

**Company Registration No. SC263298 (Scotland)**

**Flexitricity Limited**

**Annual report and financial statements**

**for the year ended 31 March 2020**

**Flexitricity Limited**

**Company information**

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<b>Directors</b>	Dr Alastair Martin Alastair Kerr Michel Kolly Hans Dahlberg Simon Heyes Raffaele Beffa Andrew Lowe	    (Appointed 25 November 2019) (Appointed 31 December 2019) (Appointed 1 October 2019)
<b>Secretary</b>	Alastair Kerr	
<b>Company number</b>	SC263298	
<b>Registered office</b>	Mainpoint 102 West Port Edinburgh EH3 9DN	
<b>Auditor</b>	MHA Henderson Loggie Ground Floor 11-15 Thistle Street Edinburgh EH2 1DF	
<b>Bankers</b>	HSBC 76 Hanover Street Edinburgh EH2 1HQ	

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**Flexitricity Limited**

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## **Flexitricity Limited**

### **Strategic report**

**for the year ended 31 March 2020**

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The directors present the strategic report for the year ended 31 March 2020.

#### **Fair review of the business**

During the year under review the company continued to provide Demand Side Response services to National Grid to help balance supply and demand and to ensure the security and quality of electricity supply across Great Britain (GB). After entering the supply and Balancing Mechanism (BM) markets during the previous year, the company continued to secure new customers and deliver a valuable range of trading and optimisation services to both new and existing customers. This underpins a continuing strategy of service diversification as the company leads the way in offering integrated supply, trading, optimisation, ancillary and Capacity Market (CM) services to a broad range of organisations, many of whom are commercial or industrial.

In October 2019, the legal challenge to the UK Government's application of state aid within the CM was resolved and shortly afterwards the CM was reinstated fully and retrospectively. The reinstatement and subsequent retrospective payments had a material positive impact on the financial performance of the company as revenues and margins postponed from financial year 18/19 were recorded in 19/20. It is Flexitricity's intention to participate in all future CM auctions in order to continue to secure important revenue flows in future periods. When combined with all other services, these will support the transition of the GB electricity market to net zero at least cost.

#### **Principal risks and uncertainties**

The electricity supply industry is in a period of unprecedented change as it accelerates its drive towards the UK Government's goal of net zero carbon which creates both opportunity and risk for those involved. While the directors believe that Flexitricity is well positioned to benefit from the changing regulatory and commercial environment, there are risks associated with the procurement, delivery and reliability of ancillary services, the Capacity Market and the Balancing Mechanism, not all of which the company can directly control and which could, if not managed appropriately, adversely impact its commercial and financial performance.

By continuing to engage fully with key stakeholders across the sector and by maintaining and growing a portfolio across a wide variety of asset types and owners, Flexitricity mitigates the potential impact of these risks and continues to maintain its leading position in the industry.

#### **Key Performance Indicators**

The company uses a range of Key Performance Indicators (KPIs) to help measure and manage financial and commercial performance with most KPIs being regularly compared to both budget and prior year. During the year to March 2020 headcount, as measured in Full Time Equivalents (FTE), fell as the company used the reductions from a small number of leavers to restructure in key areas. Revenue growth was significant, particularly driven by CM reinstatement, while gross profit increased significantly in absolute terms and gross margins fell a little reflecting the dilutive impact of the modest margins available from our growing supply business. As measured in both number of opportunities and MW capacity, the sales pipeline grew strongly, creating further confidence in future financial performance.

**Flexitricity Limited**

**Strategic report (continued)**

**for the year ended 31 March 2020**

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**Future developments**

In its existing markets, the company continues to develop and promote a range of services to ensure it is best placed to benefit from ongoing changes. New and enhanced opportunities are being seen already and during the year Flexitricity became the first company to qualify as a Virtual Lead Party (VLP) and intends to remain at the vanguard of all future service and regulatory changes affecting the industry. The directors believe that these changes will allow us to further improve the market and financial opportunity for Flexitricity in future years.

The directors believe that shifts in the demand-side markets will continue and accelerate with the electrification of transport and heat as well as the increased participation of electrical loads within commercial buildings, all increasing the need for and the sources of flexibility. Flexitricity continues to be involved in the early stage delivery of these technologies to ensure that it remains well placed to benefit from the wide-scale adoption of these and other industry movements.

The government-imposed restrictions for Covid 19 were introduced at the end of the reporting year and Flexitricity transferred all staff to fully working from home whilst maintaining full service provision. These changes have had no material adverse impact on either Flexitricity or its customer base. Very low levels of electricity demand combined with high levels of renewable generation have led to the introduction of new turn-up and turn-down flexibility management services from which additional customers and revenues have been acquired. These enforced changes to electricity system operation supply and demand have, to some extent, given a taste of the future shape of electricity requirements in GB, with flexibility being ever more essential to efficient functioning of the system and market.

On behalf of the board

Simon Heyes  
**Director**  
6 July 2020

**Flexitricity Limited****Directors' report****for the year ended 31 March 2020**

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The directors present their report and financial statements for the year ended 31 March 2020.

**Principal activities**

The company's principal activities are the establishment and operation of an aggregated electricity reserve and balancing service and the supply of electricity and gas to business customers.

**Directors**

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

Dr Alastair Martin	
Ronald Ramage	(Resigned 21 June 2019)
Alastair Kerr	
Markus Brokhof	(Resigned 31 December 2019)
Michel Kolly	
Hans Dahlberg	
Simon Heyes	(Appointed 25 November 2019)
Raffaele Beffa	(Appointed 31 December 2019)
Andrew Lowe	(Appointed 1 October 2019)

**Results and dividends**

The results for the year are set out on page 8.

No ordinary dividends were paid. The directors do not recommend payment of a final dividend.

**Auditor**

The auditor, MHA Henderson Loggie, are deemed to be reappointed under section 487(2) of the Companies Act 2006.

**Statement of disclosure to auditor**

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

On behalf of the board

Simon Heyes

**Director**

6 July 2020

**Flexitricity Limited**

**Directors' responsibilities statement**

**for the year ended 31 March 2020**

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The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## **Flexitricity Limited**

### **Independent auditor's report**

#### **to the members of Flexitricity Limited**

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#### **Opinion**

We have audited the financial statements of Flexitricity Limited (the 'company') for the year ended 31 March 2020 which comprise the statement of comprehensive income, the balance sheet, the statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2020 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

#### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Conclusions relating to going concern**

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

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

#### **Other information**

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

#### **Opinions on other matters prescribed by the Companies Act 2006**

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

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
  - the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.
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## **Flexitricity Limited**

### **Independent auditor's report (continued)**

#### **to the members of Flexitricity Limited**

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#### **Matters on which we are required to report by exception**

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report and the directors' report.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

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

#### **Responsibilities of directors**

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

#### **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <http://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

#### **Other matters which we are required to address**

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

**Flexitricity Limited**

**Independent auditor's report (continued)**

**to the members of Flexitricity Limited**

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**Use of our report**

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

**Diana Penny (Senior Statutory Auditor)**  
**for and on behalf of MHA Henderson Loggie**

6 July 2020

**Chartered Accountants**  
**Statutory Auditor**

Ground Floor  
11-15 Thistle Street  
Edinburgh  
EH2 1DF

MHA Henderson Loggie is a trading name of Henderson Loggie LLP.

**Flexitricity Limited****Statement of comprehensive income****for the year ended 31 March 2020**

		2020	2019
	Notes	£'000	£'000
<b>Turnover</b>	<b>3</b>	<b>12,282</b>	<b>4,249</b>
Cost of sales		<b>(9,777)</b>	<b>(3,307)</b>
<b>Gross profit</b>		<b>2,505</b>	<b>942</b>
Distribution costs		<b>(209)</b>	<b>(267)</b>
Administrative expenses		<b>(3,135)</b>	<b>(2,732)</b>
Other operating income		<b>149</b>	<b>245</b>
<b>Operating loss</b>	<b>4</b>	<b>(690)</b>	<b>(1,812)</b>
Interest receivable and similar income	<b>8</b>	<b>14</b>	<b>3</b>
Interest payable and similar expenses	<b>9</b>	<b>(182)</b>	<b>(121)</b>
<b>Loss before taxation</b>		<b>(858)</b>	<b>(1,930)</b>
Tax on loss	<b>10</b>	<b>(246)</b>	<b>(130)</b>
<b>Loss for the financial year</b>		<b>(1,104)</b>	<b>(2,060)</b>

The statement of comprehensive income has been prepared on the basis that all operations are continuing operations.

**Flexitricity Limited****Balance sheet****as at 31 March 2020**

		2020		2019	
	Notes	£'000	£'000	£'000	£'000
<b>Fixed assets</b>					
Tangible assets	11		285		412
<b>Current assets</b>					
Debtors	12	2,693		1,520	
Cash at bank and in hand		1,397		567	
		<u>4,090</u>		<u>2,087</u>	
<b>Creditors: amounts falling due within one year</b>	13	<u>(8,249)</u>		<u>(5,269)</u>	
<b>Net current liabilities</b>			<u>(4,159)</u>		<u>(3,182)</u>
<b>Total assets less current liabilities</b>			<u>(3,874)</u>		<u>(2,770)</u>
<b>Capital and reserves</b>					
Called up share capital	17		1,066		1,066
Share premium account			3,016		3,016
Profit and loss reserves			<u>(7,956)</u>		<u>(6,852)</u>
<b>Total equity</b>			<u>(3,874)</u>		<u>(2,770)</u>

The financial statements were approved by the board of directors and authorised for issue on 6 July 2020 and are signed on its behalf by:

Simon Heyes  
Director

Company Registration No. SC263298

**Flexitricity Limited**

**Statement of changes in equity**

**for the year ended 31 March 2020**

	Share capital	Share premium account	Profit and loss reserves	Total
	£'000	£'000	£'000	£'000
<b>Balance at 1 April 2018</b>	1,066	3,016	(4,792)	(710)
<b>Year ended 31 March 2019:</b>				
Loss and total comprehensive income for the year	-	-	(2,060)	(2,060)
<b>Balance at 31 March 2019</b>	1,066	3,016	(6,852)	(2,770)
<b>Year ended 31 March 2020:</b>				
Loss and total comprehensive income for the year	-	-	(1,104)	(1,104)
<b>Balance at 31 March 2020</b>	<b>1,066</b>	<b>3,016</b>	<b>(7,956)</b>	<b>(3,874)</b>

## **Flexitricity Limited**

### **Notes to the financial statements**

**for the year ended 31 March 2020**

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#### **1 Accounting policies**

##### **Company information**

Flexitricity Limited is a private company limited by shares incorporated in Scotland. The registered office is Mainpoint, 102 West Port, Edinburgh, EH3 9DN.

##### **1.1 Accounting convention**

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

This company is a qualifying entity for the purposes of FRS 102, being a member of a group where the parent of that group prepares publicly available consolidated financial statements, including this company, which are intended to give a true and fair view of the assets, liabilities, financial position and profit or loss of the group. The company has therefore taken advantage of exemptions from the following disclosure requirements:

- Section 7 'Statement of Cash Flows': Presentation of a statement of cash flow and related notes and disclosures;
- Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instrument Issues': Interest income/expense and net gains/losses for each category of financial instrument; basis of determining fair values; details of collateral, loan defaults or breaches, details of hedges, hedging fair value changes recognised in profit or loss and in other comprehensive income;
- Section 26 'Share based Payment': Share-based payment expense charged to profit or loss, reconciliation of opening and closing number and weighted average exercise price of share options, how the fair value of options granted was measured, measurement and carrying amount of liabilities for cash-settled share-based payments, explanation of modifications to arrangements;
- Section 33 'Related Party Disclosures': Compensation for key management personnel.

The financial statements of the company are consolidated in the financial statements of Alpiq Holding AG. These consolidated financial statements are available from its registered office, Bahnhofquai 12, 4600 Olten, Switzerland.

##### **1.2 Going concern**

The financial statements are prepared on a going concern basis. The existing shareholders have confirmed that they do not intend to call in their loan within twelve months from signing the financial statements. Having considered this along with the financial projections of the company the directors believe this basis to be appropriate. The directors have also considered the impact of the Covid-19 pandemic and consider it appropriate to prepare the financial statements on a going concern basis of preparation for the reasons as set out in the Strategic Report.

**Flexitricity Limited**

**Notes to the financial statements (continued)**

**for the year ended 31 March 2020**

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**1 Accounting policies (continued)**

**1.3 Turnover**

Turnover is the value of services supplied to the National Grid, Energy Partners and supply customers, and other goods and services, exclusive of VAT.

Most income is recognised in the month in which it is earned. Where necessary, internal estimations are used and subsequently corrected when statements are received from the appropriate settlement entity outlining services provided. Reserve, frequency, supply and Balancing Mechanism (BM) service revenues all require an element of estimation at the end of each reporting period, with supply and BM revenues requiring a greater degree of judgement and generally being of greater value. Initial statements are available for each of these services within one month of activity which allows for revenue reconciliation within a reasonable timeframe.

Triad and Capacity Market income is recognised as and when services have been provided.

Government grants are recognised at the fair value of the asset received or receivable when there is reasonable assurance that the grant conditions will be met and the grants will be received.

Government grants relating to operational activities are recognised as income over the periods when the related costs are incurred. Grants relating to an asset are recognised in income systematically over the asset's expected useful life. If part of such a grant is deferred it is recognised as deferred income rather than being deducted from the asset's carrying amount.

**1.4 Tangible fixed assets**

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Plant and machinery	20% and 33% straight line
Fixtures, fittings & equipment	20% and 33% straight line
Other assets	20% straight line
Bespoke computer system	10%, 20% and 33% straight line

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to profit or loss.

**1.5 Impairment of fixed assets**

At each reporting period end date, the company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

**Flexitricity Limited**

**Notes to the financial statements (continued)**

**for the year ended 31 March 2020**

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**1 Accounting policies (continued)**

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

**1.6 Cash and cash equivalents**

Cash and cash equivalents are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

**1.7 Financial instruments**

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the company's balance sheet when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

**Basic financial assets**

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

**Other financial assets**

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.



**Flexitricity Limited**

**Notes to the financial statements (continued)**

**for the year ended 31 March 2020**

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**1 Accounting policies (continued)**

**Impairment of financial assets**

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

**Derecognition of financial assets**

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the company transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

**Classification of financial liabilities**

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

**Basic financial liabilities**

Basic financial liabilities, including creditors, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

**Other financial liabilities**

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or finance income as appropriate, unless hedge accounting is applied and the hedge is a cash flow hedge.

Debt instruments that do not meet the conditions in FRS 102 paragraph 11.9 are subsequently measured at fair value through profit or loss. Debt instruments may be designated as being measured at fair value through profit or loss to eliminate or reduce an accounting mismatch or if the instruments are measured and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

**Flexitricity Limited**

**Notes to the financial statements (continued)**

**for the year ended 31 March 2020**

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**1 Accounting policies (continued)**

**Derecognition of financial liabilities**

Financial liabilities are derecognised when the company's contractual obligations expire or are discharged or cancelled.

**1.8 Equity instruments**

Equity instruments issued by the company are recorded at the proceeds received, net of transaction costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

**1.9 Taxation**

The tax expense represents the sum of the tax currently payable and deferred tax.

**Current tax**

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

**Deferred tax**

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date taking into account future income projections over a two year period (previously three years). Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

**1.10 Employee benefits**

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

**1.11 Retirement benefits**

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

**Flexitricity Limited**

**Notes to the financial statements (continued)**

**for the year ended 31 March 2020**

**2 Judgements and key sources of estimation uncertainty**

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

**Key sources of estimation uncertainty**

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are as follows.

**Accrued income**

Reserve, frequency, supply and Balancing Mechanism (BM) service revenues all require an element of estimation at the end of each reporting period, with supply and BM revenues requiring a greater degree of judgement and generally being of greater value. Initial statements are available for each of these services within one month of activity which allows for revenue reconciliation within a reasonable timeframe.

**3 Turnover and other revenue**

An analysis of the company's turnover is as follows:

	<b>2020</b>	2019
	<b>£'000</b>	£'000
<b>Turnover analysed by class of business</b>		
Sale of services	<b>12,282</b>	4,249
	<b>=====</b>	<b>=====</b>
	<b>2020</b>	2019
	<b>£'000</b>	£'000
<b>Other significant revenue</b>		
Interest income	<b>14</b>	3
	<b>=====</b>	<b>=====</b>
	<b>2020</b>	2019
	<b>£'000</b>	£'000
<b>Turnover analysed by geographical market</b>		
United Kingdom	<b>12,266</b>	4,209
Europe	<b>16</b>	40
	<b>=====</b>	<b>=====</b>
	<b>12,282</b>	4,249
	<b>=====</b>	<b>=====</b>

**Flexitricity Limited**

**Notes to the financial statements (continued)**

**for the year ended 31 March 2020**

**4 Operating loss**

	<b>2020</b>	2019
	<b>£'000</b>	£'000
Operating loss for the year is stated after charging:		
Fees payable to the company's auditor for the audit of the company's financial statements	<b>11</b>	5
Depreciation of owned tangible fixed assets	<b>158</b>	154
	<b>==</b>	<b>==</b>

**5 Auditor's remuneration**

	<b>2020</b>	2019
	<b>£'000</b>	£'000
Fees payable to the company's auditor and associates:		
<b>For audit services</b>		
Audit of the financial statements of the company	<b>11</b>	5
	<b>==</b>	<b>==</b>
<b>For other services</b>		
Taxation compliance services	<b>1</b>	-
Other taxation services	<b>7</b>	2
	<b>8</b>	2
	<b>==</b>	<b>==</b>

**6 Employees**

The average monthly number of persons (including directors) employed by the company during the year was:

	<b>2020</b>	2019
	<b>Number</b>	Number
	<b>34</b>	35
	<b>==</b>	<b>==</b>

Their aggregate remuneration comprised:

	<b>2020</b>	2019
	<b>£'000</b>	£'000
Wages and salaries	<b>1,509</b>	1,529
Social security costs	<b>165</b>	152
Pension costs	<b>108</b>	141
	<b>1,782</b>	1,822
	<b>==</b>	<b>==</b>
Redundancy payments made or committed	<b>-</b>	23
	<b>==</b>	<b>==</b>

Redundancy payments in the year include £nil (2019 - £7k) pay in lieu of notice.

**Flexitricity Limited****Notes to the financial statements (continued)****for the year ended 31 March 2020****7 Directors' remuneration**

	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
Remuneration for qualifying services	<b>345</b>	<b>447</b>
Company pension contributions to defined contribution schemes	<b>70</b>	<b>68</b>
	<b>415</b>	<b>515</b>

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 3 (2019 - 3).

Remuneration disclosed above include the following amounts paid to the highest paid director:

	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
Remuneration for qualifying services	<b>126</b>	<b>155</b>
Company pension contributions to defined contribution schemes	<b>40</b>	<b>45</b>

**8 Interest receivable and similar income**

	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
<b>Interest income</b>		
Interest on bank deposits	<b>14</b>	<b>3</b>

**9 Interest payable and similar expenses**

	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
Other interest on financial liabilities	<b>182</b>	<b>121</b>

**10 Taxation**

	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
<b>Deferred tax</b>		
Write down or reversal of write down of deferred tax asset	<b>246</b>	<b>130</b>

**Flexitricity Limited**

**Notes to the financial statements (continued)**

**for the year ended 31 March 2020**

**10 Taxation (continued)**

The actual charge for the year can be reconciled to the expected credit for the year based on the profit or loss and the standard rate of tax as follows:

	2020 £'000	2019 £'000
Loss before taxation	<b>(858)</b>	(1,930)
Expected tax credit based on the standard rate of corporation tax in the UK of 19% (2019: 19%)	<b>(163)</b>	(367)
Unutilised tax losses carried forward	<b>163</b>	497
Deferred tax adjustments in respect of prior years	<b>246</b>	-
Taxation charge for the year	<b>246</b>	130

**11 Tangible fixed assets**

	Plant and machinery £'000	Fixtures, fittings & equipment £'000	Other assets £'000	Bespoke computer system £'000	Total £'000
<b>Cost</b>					
At 1 April 2019	6	224	216	1,074	1,520
Additions	-	15	4	12	31
Other movements	(2)	67	-	24	89
At 31 March 2020	4	306	220	1,110	1,640
<b>Depreciation and impairment</b>					
At 1 April 2019	5	177	17	909	1,108
Depreciation charged in the year	-	75	43	40	158
Other movements	(2)	-	-	91	89
At 31 March 2020	3	252	60	1,040	1,355
<b>Carrying amount</b>					
At 31 March 2020	1	54	160	70	285
At 31 March 2019	1	47	199	165	412

**Flexitricity Limited**

**Notes to the financial statements (continued)**

**for the year ended 31 March 2020**

**12 Debtors**

	2020	2019
	£'000	£'000
<b>Amounts falling due within one year:</b>		
Trade debtors	83	39
Other debtors	2,610	1,235
	<u>2,693</u>	<u>1,274</u>
	<u>2,693</u>	<u>1,274</u>
<b>Amounts falling due after more than one year:</b>		
	2020	2019
	£'000	£'000
Deferred tax asset (note 15)	-	246
	<u>-</u>	<u>246</u>
<b>Total debtors</b>	<u>2,693</u>	<u>1,520</u>

**13 Creditors: amounts falling due within one year**

	Notes	2020	2019
		£'000	£'000
Loans from group undertakings	14	5,544	3,544
Trade creditors		470	361
Taxation and social security		90	40
Accruals and deferred income		2,145	1,324
		<u>8,249</u>	<u>5,269</u>

**14 Loans and overdrafts**

	2020	2019
	£'000	£'000
Loans from group undertakings	5,544	3,544
	<u>5,544</u>	<u>3,544</u>
Payable within one year	5,544	3,544
	<u>5,544</u>	<u>3,544</u>

The balance above consists of two loans from the parent company. The first is a loan for £2,544k which matures on 30 November 2020. The applicable interest rate is 2.54% payable on maturation of the loan. The second loan is for £3,000k which forms part of a £4.4million loan facility ending on 22 March 2023. This is repayable on demand. The applicable interest rate is 4.11% p.a., payable on a half-yearly basis.

**Flexitricity Limited****Notes to the financial statements (continued)****for the year ended 31 March 2020****15 Deferred taxation**

Deferred tax assets and liabilities are offset where the company has a legally enforceable right to do so. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	<b>Assets</b>	<b>Assets</b>
	<b>2020</b>	<b>2019</b>
<b>Balances:</b>	<b>£'000</b>	<b>£'000</b>
Tax losses	-	246
	<u>          </u>	<u>          </u>
<b>Movements in the year:</b>		<b>2020</b>
		<b>£'000</b>
Asset at 1 April 2019		(246)
Charge to profit or loss		246
		<u>          </u>
Liability at 31 March 2020		-
		<u>          </u>

Deferred tax is not recognised in respect of tax losses of £8,929k as it is not yet certain when they will be recovered against the reversal of deferred tax liabilities or future taxable profits.

**16 Retirement benefit schemes**

	<b>2020</b>	<b>2019</b>
<b>Defined contribution schemes</b>	<b>£'000</b>	<b>£'000</b>
Charge to profit or loss in respect of defined contribution schemes	108	141
	<u>          </u>	<u>          </u>

**17 Share capital**

	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
<b>Ordinary share capital</b>		
<b>Issued and fully paid</b>		
996,471 Ordinary shares of £1 each	996	996
70,000 Deferred ordinary shares of £1 each	70	70
	<u>          </u>	<u>          </u>
	<b>1,066</b>	<b>1,066</b>
	<u>          </u>	<u>          </u>

Each ordinary share carries full voting and dividend rights.

Each deferred share carries entitlement to receive notice of all general meetings but carries no voting rights nor any rights to participation in the profits of the company.



## Flexitricity Limited

### Notes to the financial statements (continued)

for the year ended 31 March 2020

#### 18 Financial commitments, guarantees and contingent liabilities

There is a security held over £30k of cash in favour of Nord Pool AS. There is also a floating charge over the assets of the company in favour of HSBC.

#### 19 Operating lease commitments

At the reporting end date the company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2020 £'000	2019 £'000
Within one year	140	140
Between two and five years	141	281
	<u>281</u>	<u>421</u>

#### 20 Related party transactions

During the year the company entered into the following transactions with related parties:

The company was invoiced £21k (2019:£21k) of membership costs, and £nil of consultancy and conference costs (2019: £1k) for the Association of Decentralised Energy, an organisation in which Alastair Martin is a director. At the year end there was an outstanding balance of £21k (2019: £21k).

During the year, the company was also invoiced for £154k (2019: £91k) of interest costs from its ultimate parent company, and accrued interest of costs of £56k relating to outstanding loan balances. Of this balance, £211k (2019: £30k) is outstanding at the year end. Additionally, the balance on the loans provided by Alpiq Holding AG is £5,544k (2019: £3,544k) and this amount is included within creditors at the year end.

During the year, the company invoiced Alpiq Energie France, a fellow group member, £16k (2019: £40k) for support services. No amounts were outstanding at year end.

#### 21 Ultimate controlling party

The ultimate parent company is Alpiq Holding AG, a Swiss Plc, whose wholly owned subsidiary Alpiq Digital AG, owns 100% of the issued share capital.

Alpiq Digital AG (formerly known as Alpiq Blue Energy AG until 3 April 2019) is the parent undertaking of the smallest group of which the company is a member and for which group financial statements are drawn up. The group financial statements of this company are available to the public and may be obtained from Bahnhofquai 12, 4600 Olten, Switzerland.

Alpiq Holding AG is the parent undertaking of the largest group of which the company is a member and for which group financial statements are drawn up. The group financial statements of this company are available to the public and may be obtained from Bahnhofquai 12, 4600 Olten, Switzerland.

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