sheet when:

- the rights to cash flows have expired; and
- the Company has transferred the financial asset such that it has transferred substantially all the risks and rewards of ownership of the financial asset.

Notes to the financial statements (continued) for the financial year ended 31 March 2020

Note 2. Summary of significant accounting policies (continued)

ix) Financial instruments (continued)

De-recognition of financial instruments (continued)

A financial asset is transferred if, and only if, the Company i) transfers the contractual rights to receive the cash flows of the financial asset, or ii) retains the contractual rights to receive the cash flows of the financial asset, but assumes a contractual obligation to pay the cash flows to one or more recipients in an arrangement where:

- The Company is not obligated to pay amounts to the eventual recipients unless it collects equivalent amounts from the original asset,
- The Company is prohibited from selling or pledging the original asset other than as security to the eventual recipients, and
- The Company is obligated to remit any cash flows it collects on behalf of the eventual recipients without material delay.

In transactions where the Company neither retains nor transfers substantially all the risks and rewards of ownership of a financial asset, the asset is de-recognised if control over the asset is lost. Any interest in the transferred and de-recognised financial asset that is created or retained by the Company is recognised as a separate asset or liability. In transfers where control over the asset is retained, the Company continues to recognise the asset to the extent of its continuing involvement as determined by the extent to which it is exposed to changes in the value of the transferred asset.

Financial liabilities

Financial liabilities are de-recognised from the balance sheet when the Company's obligation has been discharged, cancelled or has expired.

Gains and losses arising from the derecognition of debt financial assets or financial liabilities that are subsequently measured at amortised cost are recognised in other income as part of other operating income and expenses, while those arising from the derecognition of debt financial assets or financial liabilities that are subsequently measured at FVTPL or at FVOCI are recognised as investment income as part of other operating income and expenses.

Modification of financial instruments

A financial instrument is modified when its original contractual cash flows are renegotiated or modified. A financial instrument that is renegotiated is de-recognised if the existing agreement is cancelled and a new agreement is made on substantially different terms or if the existing terms are modified such that the renegotiated financial instrument is a substantially different financial instrument. Where the modification results in de-recognition of the original financial instrument, the new financial instrument is recorded initially at its fair value and the resulting difference is recorded in other income.

For financial instruments measured at amortised cost, and for debt financial assets measured at fair value through OCI, when the modification does not result in derecognition, a gain or loss is recognised in other income reflecting the adjustment of the gross carrying amount to reflect the renegotiated or modified contractual cash flows, discounted at the original EIR.

Classification and subsequent measurement

Financial assets

Financial assets are classified based on the business model within which the asset is held and on the basis of the financial asset's

Business model assessment

The Company determines the business model at the level that reflects how groups of financial assets are managed. In determining the business model, all relevant evidence that is available at the date of the assessment is used including:

- (i) how the performance of the financial assets held within that business model are evaluated and reported to the Macquarie Group's senior management personnel and senior executives;
- (ii) the risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way in which those risks are managed; and
- (iii) how managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected).

The Company exercises judgement to determine the appropriate level at which to assess its business models and its intention with respect to financial assets.

Capital Meters Limited

Notes to the financial statements (continued) for the financial year ended 31 March 2020

Note 2. Summary of significant accounting policies (continued)

ix) Financial instruments (continued)

Solely payment of principal and interest (SPPI)

The contractual cash flows of a financial asset are assessed to determine whether these represent solely payments of principal and interest on the principal amount outstanding. This includes an assessment of whether cash flows reflect primarily consideration for the time value of money and credit risk of the principal outstanding. Interest may also include consideration for other basic lending risks and costs.

Amortised cost

A financial asset is subsequently measured at amortised cost using the EIR method where:

- (i) the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows
- (ii) the contractual terms of the financial asset give rise on specified dates to cash flows that meet the SPPI requirements
- (iii) the financial asset has not been designated to be measured at FVTPL (DFVTPL).

Interest income determined in accordance with the EIR method is recognised in interest income. Gains and losses arising from the derecognition of financial assets that are measured on an amortised cost basis are recognised as part of other operating income and expenses.

Fair value through profit or loss (FVTPL)

Financial assets that do not meet the criteria to be measured at amortised cost or FVOCI are measured at FVTPL, with all changes in fair value recognised as part of other operating income and expenses in the profit and loss account.

For the purposes of the Company's financial statements, the FVTPL classification consists of the following:

- financial assets that are held for active trading (held for trading or 'HFT'). This classification includes all derivative financial assets
- financial assets that have been designated to be measured at fair value through profit or loss to eliminate or significantly reduce an accounting mismatch (DFVTPL)
- financial assets in a business model whose objective is achieved by managing the financial assets on a fair value basis in order to realise gains and losses as opposed to a business model in which the objective is to collect contractual cash flows or financial assets that fail the SPPI test (FVTPL).

Equity financial assets are measured at FVTPL.

Changes in the fair value of HFT financial instruments are recognised in net trading income. Changes in the fair value of financial assets that are DFVTPL and FVTPL are recognised as part of other operating income and charges.

The interest component of financial assets that are classified as HFT, DFVTPL and FVTPL are recognised in interest income.

For financial instruments measured at FVTPL, the best evidence of fair value at initial recognition is its transaction price, unless its fair value is evidenced by comparison with other observable current market transactions in the same instrument, or based on a valuation technique for which variables include only data from observable markets. Where such alternative evidence exists, the Company recognises profit or loss immediately when the financial instrument is recognised ('day 1 profit or loss'). When significant unobservable inputs are used to determine fair value, the day 1 profit is deferred and is recognised in the profit and loss account over the life of the transaction or when the inputs become observable.

Financial liabilities

Financial liabilities are subsequently measured at amortised cost, unless they are either held for trading purposes, in which case they are classified as HFT, or have been designated to be measured at FVTPL (DFVTPL).

All derivative liabilities are classified as HFT.

The changes in fair value of financial liabilities that are classified as HFT are recognised as part of net trading income. Changes in the fair value of financial liabilities that are classified as DFVTPL are recognised in other income as part of other operating income and expenses, with the exception of changes in fair value relating to changes in the Company's own credit risk that is presented separately in OCI and is not subsequently reclassified to profit or loss. The interest component of financial liabilities that are classified as HFT or DFVTPL is recognised in interest expense.

Capital Meters Limited

Notes to the financial statements (continued) for the financial year ended 31 March 2020

Note 2. Summary of significant accounting policies (continued)

ix) Financial instruments (continued)

Offsetting of financial instruments

Financial assets and financial liabilities are offset, and the net amount reported on the balance sheet when there is a current legally enforceable right to offset the amounts and either there is an intention to settle on a net basis or realise the financial asset and settle the financial liability simultaneously.

x) Derivative instruments

Derivative instruments entered into by the Company include interest rate swaps. These derivative instruments are principally used for cash flow hedging on loan interest.

Derivatives are recognised in the balance sheet as an asset where they have a positive fair value at the reporting date or as a liability where they have a negative fair value at the reporting date.

Fair values are obtained from quoted prices in active markets where available, and valuation techniques including discounted cash flow models and option pricing models, as appropriate.

The best evidence of a derivative's fair value at initial recognition is its transaction price, unless its fair value is evidenced by comparison with other observable current market transactions in the same instrument or based on a valuation technique for which variables include only data from observable markets. Where such alternative evidence exists, the Company recognises profit or loss immediately when the derivative is recognised.

Hedge accounting

In the past, the Company has designated certain derivatives or financial instruments as hedging instruments in qualifying hedge relationships. On initial designation of the hedge, the Company documents the hedge relationship between hedging instruments and hedged items, as well as its risk management objectives and strategies. The Company also documents its assessment, both at hedge inception and on an ongoing basis, of whether hedging relationships will continue to be highly effective. The ones that had been designated in the past no longer meet the requirements for hedge accounting and the historic hedge reserve is now being amortised in line with the financial instrument.

Cash flow hedges

For a derivative or financial instrument designated as hedging the variability in cash flows attributable to a particular risk associated with a recognised asset or liability (or a highly probable forecast transaction), the gain or loss on the derivative or financial instrument associated with the effective portion of the hedge is initially recognised in the cash flow hedging reserve through OCI and subsequently released to the profit and loss account when the hedged item affects the profit and loss account. The gain or loss relating to the ineffective portion of the hedge is recognised immediately in the profit and loss account under net trading income. During the year ended 31 March 2016, the hedges were de-designated. As a result, the cash flow hedging reserve is being amortised to the profit and loss account in line with the loan profile, together with the associated deferred tax.

xi) Loans and receivables

Loans and receivables includes loan assets held at amortised cost and amounts due from related entities, which are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

xii) Debtors

Debtors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

Capital Meters Limited

Notes to the financial statements (continued) for the financial year ended 31 March 2020

Note 2. Summary of significant accounting policies (continued)

xiii) Tangible assets

Tangible assets are stated at historical cost (which includes, where applicable, directly attributable borrowing costs) less, where applicable, accumulated depreciation and accumulated impairment losses. Historical cost includes expenditure directly attributable to the acquisition of the asset. Tangible assets include assets leased out under operating leases.

Depreciation on all assets is calculated on a straight-line basis to allocate the difference between cost and residual values over their estimated useful lives, as follows:

Installed Meters: The useful lives of meters being leased under long term contracts are between 10 and 20 years. The useful lives of meters being leased under short term contracts is to December 2020.

Useful lives, residual values and depreciation methods are reviewed annually and reassessed in light of commercial and technological developments. Gains and losses on disposal are determined by comparing proceeds with the asset's carrying amount and are recognised in the profit and loss account.

xiv) Inventory

The net book value of removed meters is classified to inventory and immediately written off to the profit and loss account due to the meters having no further economic value.

xv) Provisions and contingent liabilities

Provisions are recognised when it is probable that an outflow of economic benefits will be required to settle a present legal or constructive obligation that has arisen as a result of past events and for which a reliable estimate can be made. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation.

Contingent liabilities, which generally include letters of credit, indemnities, performance -related contingents and guarantees (other than financial guarantees) are not recognised in the financial statements but are disclosed in the notes to the financial statements unless they are considered remote.

xvi) Creditors

Creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Creditors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

xvii) Bank borrowings

Bank borrowings includes loans and other payables due to banks and financial institutions. These balances are subsequently measured at amortised cost using the EIR method. Borrowings are recognised initially at fair value, net of transaction costs incurred. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent that there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

xviii) Impairment

Expected credit losses ("ECL")

The ECL requirements apply to financial assets measured at amortised cost and FVOCI, lease receivables, amounts receivable from contracts with customers, loan commitments, certain letters of credit and financial guarantee contracts. The Company applies a three-stage approach to measuring the ECL based on changes in the financial asset's underlying credit risk and includes forward-looking or macro-economic information (FLI). Where ECL is modelled collectively for portfolios of exposures, it is modelled as the product of the probability of default (PD), the loss given default (LGD) and the exposure at default (EAD).

The calculation of ECL requires judgement and the choice of inputs, estimates and assumptions. Outcomes within the next financial period that are different from management's assumptions and estimates could result in changes to the timing and amount of ECL to be recognised.

The ECL is determined with reference to the following stages:

(i) Stage I – 12 month ECL

At initial recognition, and for financial assets for which there has not been a significant increase in credit risk (SICR) since initial recognition, ECL is determined based on the PD over the next 12 months and the lifetime losses associated with such PD, adjusted for FLI.

Notes to the financial statements (continued) for the financial year ended 31 March 2020

Note 2. Summary of significant accounting policies (continued)

xviii) Impairment (continued)

Expected credit losses (continued)

(ii) Stage II – Lifetime ECL not credit-impaired

When there has been a SICR since initial recognition, the ECL is determined with reference to the financial asset's life-time PD and the lifetime losses associated with that PD, adjusted for FLI. The Company applies its judgement in determining whether there has been a SICR since initial recognition based on qualitative, quantitative, and reasonable and supportable information that includes FLI.

Use of more alternative criteria could result in significant changes to the timing and amount of ECL to be recognised. Lifetime ECL is generally determined based upon the contractual maturity of the financial asset. For revolving facilities, the Company exercises judgement based on the behavioural, rather than contractual characteristics of the facility type.

(iii) Stage III – Lifetime ECL credit-impaired

Financial assets are classified as stage III where they are determined to be credit impaired. This includes exposures that are at least 90 days past due and where the obligor is unlikely to pay without recourse against available collateral.

The ECL for credit impaired financial assets is generally measured as the difference between the contractual and expected cash flows from the individual exposure, discounted using the EIR for that exposure. For credit-impaired exposures that are modelled collectively, ECL is measured as the product of the lifetime PD, LGD and EAD, adjusted for FLI.

(iv) Purchased or originated credit-impaired financial assets

Purchased or originated credit-impaired (POCI) financial assets are initially recognised at fair value with interest income subsequently determined using a credit-adjusted EIR. The credit-adjusted EIR is the EIR adjusted for expected credit losses on initial recognition.

The ECL is measured as the product of the lifetime PD, LGD and EAD adjusted for FLI or by discounting the difference between the contractual and expected cash flows from the individual exposure using the credit-adjusted EIR, with increases and decreases in the measured ECL from the date of origination or purchase being recognised in profit and loss account as either an impairment gain or loss.

Presentation of loss allowances

The loss allowances for ECL are presented in the balance sheet as follows:

- Loan assets, loans to related body corporate entities and subsidiaries, associates and joint ventures measured at amortised cost – as a deduction to the gross carrying amount
- Loan assets, loan to associates and joint ventures, and debt financial investments measured at fair value through OCI – as a reduction in the OCI reserve account under equity. The carrying amount of the asset is not adjusted as it is recognised at fair value
- Lease receivables, contract receivables and other assets measured at amortised cost – as a deduction to the gross carrying amount
- Undrawn credit commitments – as a provision included in other liabilities.

When the Company concludes that there is no reasonable expectation of recovering cash flows from the financial asset, and all possible collateral has been realised, the financial asset is written off, either partially or in full, against the related provision. Recoveries of loans previously written off are recorded based on the cash received.

Impairment of tangible assets

For installed meters an assessment is made at each reporting date for indications of impairment.

Impairment losses are recognised in other impairment charges as part of other operating income and expenses for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units).

Notes to the financial statements (continued) for the financial year ended 31 March 2020

Note 2. Summary of significant accounting policies (continued)

xix) Leases

Determine whether an arrangement contains a lease

At the inception of a contract, the Company assesses whether a contract is, or contains, a lease. At inception, or on reassessment of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component unless an election is made to account for the lease and non-lease components as a single lease component.

Arrangement where the Company is lessor

Leases where the lessee has substantially all the risks and rewards incidental to ownership of the leased assets are classified as finance leases. All other leases are classified as operating leases.

Finance lease

Where finance leases are granted to third parties, the present value of the minimum lease payments plus an estimate of the value of any unguaranteed residual value is recognised as a receivable.

The difference between the gross receivable and the present value of the receivable is unearned interest income. Lease receipts are discounted using the interest rate implicit in the lease. Lease income is recognised over the term of the lease using the EIR method, which reflects a constant rate of return.

Operating lease

Where the Company is the lessor under an operating lease, the underlying asset is carried at cost and depreciated over its useful life in accordance with the rates specified in Note 2(xiii) Tangible assets. Operating lease income is recognised on a straight-line basis over the period of the lease unless another systematic basis is more appropriate. Assets leased out under operating leases are included in Installed meters.

xx) Called up share capital

Ordinary shares and other similar instruments are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

xxi) Cash at bank

Cash at bank comprises call deposits with qualifying financial institutions.

Capital Meters Limited

Notes to the financial statements (continued) for the financial year ended 31 March 2020

Note 3. Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after (crediting)/charging:

	2020 £000	2019 £000
Operating lease income	(12,079)	(12,917)
Finance lease income	(103)	(235)
Foreign exchange gains	(1)	-
Depreciation charges - tangible assets	3,945	4,562
Inventory recognised as an expense	1,622	2,861
Credit impairment charges		
Debtors	15	278
Auditors' remuneration		
Fees payable to the Company's auditors for the audit of the Company	44	39

The Company had no employees during the current and previous financial year.

Note 4. Interest receivable and similar income

	2020 £000	2019 £000
Interest receivable from unrelated parties	54	54
Total interest receivable and similar income	54	54

Note 5. Interest payable and similar charges

	2020 £000	2019 £000
Interest payable to other Macquarie Group undertakings	240	239
Interest payable to unrelated parties	205	17
Amortisation of initial finance costs	28	54
Other related charges paid to third parties	39	38
Total interest payable and similar charges	512	348

Included within interest payable to unrelated parties is £351,000 (2019 : £612,000) representing the recycling of the cash flow hedge reserve to the profit and loss account, following the discontinuation of hedge accounting in a prior year.

Note 6. Taxation

i) Tax expense included in profit

	2020 £000	2019 £000
Current tax		
UK corporation tax at 19% (2019: 19%)	2,689	2,670
Total current tax	2,689	2,670
Deferred tax		
Origination and reversal of temporary differences	(976)	(826)
Effect of changes in tax rates	359	87
Total deferred tax	(617)	(739)
Tax on profit on ordinary activities	2,072	1,931

Capital Meters Limited

Notes to the financial statements (continued) for the financial year ended 31 March 2020

Note 6. Taxation (continued)

ii) Reconciliation of effective tax rate

The income tax expense for the year ended 31 March 2020 is higher (2019: higher) than the standard rate of corporation tax in the UK of 19% (2019: 19%). The differences are explained below:

	2020 £000	2019 £000
Profit before taxation	9,017	9,708
Current tax charge at 19% (2019: 19%)	1,713	1,844
Effect of:		
Effect of rate change	359	87
Total tax on profit on ordinary activities	2,072	1,931

The tax rate for the current year is the same as the prior year. The current tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the UK where the company operates and generates taxable income. The UK Corporation tax main rate for the financial year beginning 1 April 2020 will remain at 19%. This reverses the previously enacted rate change reducing the rate to 17%. Deferred tax has been measured at 19%.

iii) Tax expense relating to items of other comprehensive income

	2020 £000	2019 £000
Deferred tax arising in other comprehensive income	67	116
Rate change in other comprehensive income	(9)	(12)
Total tax expense relating to items of other comprehensive income	58	104

(iv) Deferred tax comprises timing differences attributable to:

	2020 £000	2019 £000
Deferred tax assets		
Financial instruments & revaluations	(16)	(74)
Total deferred tax assets	(16)	(74)
Deferred tax liabilities		
Accelerated capital allowances	2,436	3,053
Total deferred tax liabilities	2,436	3,053
Deferred tax	2,420	2,979

(v) Reconciliation of the Company's movement in deferred tax

	2020 £000	2019 £000
Reconciliation of the Company's movement in deferred tax assets:		
Balance at the beginning of the financial year	74	227
Temporary differences:		
Deferred tax charged to profit and loss account for the year	-	(182)
Effect of changes in tax rates	-	6
Rate change in other comprehensive income	9	12
Deferred tax charged to other comprehensive income	(67)	(116)
Transfer from deferred tax asset to deferred tax liability	-	127
Balance at the end of the financial year	16	74

Capital Meters Limited

Notes to the financial statements (continued) for the financial year ended 31 March 2020

Note 6. Taxation (continued)

(v) Reconciliation of the Company's movement in deferred tax (continued)

	2020 £000	2019 £000
Reconciliation of the Company's movement in deferred tax liabilities:		
Balance at the beginning of the financial year	3,053	3,841
Timing differences:		
Amounts credited to the profit and loss account	(976)	(1,008)
Effect of changes in tax rates	359	93
Transfer from deferred tax asset to deferred tax liability	-	127
Balance at the end of the financial year	2,436	3,053

The majority of the above amounts are expected to be recovered after 12 months of the balance date by the Company.

Note 7. Tangible assets

	Installed Meters £000	Total £000
Cost		
At 1 April 2019	56,827	56,827
Transfer to inventory	(6,021)	(6,021)
At 31 March 2020	50,806	50,806
Accumulated depreciation		
At 1 April 2019	39,540	39,540
Charge for the year	3,945	3,945
Transfer to inventory	(4,470)	(4,470)
At 31 March 2020	39,015	39,015
Net book value		
At 31 March 2020	11,791	11,791
At 31 March 2019	17,287	17,287

Assets with a cost of £50,806,000 (2019: £56,827,000) and net book value of £11,791,000 (2019: £17,287,000) are held for use in operating lease arrangements. The future minimum lease payments under these leases is deemed to be one day's rental due to the ability of individual households, where the meters are located, to churn to a different energy supplier.

Capital Meters Limited

Notes to the financial statements (continued) for the financial year ended 31 March 2020

Note 8. Debtors

	2020	2019
	£000	£000
Due within one year:		
Trade Debtors	1,579	1,889
Net investment in finance leases	358	967
Amounts owed by other Macquarie Group undertakings	545	104
Prepayments and accrued income	1,615	2,186
Total debtors due within one year	4,097	5,146

Amounts owed by other Macquarie Group undertakings are unsecured and have no fixed date of repayment.

At the reporting date, amounts owed by other Macquarie Group undertakings has ECL allowance of £1k (2019: £nil) which is net presented against the gross carrying amount.

	2020	2019
	£000	£000
Due after one year:		
Net investments in finance leases	-	401
Total debtors due after more than one year	-	401

Finance lease receivables

Meters which are installed for energy suppliers under contractual arrangements which transfer to them the risks and rewards of ownership are treated as finance leases.

	2020			2019		
	Gross investment in finance lease receivables £000	Unearned interest income £000	Present value of minimum lease payments receivable £000	Gross investment in finance lease receivables £000	Unearned interest income £000	Present value of minimum lease payments receivable £000
Not later than one year	363	(5)	358	1,073	(106)	967
Later than one year and no later than five years	-	-	-	409	(8)	401
Total finance lease receivables	363	(5)	358	1,482	(114)	1,368

Rentals received during the year under finance leases amounted to £1,025,000 (2019: £1,209,000).

The cost of assets acquired during the year for onward finance leasing was £nil (2019: £nil).

Note 9. Cash at bank

	2020	2019
	£000	£000
Cash at bank	3,754	8,669
Total cash at bank	3,754	8,669

Capital Meters Limited

Notes to the financial statements (continued) for the financial year ended 31 March 2020

Note 10. Creditors: amounts falling due within one year

	2020 £000	2019 £000
Bank Loans	2,877	4,800
Other Loans to Macquarie Group undertakings	1,451	1,451
Trade creditors	78	115
Derivative financial instruments	329	483
VAT Payable	500	582
Taxation	5,360	6,953
Amounts owed to other Macquarie Group undertakings	2,865	2,224
Accruals	89	93
Other creditors	797	701
Total creditors: amounts falling due within one year	14,346	17,402

Bank Loans comprise long-term senior and mezzanine debts. These debts have been hedged for the life of the loan by way of fixed interest rate swaps at 5.38% (2019: 5.38%) and 5.34% (2019: 5.34%) respectively.

The bank loans are secured by a fixed charge over assets of the Company.

Other loans comprise subordinated unsecured variable rate perpetual loan notes issued to Capital Meters Holdings Limited. Subject to certain conditions the loan notes will bear interest up to 16.5% per annum.

Amounts due to other Macquarie Group undertakings are unsecured and have no fixed date of repayment.

Note 11. Creditors: amounts falling due after more than one year

	2020 £000	2019 £000
Bank Loans	-	3,002
Less issue costs	-	(35)
Derivative financial instruments	580	1,134
Total creditors: amounts falling due after more than one year	580	4,101

Bank Loans comprise long-term senior and mezzanine debts. These debts have been hedged for the life of the loan by way of fixed interest rate swaps at 5.38% (2019: 5.38%) and 5.34% (2019: 5.34%) respectively.

The bank loans are secured by a fixed charge over assets of the Company.

The Company has not had any defaults of principal, interest or other breaches with respect to its debt during the financial years reported.

Analysis of Debt:

	2020 £000	2019 £000
Debt can be analysed as falling due:		
In one year or less, or on demand	4,328	6,251
Between one and two years	-	3,002
Between two and five years	-	-
Total debt at amortised cost	4,328	9,253

Capital Meters Limited

Notes to the financial statements (continued) for the financial year ended 31 March 2020

Note 12. Provisions for liabilities

	2020 £000	2019 £000
Deferred tax (Note 6)	2,420	2,979
Total provisions for liabilities	2,420	2,979

The majority of the above amounts are expected to be settled after 12 months of the reporting date by the Company

Note 13. Called up share capital

	2020 Number	2019 Number	2020 £000	2019 £000
Called up share capital				
Opening balance of fully paid ordinary shares at £1 per share	50,000	50,000	50	50
Closing balance of fully paid ordinary shares at £1 per share	50,000	50,000	50	50

Note 14. Other reserves and profit and loss account

	2020 £000	2019 £000
Cash flow hedging reserve		
Balance at the beginning of the financial year	(358)	(866)
Transfer to profit and loss account on realisation, net of tax	293	508
Balance at the end of the financial year	(65)	(358)

During the year ended 31 March 2016, the hedges were de-designated. As a result, the cash flow hedging reserve is being amortised to the profit and loss account in line with the loan profile, together with the associated deferred tax.

	2020 £000	2019 £000
Profit and loss account		
Balance at the beginning of the financial year	7,329	8,853
Profit for the financial year	6,945	7,777
Dividends paid on ordinary share capital (note 15)	(11,963)	(9,301)
Balance at the end of the financial year	2,311	7,329

Note 15. Dividends

	2020 £000	2019 £000
Dividends paid		
Dividends paid (£239.26 per share (2019 : £186.02 per share))	11,963	9,301
Total dividends paid (Note 15)	11,963	9,301

Note 16. Related party information

As 100% of the voting rights of the Company are controlled within the group headed by MGL, incorporated in Australia, the Company has taken advantage of the exemption contained in FRS 101 and has therefore not disclosed transactions or balances with entities which form part of the Macquarie Group. The consolidated financial statements of MGL, within which the Company is included, can be obtained from the address given in Note 20.

The Company does not have any related party transactions or balances other than those with entities which form part of the Macquarie Group as mentioned above.

Notes to the financial statements (continued) for the financial year ended 31 March 2020

Note 17. Directors' remuneration

During the financial years ended 31 March 2020 and 31 March 2019, all Directors were employed by and received all emoluments from other Macquarie Group undertakings. The Directors perform directors' duties for multiple entities in the Macquarie Group, as well as their employment duties within Macquarie Group businesses. Consequently, allocating their employment compensation accurately across all these duties would not be feasible. Accordingly, no separate remuneration has been disclosed.

Note 18. Contingent liabilities and commitments

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

Note 19. Derivative financial instruments

Objectives of holding and issuing derivative financial instruments

The Company uses derivatives for asset and liability management. Certain derivative transactions may qualify as cash flow hedges, if they meet the appropriate strict hedge criteria outlined in note 2(x) – Hedge accounting:

Cash flow hedges: The Company is exposed to volatility in future interest cash flows arising from floating rate issued debt used to fund fixed rate asset positions. The aggregate principal balances and interest cash flows across these portfolios form the basis for identifying the non-trading interest rate risk of the Company, which is hedged with interest rate swaps. During the year ended 31 March 2016, the hedges were de-designated. As a result, the cash flow hedging reserve is being amortised to the profit and loss account in line with the loan profile, together with the associated deferred tax. At 31 March 2020, the fair value of outstanding derivatives held by the Company was £909,000 negative value (2019: £1,618,000 negative value).

The types of derivatives which the Company trades and uses for hedging purposes are Swaps.

Swaps: Swap transactions provide for two parties to swap a series of cash flows in relation to an underlying principal amount, usually to exchange a fixed interest rate for a floating interest rate. Cross-currency swaps provide a tool for two parties to manage risk arising from movements in exchange rates.

Note 20. Ultimate parent undertaking

At 31 March 2020, the immediate parent undertaking of the Company is Capital Meters Holdings Limited.

The ultimate parent undertaking and controlling party of the Company, is MGL. The largest group to consolidate these financial statements is MGL, a company incorporated in Australia. The smallest group to consolidate these financial statements is Macquarie Bank Limited ("MBL"), a company incorporated in Australia. Copies of the consolidated financial statements for MGL and MBL can be obtained from the Company Secretary, Level 6, 50 Martin Place, Sydney, New South Wales, 2000 Australia.

Note 21. Events after the reporting date

There were no material events subsequent to 31 March 2020 that have not been reflected in the financial statements.

No post-balance sheet impairments of assets held at the balance sheet date are currently envisaged as a result of COVID-19. There has been minimal impact on the underlying assets and the cash resources on hand at the date of approval of the financial statements are considered sufficient, such that the company can remain a going concern even in the event of severe but plausible downside scenarios.