

**Capital Meters Limited**  
**Company Number 04800317**

Strategic Report, Directors' Report and Financial Statements  
for the financial year ended 31 March 2021



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

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# Capital Meters Limited

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## 2021 Strategic Report, Directors' Report and Financial Statements

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# Capital Meters Limited

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## Strategic Report for the financial year ended 31 March 2021

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 2021 ("current financial year") 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 2021 was £7,320,000, an increase of 5 percent from the profit of £6,945,000 in the previous year.

Operating profit for the year ended 31 March 2021 was £8,882,000, a decrease of 6 percent from £9,490,000 in the previous year.

Total operating expenses for the year ended 31 March 2021 were £300,000, an increase of 5 percent from £284,000 in the previous year.

As at 31 March 2021, the Company had net assets of £4,723,000 (2020: £2,296,000).

There has been no change to the approach of managing capital during the year ended 31 March 2021 by the Company in comparison to the prior financial year. At all times during the year ended 31 March 2021 the Company was in compliance with both internally and externally imposed capital requirements to which it is subject to. As such, there was no consequence of non-compliance imposed upon the Company.

### Principal risks and uncertainties

The Company is responsible for its own risk acceptance decisions. From the perspective of the Company, the principal risks are credit risk and liquidity risk. The material risks of the Company are monitored by the relevant division of the Risk Management Group ("RMG") of the Macquarie Group. There are currently no plans to substantially change the nature of the business going forward.

The range of factors that may influence the Company's short-term outlook include:

- the duration of Novel Coronavirus ("COVID-19"), speed of the global economic recovery and extent of government support for economies
- market conditions including significant volatility events and the impact of geopolitical events
- potential tax or regulatory changes and tax uncertainties.

The Directors have considered the impact of COVID-19 and the withdrawal of the United Kingdom ("UK") from the European Union ("EU") (known as "Brexit") and have concluded that these are not expected to have a significant impact on the operations of the Company.

The Company is not subject to any other material risks or uncertainties, over and above those stated.

### 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.

## Strategic Report (continued) for the financial year ended 31 March 2021

### Financial Risk management (continued)

As an indirect subsidiary of Macquarie Group Limited ("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.

#### Credit risk

Credit risk is the risk that a counterparty will fail to complete its contractual obligations when they fall due. Credit exposures, approvals and limits are controlled within the Macquarie Group's credit risk 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, all of which earn a variable rate of interest. Interest bearing liabilities include payables to other Macquarie Group undertakings which also incur a variable rate of interest.

#### Foreign exchange risk

The Company has no significant foreign exchange risk.

### Section 172 (1) Statement

During the reporting period the Directors of the Company have acted in a way which they consider, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole, in doing so, they have regard to the matters set out in s172(1)(a-f) of the Companies Act 2006) in their decision making.

Our Section 172 statement focusses on matters of strategic importance to the Company, and the level of information disclosed is consistent with the size and the complexity of the business.

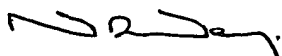
From the perspective of the Directors, the matters that the Board is responsible for considering under Section 172 of the Companies Act 2006 have been considered appropriately. To the extent necessary for an understanding of the development, performance and position of the Company, an explanation of how the Directors considered these matters is set out in the Directors' report on pages 5 to 9.

## Strategic Report (continued) for the financial year ended 31 March 2021

### Other matters

Due to the nature of the business and the information provided elsewhere in this report, the Directors are of the opinion that the production of financial and non-financial key performance indicators (including with regard to environmental and employee matters) 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  
29 November 2021

## **Directors' Report**

### **for the financial year ended 31 March 2021**

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  
J Liddy (Resigned 26 November 2021)  
S Mackie

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 2021 was £7,320,000 (2020: £6,945,000).

#### **Dividends**

Interim dividends of £4,958,000 (2020: Interim £11,963,000) were paid during the current financial year. No other dividend has been proposed.

#### **State of affairs**

There were no 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.

#### **Going concern**

The Company has excess of current liabilities over current assets at 31 March 2021 of £1,779,000. The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. No material uncertainties that cast significant doubt about the ability of the Company to continue as a going concern have been identified by the Directors. The Company therefore continues to adopt the going concern basis in preparing its financial statements.

#### **Events after the reporting date**

On 9 July 2021, the Directors passed a resolution to enter into the group Master Loan Agreement (the "MLA").

On 27 September 2021, an interim dividend of £5,500,000 (£110.00 per ordinary share) in relation to the year ended 31 March 2022 was declared.

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 2021 not otherwise disclosed in this report.

#### **Likely developments, business strategies and prospects**

The Directors have considered the impact of COVID-19 and the UK's withdrawal from the European Union and have concluded that these are not expected to have a significant impact on the operations of the Company.

**Directors' Report (continued)**  
for the financial year ended 31 March 2021

**Likely developments, business strategies and prospects (continued)**

**IBOR reform: Transition from inter-bank offered rates ("IBOR") to alternative reference rates ("ARRs")**

IBOR are interest rate benchmarks that are used in a wide variety of financial instruments such as derivatives and lending arrangements. Examples of IBOR include 'LIBOR' (the London Inter-bank Offered Rate) and 'EURIBOR' (the Euro Inter-bank Offered Rate). Historically, each IBOR has been calculated and published daily based on submissions by a panel of banks. Over time, changes in interbank funding markets have meant that IBOR panel bank submissions have become based less on observable transactions and more on expert judgement. Financial markets' authorities reviewed what these changes meant for financial stability, culminating in recommendations to reform major interest rate benchmarks. As a result of these recommendations, many IBOR around the world are undergoing reforms.

Due to a lack of observable transactions to support robust LIBOR reference rates, LIBOR publication for the majority of currencies is expected to cease in the next financial year by 31 December 2021.

As at 31 March 2021, the Company did not have any material exposures to the impacted IBOR benchmarks and is not materially impacted by the transition to ARRs.

The Directors believe that no other significant changes are expected other than those already disclosed in this report and the Strategic 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, operational risk and foreign exchange risk are contained within the Strategic Report.

**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 also at the date of approval of the financial statements. 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 in respect of the financial statements**

The Directors are responsible for preparing the Strategic Report, Directors' Report and the financial statements in accordance with applicable law and regulation.

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, 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;
- 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;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Company will continue in business.

**Directors' Report (continued)**  
for the financial year ended 31 March 2021

**Statement of Directors' responsibilities in respect of the financial statements (continued)**

The Directors are 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 also 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.

**Section 172 (1) Statement**

The following sets out the requirements of section 172 (1) and notes how the Directors have discharged their duties. In doing so they have had regard to matters including those in respect of the Company's stakeholders, who are principally group shareholders, employees, internal and external customers.

**a) Likely consequences of any decision in the long term**

The Company's ultimate parent is Macquarie Group Limited ("MGL"). The Company operates to the ethical and business standards set by MGL and the Macquarie Group. Any decision taken is aligned to the strategy of the Company and the wider Macquarie Group and made in accordance with Macquarie's Code of Conduct (the "Code"). The Code is based on the three principles that guide the way Macquarie Group does business – Opportunity, Accountability and Integrity. Before a proposal is brought to the Board for approval, it will have gone through a series of internal approvals, in accordance with the Macquarie Group's risk management framework, which is embedded across the Macquarie Group's operations. The Macquarie Group's approach to risk management is based on the following stable and robust core risk management principles i) ownership of risk at the business level; ii) understanding worst case outcomes and iii) independent sign off by the Risk Management Group.

To facilitate good decision making, Directors meet as required with documentation circulated in advance. Where relevant this may include diligence on financial impacts, as well as non-financial factors to allow them to fully understand the performance and position of the Company, along with the matters that are to be discussed.

The principal activity of the Company during the year was the provision and management of gas and electricity meters to energy suppliers. Key decisions which the Board met to consider during the year were:

- the approval of the interim and statutory financial statements of the Company,
- the approval of the payment of dividends to the Company's sole Shareholder; and
- repayment of the Company's external debt.

**(b) Interests of the Company's workforce**

The Company itself does not have any direct employees but utilises the services of employees employed by the Macquarie Group via a range of internal shared services agreements.

**(c) Business relationships with suppliers, customers and others**

The Board is cognisant of the stakeholders of the Company and the importance of strong relationships, coupled with appropriate levels of communication and engagement.

**Suppliers** - Macquarie Group is committed to ensuring high standards of environmental, social and governance performance across its supply chain. This commitment is driven by our business principles. Macquarie Group has put in place a Supplier Governance Policy to manage the risks associated with suppliers who provide the Macquarie Group with high inherent risk goods or services, and also 'Principles for Suppliers' to help uphold our core values with the aim of having supplier relationships that create long-term and sustainable value for our clients, shareholders and community.



**Directors' Report (continued)**  
**for the financial year ended 31 March 2021**

**Section 172 (1) Statement (continued)**

**(c) Business relationships with suppliers, customers and others (continued)**

**Customers** - the Board also recognises that working with its customers to ensure that the Company understands their issues is crucial to the success of the Company. The Macquarie meter asset provision business (of which the Company forms part) has regular meetings at all levels with key customers with whom the business has generally had long-standing relationships.

**Regulators** - the Board recognises the importance of having good relationships 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. The business 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.

**(d) Community and the environment**

The Board recognises the importance of sound Environmental, Social and Governance ("ESG") practices as part of its responsibility to our clients, shareholders, communities, people and the environment in which the Macquarie Group operates. As a subsidiary of the Macquarie Group, the Company has committed to the Group's ESG approach, which is structured around focus areas considered to be material to the Group's business. Assessing and managing Macquarie Group wide ESG risks is a key business priority and an important component of Macquarie's broader risk management framework, to which the Company is subject.

Clear dialogue with stakeholders is important to building strong relationships, understanding external dynamics, earning and maintaining trust, enhancing business performance and evolving our ESG approach. The Macquarie Group regularly engage with a broad range of stakeholders including clients, shareholders, investors, analysts, governments, regulators, the workforce, suppliers and the wider community.

Macquarie Group recognises that failure to manage ESG risks could expose the organisation to commercial, reputational and regulatory impacts and affect communities, the environment and other external parties.

In May 2021, Macquarie Group announced a net zero commitment as part of its wider efforts to tackle climate change and help drive action at a global level. This statement signals the intent to steer our portfolio over time and in line with a managed transition to global net zero by 2050. Macquarie is already regarded as a global leader in advancing practical climate solutions and this announcement is an opportunity to positively build on that, demonstrating close alignment with our purpose – empowering people to innovate and invest for a better future.

The Board acknowledges the work of the Macquarie Group Foundation (the "Foundation"), which is the philanthropic arm of Macquarie. The Foundation encourages Macquarie's employees to give back to the communities in which they live and work by contributing service, financial support and leadership to the community organisations they feel passionately about.

**(e) Reputation for high standards**

The reputations of the Company and its Directors are fundamental to the long-term success of the Company and significant effort is expended to ensure that performance and processes attain and wherever possible exceed expectations. The Macquarie Group and the Company are committed to maintaining high ethical standards – adhering to laws and regulations, conducting business in a responsible way and treating all stakeholders with honesty and integrity. These principles are further reflected in the Code.

**(f) Need to act fairly as between members of the Company**

The Company is a separate legal entity and is therefore making this statement as such, but in practical terms, the Company is part of a wider group and in addition to promoting the success of the Company as a whole, the duties of the Directors of the Company are exercised in a way that is most likely to promote the success of the Company for the Macquarie Group as a whole, while having regard to factors outlined in section 172(1) Companies Act 2006.

**Directors' Report (continued)**  
**for the financial year ended 31 March 2021**

**Directors' confirmations**

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. The auditors, PricewaterhouseCoopers LLP have indicated their willingness to continue in office, and 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

29 November 2021

# Capital Meters Limited

## Financial Statements

### Profit and loss account for the financial year ended 31 March 2021

	Notes	2021 £000	2020 £000
Turnover	4	13,371	15,765
Cost of sales	4	(4,189)	(5,991)
<b>Gross profit</b>		<b>9,182</b>	<b>9,774</b>
Administrative expenses	4	(300)	(284)
Other operating (expenses)/income	4	-	-
<b>Operating profit</b>		<b>8,882</b>	<b>9,490</b>
Interest receivable and similar income	4	921	763
Interest payable and similar expenses	4	(698)	(1,221)
Net impairment losses on financial assets	4	(68)	(15)
<b>Profit before taxation</b>	4	<b>9,037</b>	<b>9,017</b>
Tax on profit	5	(1,717)	(2,072)
<b>Profit for the financial year</b>	13	<b>7,320</b>	<b>6,945</b>

The above profit and loss account should be read in conjunction with the accompanying notes on pages 13 to 31, which form an integral part of the financial statements.

Turnover and profit before taxation relate wholly to continuing operations.

### Statement of comprehensive income for the financial year ended 31 March 2021

	Notes	2021 £000	2020 £000
<b>Profit for the financial year</b>	13	<b>7,320</b>	<b>6,945</b>
Other comprehensive income/(loss)			
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		81	351
Movement in deferred tax relating to cash flow hedges	11	(16)	(58)
<b>Total other comprehensive income</b>	13	<b>65</b>	<b>293</b>
<b>Total comprehensive income</b>		<b>7,385</b>	<b>7,238</b>
Total comprehensive income for the financial year that is attributable to ordinary equity holders of the Company		7,385	7,238

The above statement of comprehensive income should be read in conjunction with the accompanying notes on pages 13 to 31, which form an integral part of the financial statements.

# Capital Meters Limited

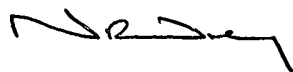
Company Number 04800317

## Balance sheet as at 31 March 2021

	Notes	2021 £000	2020 £000
<b>Fixed assets</b>			
Tangible assets	6	8,027	11,791
<b>Current assets</b>			
Debtors	7	3,217	4,097
Cash at bank	8	1,826	3,754
		5,043	7,851
<b>Current liabilities</b>			
Creditors: amounts falling due within one year	9	(6,822)	(14,346)
<b>Net current liabilities</b>		(1,779)	(6,495)
<b>Total assets less current liabilities</b>		6,248	5,296
<b>Creditors: amounts falling due after more than one year</b>	10	-	(580)
<b>Deferred tax liabilities</b>	11	(1,525)	(2,420)
<b>Net assets</b>		4,723	2,296
<b>Shareholders' funds</b>			
Called up share capital	12	50	50
Reserves	13	-	(65)
Profit and loss account	13	4,673	2,311
<b>Total shareholders' funds</b>		4,723	2,296

The above balance sheet should be read in conjunction with the accompanying notes on pages 13 to 31, which form an integral part of the financial statements.

The financial statements on pages 10 to 31 were authorised for issue by the Board of Directors on 29 November 2021 and were signed on its behalf by:



Neil Denley  
Director

29-11-21

# Capital Meters Limited

## Statement of changes in equity for the financial year ended 31 March 2021

	Notes	Called up share capital £000	Cash flow hedging reserve <sup>1</sup> £000	Profit and loss account <sup>2</sup> £000	Total shareholders' funds £000
<b>Balance as at 1 April 2019</b>	13	50	(358)	7,329	7,021
Profit for the financial year		-	-	6,945	6,945
Other comprehensive income, net of tax		-	293	-	293
<b>Total comprehensive income</b>		-	293	6,945	7,238
Transactions with equity holders in their capacity as ordinary equity holders:					
Dividends paid	14	-	-	(11,963)	(11,963)
<b>Balance as at 31 March 2020</b>	12 & 13	50	(65)	2,311	2,296
Profit for the financial year		-	-	7,320	7,320
Other comprehensive income, net of tax		-	65	-	65
<b>Total comprehensive income</b>		-	65	7,320	7,385
Transactions with equity holders in their capacity as ordinary equity holders:					
Dividends paid	14	-	-	(4,958)	(4,958)
<b>Balance as at 31 March 2021</b>	12 & 13	50	-	4,673	4,723

The above statement of changes in equity should be read in conjunction with the accompanying notes on pages 13 to 31, which form an integral part of the financial statements.

<sup>1</sup>The 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.

<sup>2</sup>The 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.

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# Capital Meters Limited

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## Notes to the financial statements for the financial year ended 31 March 2021

### Note 1. Company information

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.

The principal activity of the Company during the financial year ended 31 March 2021 was the provision and management of gas and electricity meters to energy suppliers.

### Note 2. Basis of preparation

The financial statements have been prepared in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' ("FRS 101") and have been prepared in accordance with the provisions of the Companies Act 2006.

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

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.

#### i) Going concern

The Company has excess of current liabilities over current assets at 31 March 2021 of £1,779,000. The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. No material uncertainties that cast significant doubt about the ability of the Company to continue as a going concern have been identified by the Directors. The Company therefore continues to adopt the going concern basis in preparing its financial statements.

#### ii) 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 2021 of £1,779,000. 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.

#### iii) Basis of measurement

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").

#### iv) Disclosure exemptions

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 International Financial Reporting Standards ("IFRS").

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:
  - Paragraph 79(a)(iv) of IAS 1 (reconciliation of shares outstanding).
  - 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).

## Notes to the financial statements (continued) for the financial year ended 31 March 2021

### Note 2. Basis of preparation (continued)

#### iv) Disclosure exemptions (continued)

- The requirements of IAS 24 to disclose related party transactions entered into between two or more members of a group where both parties to the transaction are wholly owned within the group.
- The requirements of paragraphs 130(f)(ii), 130(f)(iii), 134(d) to 134(f) and 135(c) to 135(e) of IAS 36 'Impairment of Assets'.
- 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.
- The requirements of paragraph 52, the second sentence of paragraph 89, and paragraphs 90, 91 and 93 of IFRS 16 'Leases'.

#### v) 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:

- judgement in the choice of inputs, estimates and assumptions used in the measurement of Expected Credit Loss ("ECL") including the determination of significant increase in credit risk ("SICR"), forecasts of economic conditions and the weightings assigned thereto (Note 3(xv));
- estimates in fair value of assets and liabilities including determination of non-recurring fair values (Note 19);
- estimates in recoverability of tax receivables, deferred tax assets and measurement of current and deferred tax liabilities can require significant judgement, particularly where the recoverability of such tax balances relies on the estimation of future taxable profits and management's determination of the likelihood that uncertain tax positions will be accepted by the relevant taxation authority (Notes 3(iii), 5 and 11);
- measurement and assumptions in relation to the recognition of other creditors (Note 9).

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.

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

The amendments to existing accounting standards that are effective for the annual reporting period beginning on 1 April 2020 did not result in a material impact to the Company's financial statements.

### Note 3. Significant accounting policies

#### i) 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.

#### ii) 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.

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# Capital Meters Limited

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## Notes to the financial statements (continued) for the financial year ended 31 March 2021

### Note 3. Significant accounting policies (continued)

#### ii) Revenue and expense recognition (continued)

##### *Finance lease income*

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

##### *Other operating expenses*

Other operating expenses 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, and debt financial assets classified as at fair value through other comprehensive income ("OCI"). 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 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 interest income or interest expense as applicable over the expected life (or, when appropriate, a shorter period) of the instrument in accordance with the EIR method.

When the estimates of payments or receipts of a financial instrument are subsequently revised, the carrying amount is adjusted to reflect the actual or revised cash flows with the re-measurement recognised as part of interest income (financial assets) or interest expense (financial liabilities).

The calculation of the EIR does not include ECL, except for financial assets which on initial recognition are classified as purchased or originated credit impaired ("POCI"). Interest income on these assets is determined using a credit adjusted EIR by discounting the estimated future cash receipts, including credit losses expected at initial recognition, through the expected life of the financial instrument to the net carrying amount of the financial asset.

Interest income on financial assets that are not credit impaired is determined by applying the financial asset's EIR to the financial asset's gross carrying amount. Interest income on financial assets that are not classified as POCI but are subsequently classified as credit impaired (Stage III), is recognised by applying the EIR to the amortised cost carrying value (being the gross carrying value after deducting the impairment loss).

Interest income and expense on financial assets and liabilities that are classified as FVTPL is accounted for on a contractual rate basis.

##### *Dividends*

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

##### *Expenses*

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

##### *Fee Expense*

Management fees and cost recoveries are charged to the Company in respect of services provided by other Macquarie Group entities as per the agreed cost sharing arrangement. Such expenses are recognised on an accrual basis in accordance with the standard recovery methodology applied by the servicing entity.

#### iii) 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 basis 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.



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# Capital Meters Limited

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## Notes to the financial statements (continued) for the financial year ended 31 March 2021

### Note 3. Significant accounting policies (continued)

#### iii) Taxation (continued)

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 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, 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 with reference to the nature of the underlying uncertainty.

#### Value-Added Tax (VAT)

Where VAT is not recoverable from tax authorities, it is either capitalised to the balance sheet as part of the cost of the related asset or is recognised as a part of the other operating expenses in the profit and loss account. Where VAT is recoverable from or payable to tax authorities, the amount is recorded as a separate asset or liability in the balance sheet.

#### iv) 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 paid or received relating to financial instruments carried at FVTPL are recorded in the profit and loss account.

The best evidence of a financial instrument'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 inputs from observable markets. Where such alternative evidence exists, the Company recognises profit or loss immediately when the instrument is recognised ('day 1 profit or loss'). When significant unobservable inputs are used to determine fair value, the day 1 profit or loss is deferred and is recognised in the profit and loss account over the life of the transaction or when the inputs become observable.

Financial instruments arising in multiple transactions are accounted for as a single arrangement if this best reflects the substance of the arrangement. Factors considered in this assessment include whether the financial instruments:

- are entered into at the same time and in contemplation of one another
- have the same counterparty
- relate to the same risk
- there is no apparent economic need or substantive business purpose for structuring the transactions separately that could not also have been accomplished in a single transaction, or
- consideration of whether each of the financial instruments has its own terms and conditions and each may be transferred or settled separately.

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# Capital Meters Limited

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## Notes to the financial statements (continued) for the financial year ended 31 March 2021

### Note 3. Significant accounting policies (continued)

#### iv) Financial instruments (continued)

##### *Derecognition of financial instruments*

##### **Financial assets**

Financial assets are derecognised from the balance sheet when:

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

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 derecognised if control over the asset is lost. Any interest in the transferred and derecognised 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 derecognised from the balance sheet when the Company's obligation has been discharged, cancelled or has expired.

##### **Gains and losses on the derecognition of debt financial assets and liabilities**

Gains and losses arising from the derecognition of debt financial assets or financial liabilities are recognised in other income and charges as part of other operating income and charges.

##### *Modification of financial instruments*

A financial instrument is modified when its original contractual cash flows are renegotiated or modified. A financial asset that is renegotiated is derecognised if the rights to receive cash flows from the existing agreement have expired, either through replacement by a new agreement or the existing terms are modified to that effect. A financial liability that is renegotiated is derecognised 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 derecognition of the original financial instrument, the new financial instrument is recorded initially at its fair value and the resulting difference is recorded in the profit and loss account in accordance with the nature of the financial instrument as described in the derecognition of financial instruments policy.

For financial instruments measured at amortised cost, and for debt financial assets measured at FVOCI, when the modification does not result in derecognition, a gain or loss is recognised in the profit and loss account in accordance with the nature of the financial instrument as described in the derecognition of financial instruments policy. The gain or loss is measured as the adjustment of the gross carrying amount to reflect the negotiated or modified contractual cash flows, discounted at the instrument's 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 contractual cash flow characteristics.

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# Capital Meters Limited

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## Notes to the financial statements (continued) for the financial year ended 31 March 2021

### Note 3. Significant accounting policies (continued)

#### iv) Financial instruments (continued)

##### Business model assessment

The Company uses judgement in determining the business model at the level that reflects how groups of financial assets are managed and its intention with respect to its financial assets. 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).

##### Solely payment of principal and interest ("SPPI")

The contractual cash flows of a financial asset are assessed to determine whether these represent SPPI on the principal amount outstanding. This includes an assessment of whether cash flows primarily reflect 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, and
- (iii) the financial asset has not been classified as DFVTPL.

Interest income determined in accordance with the EIR method is recognised as part of interest and similar income.

##### Fair value through profit or loss ("FVTPL")

Financial assets that do not meet the criteria to be measured at amortised cost or FVOCI are subsequently measured at FVTPL.

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

- financial assets that are held for active trading ("HFT"), which are measured at FVTPL. This classification includes all derivative financial assets, except those that are designated as hedging instruments in qualifying hedge relationships and are classified as FVPTL
- 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 (FVTPL)
- financial assets that fail the SPPI test (FVTPL), and
- 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)

Equity financial assets that are not held for active trading are measured at FVTPL. Subsequent changes in fair value are recognised as investment income within other operating income and charges.

Subsequent changes in the fair value of debt financial assets are measured at FVTPL are presented as follows:

- Changes in the fair value of financial assets classified as HFT and financial assets managed on a fair value basis are recognised in net trading income.
- Changes in the fair value of debt financial investments and loans to associates and joint ventures that fail SPPI are recognised in investment income as part of other operating income and charges.
- Changes in the fair value of all other FVTPL and DFVTPL financial assets are recognised as part of other income and charges within other operating income and charges.

Where applicable, the interest component of financial assets is recognised as interest and similar income.

##### Reclassification of financial instruments

The Company reclassifies debt financial assets when and only when its business model for managing those assets changes. Financial assets that are reclassified are subsequently measured based on the financial asset's new measurement category.

The Company does not reclassify financial liabilities after initial recognition.

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# Capital Meters Limited

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## Notes to the financial statements (continued) for the financial year ended 31 March 2021

### Note 3. Significant accounting policies (continued)

#### iv) Financial instruments (continued)

##### Financial liabilities (continued)

##### Financial liabilities

Financial liabilities are subsequently measured at amortised cost, unless they are either HFT, or have been designated to be measured at FVTPL (DFVTPL). A financial liability may be a DFVTPL if:

- such a designation eliminates or significantly reduces an accounting mismatch that would otherwise have arisen,
- a group of financial liabilities, or financial assets and financial liabilities, is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, or
- the liability contains embedded derivatives which must otherwise be separated and carried at fair value.

All derivative liabilities are classified as HFT, except those that are designated as hedging instruments in qualifying hedge relationships and are classified as FVTPL. Refer to Note 3(v) *Derivative instruments* and hedging activities for the detailed hedge accounting policy.

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

##### 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.

#### v) 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.

Derivatives that may have both positive or negative values must meet both the asset and liability derecognition tests before it is derecognised from the balance sheet.

Fair values are obtained from quoted prices in active markets where available, or valuation techniques including discounted cash flow models and option pricing models, as appropriate. The accounting for derivatives is subject to the application of the day 1 profit or loss policy as described in Note 3(iv) *Financial instruments*.

The Company applies trade date accounting to the recognition and derecognition of derivative financial instruments.

##### 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.

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# Capital Meters Limited

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## Notes to the financial statements (continued) for the financial year ended 31 March 2021

### Note 3. Significant accounting policies (continued)

#### vi) Loans to group undertakings

Loans to group undertakings 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.

#### vii) Cash at bank

Cash at bank comprises call deposits with qualifying financial institutions.

#### viii) Debtors

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

#### ix) Tangible assets

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

Tangible assets include assets leased out under operating leases.

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

Installed Meters: The useful lives of meters being leased under long term contracts are between 10 and 20 years. Following some changes to the Smart Meter Mandate during the year, the useful lives of meters being leased under standard terms and conditions contracts has been reviewed and updated from December 2020 to June 2021, this continues to be under review subsequent to the year end.

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 the proceeds with the asset's carrying amount and are recognised in the profit and loss account.

#### x) 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.

#### xi) 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.

#### xii) 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.

#### xiii) 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.

## Notes to the financial statements (continued) for the financial year ended 31 March 2021

### Note 3. Significant accounting policies (continued)

#### xiv) Due to/from related entities

Transactions between the Company and related entities principally arise from the provision of lending arrangements and acceptance of funds on deposit, intercompany services and transactions and the provision of financial guarantees, and are accounted for in accordance with Note 3(ii) *Revenue and expense recognition* and Note 3(vi) *Loans to group undertakings*. Financial assets and financial liabilities are presented net where the offsetting requirements are met, such that the net amount is reported in the balance sheet.

#### xv) 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 issued that are not DFVTPL. 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 macroeconomic information ("FLI").

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 probability of default ("PD") over the next 12 months and the lifetime losses associated with such PD, adjusted for FLI.

##### (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 exercises 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 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, which generally matches the definition of default. 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 for portfolios of exposure, ECL is measured as the product of the lifetime PD, the loss given default ("LGD") and the exposure at default ("EAD"), adjusted for FLI.

#### Presentation of loss allowances

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

- loan assets, loans and advances to other Macquarie Group entities, loans to 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 FVOCI – as a reduction in FVOCI reserve within 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 and financial guarantees (not measured at FVTPL) – 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.

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# Capital Meters Limited

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## Notes to the financial statements (continued) for the financial year ended 31 March 2021

### Note 3. Significant accounting policies (continued)

#### xv) Impairment (continued)

##### 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).

#### xvi) Leases

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.

##### Accounting 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. Interest income is recognised over the term of the lease using the EIR method, which reflects a constant rate of return. Finance lease income is presented within interest and similar income in the profit and loss account.

##### 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 3(ix) *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.

#### xvii) Called up share capital

Ordinary shares and other similar instruments are classified as equity.

#### xviii) Rounding of amounts

All amounts in the Strategic Report, Directors' Report and Financial Statements have been rounded off to the nearest thousand pound sterling (£000) unless otherwise indicated.

# Capital Meters Limited

## Notes to the financial statements (continued) for the financial year ended 31 March 2021

### Note 4. Profit before taxation

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

	2021 £000	2020 £000
<b>Turnover by category:</b>		
Operating lease income	11,549	12,079
Finance lease income	3	103
Other income	1,819	3,583
<b>Total turnover</b>	<b>13,371</b>	<b>15,765</b>
<b>Cost of sales</b>		
Depreciation charges - tangible assets	(3,182)	(3,945)
Inventory recognised as an expense	(577)	(1,622)
Other cost of sales	(430)	(424)
<b>Total cost of sales</b>	<b>(4,189)</b>	<b>(5,991)</b>
<b>Gross profit</b>	<b>9,182</b>	<b>9,774</b>
<b>Administrative expenses</b>		
Service fees paid to Macquarie Group undertakings	(247)	(240)
Auditors' remuneration		
Fees payable to the Company's auditors for the audit of the Company	(53)	(44)
<b>Total administrative expenses</b>	<b>(300)</b>	<b>(284)</b>
<b>Interest</b>		
<b>Interest receivable and similar income from:</b>		
Other Macquarie Group undertakings	12	-
Unrelated parties	909	763
<b>Total interest receivable and similar income</b>	<b>921</b>	<b>763</b>
<b>Interest payable and similar expenses to:</b>		
Other Macquarie Group undertakings	(324)	(240)
Unrelated parties <sup>(1)</sup>	(318)	(914)
Amortisation of initial finance costs	(7)	(28)
Other related charges paid to third parties	(49)	(39)
<b>Total interest payable and similar expenses</b>	<b>(698)</b>	<b>(1,221)</b>
<b>Other operating (expense)/income</b>		
Foreign exchange (losses)/gains	(1)	1
Credit impairment charges		
Debtors	(68)	(15)
Other operating income/(expense)	1	(1)
<b>Total other operating expense</b>	<b>(68)</b>	<b>(15)</b>

<sup>(1)</sup>Included within interest payable to unrelated parties is £80,000 (2020: £351,000) 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.

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



# Capital Meters Limited

## Notes to the financial statements (continued) for the financial year ended 31 March 2021

### Note 5. Tax on profit

#### i) Tax expense included in profit

	2021 £000	2020 £000
<b>Current tax</b>		
UK corporation tax at 19% (2020: 19%)	2,628	2,689
<b>Total current tax</b>	<b>2,628</b>	<b>2,689</b>
<b>Deferred tax</b>		
Origination and reversal of temporary differences	(911)	(976)
Effect of changes in tax rates	-	359
<b>Total deferred tax</b>	<b>(911)</b>	<b>(617)</b>
<b>Tax on profit</b>	<b>1,717</b>	<b>2,072</b>

#### ii) Reconciliation of effective tax rate

The income tax expense for the period is the same as (2020: higher than) the standard rate of corporation tax in the UK of 19% (2020: 19%). The differences are explained below:

	2021 £000	2020 £000
<b>Profit before taxation</b>	<b>9,037</b>	<b>9,017</b>
Current tax charge at 19% (2020: 19%)	1,717	1,713
Effect of:		
Effect of rate change	-	359
<b>Total tax on profit</b>	<b>1,717</b>	<b>2,072</b>

The UK Government announced in the Budget on 3 March 2021, that the main rate of corporation tax will increase to 25% for the financial year beginning 1 April 2023. Prior to this date, the rate of corporation tax will remain at 19%. The increase to 25% rate was not substantively enacted at 31 March 2021, therefore the company has continued to measure deferred tax balances at 19%.

The company has estimated that the increase to 25% would increase the company's deferred tax liability by £482,000.

#### iii) Tax expense relating to items of other comprehensive income

	2021 £000	2020 £000
Deferred tax arising in other comprehensive income	16	67
Rate change in other comprehensive income	-	(9)
<b>Total tax expense relating to items of other comprehensive income</b>	<b>16</b>	<b>58</b>

# Capital Meters Limited

## Notes to the financial statements (continued) for the financial year ended 31 March 2021

### Note 6. Tangible assets

	Installed Meters	Total
	£000	£000
<b>Cost</b>		
At 1 April 2020	50,806	50,806
Transfer to inventory	(3,733)	(3,733)
At 31 March 2021	<b>47,073</b>	<b>47,073</b>
<b>Accumulated depreciation</b>		
At 1 April 2020	39,015	39,015
Charge for the year	3,182	3,182
Transfer to inventory	(3,151)	(3,151)
At 31 March 2021	<b>39,046</b>	<b>39,046</b>
<b>Carrying value</b>		
At 31 March 2021	<b>8,027</b>	<b>8,027</b>
At 31 March 2020	11,791	11,791

Assets with a cost of £47,073,000 (2020: £50,806,000) and net book value of £8,027,000 (2020: £11,791,000) are held for use in operating lease arrangements with the Company as lessor. 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.

The majority of the above amounts have expected useful lives longer than 12 months and up to 60 months after the balance date.

# Capital Meters Limited

## Notes to the financial statements (continued) for the financial year ended 31 March 2021

### Note 7. Debtors

	2021	2020
	£000	£000
Trade debtors	1,888	1,579
Net investment in finance leases	-	358
Amounts owed by other Macquarie Group undertakings <sup>(1)</sup>	127	545
Prepayments and accrued income	1,202	1,615
<b>Total debtors</b>	<b>3,217</b>	<b>4,097</b>

<sup>(1)</sup>Amounts owed by other Macquarie Group undertakings are unsecured and have no fixed date of repayment. The Company derives interest on intercompany loans to group undertakings at market rates and at 31 March 2021 the rate applied ranged between LIBOR plus 0.695% and LIBOR plus 1.693% (2020: between LIBOR plus 0.850% and LIBOR plus 1.720%)

At the reporting date, amounts owed by other Macquarie Group undertakings has ECL allowance of £nil (2020: £1k) which is net presented against the gross carrying amount.

### Finance lease receivables

Assets which have contractual arrangements which transfer to the lessee the risks and rewards of ownership are treated as finance lease.

	2021			2020		
	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
<b>Total finance lease receivables</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>363</b>	<b>(5)</b>	<b>358</b>

Rentals received during the year under finance leases amounted to £356,000 (2020: £1,025,000).

The cost of assets acquired during the year for onward finance leasing was £nil (2020: £nil).

### Note 8. Cash at bank

	2021	2020
	£000	£000
Cash at bank	1,826	3,754
<b>Total cash at bank</b>	<b>1,826</b>	<b>3,754</b>

# Capital Meters Limited

## Notes to the financial statements (continued) for the financial year ended 31 March 2021

### Note 9. Creditors: amounts falling due within one year

	2021 £000	2020 £000
Bank Loans <sup>(1)</sup>	-	2,877
Other Loans to Macquarie Group undertakings <sup>(2)</sup>	1,451	1,451
Trade creditors	79	78
Derivative financial instruments	-	329
VAT payable	217	500
Taxation	2,627	5,360
Amounts owed to other Macquarie Group undertakings <sup>(3)</sup>	1,758	2,865
Accruals	92	89
Other creditors	598	797
<b>Total creditors: amounts falling due within one year</b>	<b>6,822</b>	<b>14,346</b>

<sup>(1)</sup>The Bank Loans were fully repaid in the year and the hedged positions were closed out. These debts were hedged for the life of the loan by way of fixed interest rate swaps at 5.38% (2020: 5.38%) and 5.34% (2020: 5.34%) respectively.

Following the repayment of the bank loans a fixed charge over the assets of the Company was released.

<sup>(2)</sup>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.

<sup>(3)</sup>Amounts due to other Macquarie Group undertakings are unsecured and have no fixed date of repayment. The Company incurs interest on amounts owed to other Macquarie Group undertakings at market rates and at 31 March 2021 the rate applied was LIBOR plus 1.407% (2020: LIBOR plus 1.220%).

### Note 10. Creditors: amounts falling due after more than one year

	2021 £000	2020 £000
Derivative financial instruments	-	580
<b>Total creditors: amounts falling due after more than one year</b>	<b>-</b>	<b>580</b>

The Bank Loans were fully repaid in the year and the hedged positions were closed out. These debts were hedged for the life of the loan by way of fixed interest rate swaps at 5.38% (2020: 5.38%) and 5.34% (2020: 5.34%) respectively.

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:

	2021 £000	2020 £000
<b>Debt can be analysed as falling due:</b>		
In one year or less, or on demand	1,451	4,328
Between one and two years	-	-
Between two and five years	-	-
<b>Total debt at amortised cost</b>	<b>1,451</b>	<b>4,328</b>

# Capital Meters Limited

## Notes to the financial statements (continued) for the financial year ended 31 March 2021

### Note 11. Deferred tax liabilities

Deferred tax comprises temporary differences attributable to:

	2021 £000	2020 £000
<b>Deferred tax assets</b>		
Financial instruments & revaluations	-	(16)
<b>Net deferred tax assets</b>	-	(16)
<b>Deferred tax liabilities</b>		
Accelerated capital allowances	1,525	2,436
<b>Net deferred tax liabilities</b>	1,525	2,436
<b>Deferred tax</b>	1,525	2,420

### Reconciliation of the Company's movement in deferred tax

	2021 £000	2020 £000
<b>Reconciliation of the Company's movement in deferred tax assets:</b>		
Balance at the beginning of the financial year	16	74
Temporary differences:		
Amounts (credited)/debited to profit and loss		
Rate change in other comprehensive income	-	9
Deferred tax charged to other comprehensive income	(16)	(67)
<b>Balance at the end of the financial year</b>	-	16

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

### Reconciliation of the Company's movement in deferred tax liabilities:

	2021 £000	2020 £000
Balance at the beginning of the financial year	2,436	3,053
Timing differences:		
Amounts credited to the profit and loss account	(911)	(976)
Effect of changes in tax rates	-	359
<b>Balance at the end of the financial year</b>	1,525	2,436

# Capital Meters Limited

## Notes to the financial statements (continued) for the financial year ended 31 March 2021

### Note 12. Called up share capital

	2021 Number	2020 Number	2021 £000	2020 £000
<b>Called up share capital</b>				
Opening balance of fully paid ordinary shares at £1 per share	50,000	50,000	50	50
<b>Closing balance of fully paid ordinary shares at £1 per share</b>	<b>50,000</b>	<b>50,000</b>	<b>50</b>	<b>50</b>

### Note 13. Reserves and Profit and loss account

	2021 £000	2020 £000
<b>Cash flow hedging reserve</b>		
Balance at the beginning of the financial year	(65)	(358)
Transfer to profit and loss account on realisation, net of tax	65	293
<b>Balance at the end of the financial year</b>	<b>-</b>	<b>(65)</b>

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.

	2021 £000	2020 £000
<b>Profit and loss account</b>		
Balance at the beginning of the financial year	2,311	7,329
Profit for the financial year	7,320	6,945
Dividends paid on ordinary share capital (Note 14)	(4,958)	(11,963)
<b>Balance at the end of the financial year</b>	<b>4,673</b>	<b>2,311</b>

### Note 14. Dividends paid

	2021 £000	2020 £000
<b>Dividends paid</b>		
Dividends paid (£99.16 per share (2020 : £239.26 per share))	4,958	11,963
<b>Total dividends paid</b>	<b>4,958</b>	<b>11,963</b>

## Notes to the financial statements (continued) for the financial year ended 31 March 2021

### Note 15. Capital management strategy

The Company's capital management strategy is to maximise shareholder value through optimising the level and use of capital resources, whilst also providing the flexibility to take advantage of opportunities as they may arise.

The Company's capital management objectives are to:

- ensure sufficient capital resource to support the Company's business and operational requirements;
- safeguard the Company's ability to continue as a going concern.

Periodic reviews of the Company's capital requirements are performed to ensure the Company is meeting its objectives. Capital is defined as share capital plus reserves (equity) plus the net debt of the Company.

The Company operates within the framework of the Macquarie Group policy to upstream profits in the form of dividends to MGL. The dividend capacity of the Company is assessed semi-annually. The dividend is set by the Directors after considering the required level of capital to meet current and expected business activities.

As part of the consolidated MBL group, the capital requirements also form part of the disclosures provided within the consolidated financial statements of MBL and MGL, which are available from the address given in Note 20 and are unaudited.

### 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 are 100% controlled by 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.

### Note 17. Directors' remuneration

During the financial years ended 31 March 2021 and 31 March 2020, 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 meaningful.

### 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 3(v) – *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 2021, the fair value of outstanding derivatives held by the Company was £nil value (2020: £909,000 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.

## Notes to the financial statements (continued) for the financial year ended 31 March 2021

### **Note 20. Ultimate parent undertaking**

At 31 March 2021, 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**

On 9 July 2021, the Directors passed a resolution to enter into the group Master Loan Agreement (the "MLA").

On 27 September 2021, an interim dividend of £5,500,000 (£110.00 per ordinary share) in relation to the year ended 31 March 2022 was declared.

There were no material events subsequent to 31 March 2021 and up until the authorisation of the financial statements for issue, that have not been reflected in the financial statements.



# 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 2021 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 2021; the profit and loss account, statement of comprehensive income and 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

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

## **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.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires 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 2021 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 in respect of the financial statements, 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to UK tax legislation, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to misstatement of financial information via inappropriate journal entries and/or management bias in key accounting estimates. Audit procedures performed by the engagement team included:

- audit of taxation related balances and disclosures including review of any correspondence with HM Revenue & Customs;
- review of meeting minutes from the period and up to the date of approval of the financial statements;
- enquiries with management in regards to any litigation and claims, and a review of legal expenses to identify any such undisclosed issues;
- testing of journals to supporting documentation to identify any inappropriate adjustments; and
- testing the appropriateness of the key estimates made by management to identify any deliberate misstatements in the financial statements.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

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](http://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 obtained 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 Gribble (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

Cambridge

1 December 2021