

Company Registration No. SC263298 (Scotland)

Flexitricity Limited

Annual report and financial statements

for the year ended 31 March 2023

Flexitricity Limited

Company information

Directors	Dr Alastair Martin Keith Gains Rory Quinlan Anne Foster Andrew Lowe	(Appointed 1 June 2022)
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Secretary	Pia Tapley
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Company number	SC263298
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Registered office	Mainpoint 102 West Port Edinburgh EH3 9DN
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Auditor	Henderson Loggie LLP 11 - 15 Thistle Street Edinburgh EH2 1DF
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Bankers	HSBC 76 Hanover Street Edinburgh EH2 1EL
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Flexitricity Limited

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Flexitricity Limited

Strategic Report

for the year ended 31 March 2023

The directors present the strategic report for the year ended 31 March 2023.

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). Continued progress was made in the supply and Balancing Mechanism (BM) markets during the year as is evidenced by the material growth in revenue which has continued into the current year. The company continues 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.

The company is owned by funds managed by Quinbrook Infrastructure Partners, an investment manager with a specialist focus on low carbon and renewable energy supply, storage, grid stability and related assets and businesses. The owner continues to support the company in its ongoing investment in securing new customers and strengthening the organisation, systems, processes and finances necessary to underpin recent and continued growth plans.

Principal risks and uncertainties

The electricity and gas supply industry, which was already in a period of unprecedented change driven by the UK Government's goal of net zero carbon, has more recently experienced a period of significant instability and volatility caused by macro-economic factors. These conditions create increased levels of 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, by developing and continually improving algorithms to automate and optimise trading opportunities 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.

Flexitricity Limited

Strategic Report (continued)

for the year ended 31 March 2023

Future developments

Flexitricity has consolidated and expanded its position as a leading full-service flexibility provider operating in the GB electricity market. Several ancillary services markets swing between over- and under-subscription, as continuous updating of procurement practices by network and system operators interacts with a strong battery investment pipeline across the industry. Flexitricity's ability to automate the stacking of revenues from multiple markets has helped the company capture strong value across all markets and services, as compared with competitors, and to therefore retain its commanding position in the sector. This is particularly the case for battery optimisation, however the scalability of the Flexitricity platform and the ambition to deliver cross-market optimisation for all asset classes has brought new direct and partnership opportunities forward which will contribute materially to growth in the coming years.

Using data science to support optimisation, Flexitricity's trading team has been able to secure growing value for peaking and CHP generation. Some of this has been driven by known external factors including nuclear outages in France in winter 2022/23, and replacement energy required when intra-national transmission constraints reduce wind power flows. Flexitricity's growing trading capability and the increasing range of counterparties accessible to it, together with National Grid ESO's progressive reforms to its Balancing Mechanism dispatch systems, provide a firm basis for strong future revenues. The company's demonstrable track record in securing value for customers has also helped facilitate a strong pipeline of new assets and customers which will bring material growth to the portfolio over the next year.

War in Ukraine has had a dramatic impact on energy markets globally. Flexitricity remains closely involved with Government and industry work to secure supplies against all realistic outcomes while reducing the impact on energy bills. Flexitricity participated in National Grid ESO's winter Demand Flexibility Service (DFS) during winter 2022/23 and expects to do so again; however, wholesale energy markets remain the dominant source of flexibility revenue, particularly for non-storage capacity. Flexitricity expects to broaden access to these markets within the next 12-18 months, supporting growth in both business and domestic forms of flexible electricity consumption.

More radical changes in GB electricity market arrangements are currently in development, in the context of full decarbonisation of the industry. The central role which demand-side flexibility and merchant energy storage must play in this transition to net zero is now firmly established between Government, regulator and industry. With the developments which the company has made and continues to make in delivering its three-year strategy, Flexitricity is better positioned than any competitor to take full advantage of this transformation.

On behalf of the board

Andrew Lowe
Director

22 December 2023

Flexitricity Limited

Directors' report

for the year ended 31 March 2023

The directors present their report and financial statements for the year ended 31 March 2023.

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 in support of that.

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.

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

Simon Heyes

(Resigned 13 May 2022)

Keith Gains

Rory Quinlan

Anne Foster

Andrew Lowe

(Appointed 1 June 2022)

Auditor

The auditor, Henderson Loggie LLP, is 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

Andrew Lowe

Director

22 December 2023

Flexitricity Limited

Directors' responsibilities statement

for the year ended 31 March 2023

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;
- 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

Opinion

We have audited the financial statements of Flexitricity Limited (the 'company') for the year ended 31 March 2023 which comprise the statement of comprehensive income, the balance sheet, the statement of changes in equity, the statement of cash flows and notes to the financial statements, including 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 2023 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

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.

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.

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

Other information

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. 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. 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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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.

Flexitricity Limited

Independent auditor's report (continued)

to the members of Flexitricity Limited

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.

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 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.

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 specific procedures for this engagement and the extent to which these are capable of detecting irregularities, including fraud, is detailed below.

As part of our planning process:

- We enquired of management the systems and controls the company has in place, the areas of the financial statements that are mostly susceptible to the risk of irregularities and fraud, and whether there was any known, suspected or alleged fraud;
- We obtained an understanding of the legal and regulatory frameworks applicable to the company. We determined that the following were most relevant: Data Protection Act 2018; health and safety; employment law (including payroll and pension regulations); and compliance with the UK Companies Act.
- We considered the incentives and opportunities that exist in the company, including the extent of management bias, which present a potential for irregularities and fraud to be perpetrated, and tailored our risk assessment accordingly; and

Flexitricity Limited

Independent auditor's report (continued)

to the members of Flexitricity Limited

- Using our knowledge of the company, together with the discussions held with management at the planning stage, we formed a conclusion on the risk of misstatement due to irregularities including fraud and tailored our procedures according to this risk assessment

The key procedures we undertook to detect irregularities including fraud during the course of the audit included:

- Enquiries with management about any known or suspected instances of non-compliance with laws and regulations and fraud;
- Reviewing board meeting minutes;
- Inspecting key policies and procedures in place over data protection and health and safety;
- Challenging assumptions and judgements made by management in their significant accounting estimates, in particular in relation to accrued income; and
- Auditing the risk of management override of controls, including through testing journal entries and other adjustments for appropriateness.

Owing to the inherent limitations of an audit, there is an unavoidable risk that some material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK). For instance, the further removed non-compliance is from the events and transactions reflected in the financial statements, the less likely the auditor is to become aware of it or to recognise the non-compliance.

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 specific procedures for this engagement and the extent to which these are capable of detecting irregularities, including fraud, is detailed below.

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.

Diana Penny (Senior Statutory Auditor)
For and on behalf of Henderson Loggie LLP

22 December 2023

Chartered Accountants
Statutory Auditor

11 - 15 Thistle Street
Edinburgh
EH2 1DF

Flexitricity Limited**Statement of comprehensive income****for the year ended 31 March 2023**

		2023	2022
	Notes	£'000	£'000
Turnover	3	159,105	69,824
Cost of sales		(153,771)	(66,196)
Gross profit		5,334	3,628
Distribution costs		(86)	(277)
Administrative expenses		(5,623)	(4,063)
Other operating income		368	589
Operating loss	4	(7)	(123)
Interest receivable and similar income	8	31	1
Interest payable and similar expenses	9	(1,089)	(667)
Loss before taxation		(1,065)	(789)
Tax on loss	10	-	-
Loss for the financial year		(1,065)	(789)

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 2023**

		2023		2022	
	Notes	£'000	£'000	£'000	£'000
Fixed assets					
Tangible assets	11		197		146
Current assets					
Debtors	12	27,828		11,402	
Cash at bank and in hand		4,436		3,580	
		<u>32,264</u>		<u>14,982</u>	
Creditors: amounts falling due within one year	13	<u>(39,798)</u>		<u>(21,400)</u>	
Net current liabilities			<u>(7,534)</u>		<u>(6,418)</u>
Net liabilities			<u>(7,337)</u>		<u>(6,272)</u>
Capital and reserves					
Called up share capital	16		1,066		1,066
Share premium account			3,016		3,016
Profit and loss reserves			<u>(11,419)</u>		<u>(10,354)</u>
Total equity			<u>(7,337)</u>		<u>(6,272)</u>

The financial statements were approved by the board of directors and authorised for issue on 22 December 2023 and are signed on its behalf by:

Andrew Lowe
Director

Company Registration No. SC263298

Flexitricity Limited**Statement of changes in equity****for the year ended 31 March 2023**

	Share capital	Share premium account	Profit and loss reserves	Total
	£'000	£'000	£'000	£'000
Balance at 1 April 2021	1,066	3,016	(9,565)	(5,483)
Year ended 31 March 2022:				
Loss and total comprehensive income for the year	-	-	(789)	(789)
Balance at 31 March 2022	1,066	3,016	(10,354)	(6,272)
Year ended 31 March 2023:				
Loss and total comprehensive income for the year	-	-	(1,065)	(1,065)
Balance at 31 March 2023	<u>1,066</u>	<u>3,016</u>	<u>(11,419)</u>	<u>(7,337)</u>

Flexitricity Limited

Statement of cash flows

for the year ended 31 March 2023

		2023		2022	
	Notes	£'000	£'000	£'000	£'000
Cash flows from operating activities					
Cash (absorbed by)/generated from operations	21		(5,029)		888
Interest paid			(1,089)		(667)
Net cash (outflow)/inflow from operating activities			(6,118)		221
Investing activities					
Purchase of tangible fixed assets		(157)		(67)	
Interest received		31		1	
Net cash used in investing activities			(126)		(66)
Financing activities					
Proceeds from borrowings		7,100		1,942	
Net cash generated from financing activities			7,100		1,942
Net increase in cash and cash equivalents			856		2,097
Cash and cash equivalents at beginning of year			3,580		1,483
Cash and cash equivalents at end of year			4,436		3,580

Flexitricity Limited

Notes to the financial statements

for the year ended 31 March 2023

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 £'000.

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

1.2 Going concern

The financial statements are prepared on a going concern basis. Additional loan funding agreements were agreed with shareholders this year and their support is confirmed for a period of 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. On this basis the directors have considered it appropriate to prepare the financial statements on a going concern basis of preparation for the reasons as set out in the Strategic Report.

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.

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.

Flexitricity Limited

Notes to the financial statements (continued)

for the year ended 31 March 2023

1 Accounting policies (continued)

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.

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.

Flexitricity Limited

Notes to the financial statements (continued)

for the year ended 31 March 2023

1 Accounting policies (continued)

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.

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.

Flexitricity Limited

Notes to the financial statements (continued)

for the year ended 31 March 2023

1 Accounting policies (continued)

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.

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 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.

1.10 Retirement benefits

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

1.11 Foreign exchange

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation in the period are included in profit or loss.

Flexitricity Limited

Notes to the financial statements (continued)

for the year ended 31 March 2023

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:

	2023	2022
	£'000	£'000
Turnover analysed by class of business		
Sale of services	159,105	69,824
	=====	=====
	2023	2022
	£'000	£'000
Turnover analysed by geographical market		
United Kingdom	159,105	69,824
	=====	=====
	2023	2022
	£'000	£'000
Other significant revenue		
Interest income	31	1
	=====	=====

Flexitricity Limited**Notes to the financial statements (continued)****for the year ended 31 March 2023****4 Operating loss**

	2023	2022
	£'000	£'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	32	13
Depreciation of owned tangible fixed assets	106	125
	=====	=====

5 Auditor's remuneration

	2023	2022
	£'000	£'000
Fees payable to the company's auditor and associates:		
For audit services		
Audit of the financial statements of the company	32	13
	=====	=====

6 Employees

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

	2023	2022
	Number	Number
	53	48
	=====	=====

Their aggregate remuneration comprised:

	2023	2022
	£'000	£'000
Wages and salaries	3,547	2,213
Social security costs	422	231
Pension costs	208	146
	=====	=====
	4,177	2,590
	=====	=====
Redundancy payments made or committed	-	-
	=====	=====

The company paid £81,000 (2022; £nil) to one employee during the year in relation to termination payments.

Flexitricity Limited

Notes to the financial statements (continued)

for the year ended 31 March 2023

7 Directors' remuneration

	2023	2022
	£'000	£'000
Remuneration for qualifying services	411	246
Company pension contributions to defined contribution schemes	57	30
	468	276

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

	2023	2022
	£'000	£'000
Remuneration for qualifying services	171	145
Company pension contributions to defined contribution schemes	19	-

8 Interest receivable and similar income

	2023	2022
	£'000	£'000
Interest income		
Interest on bank deposits	31	1

Investment income includes the following:

Interest on financial assets not measured at fair value through profit or loss	31	1
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9 Interest payable and similar expenses

	2023	2022
	£'000	£'000
Interest on financial liabilities measured at amortised cost:		
Other interest on financial liabilities	1,089	667

Flexitricity Limited

Notes to the financial statements (continued)

for the year ended 31 March 2023

10 Taxation

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:

	2023 £'000	2022 £'000
Loss before taxation	(1,065)	(789)
Expected tax credit based on the standard rate of corporation tax in the UK of 19% (2022: 19%)	(202)	(150)
Unutilised tax losses carried forward	202	150
Taxation charge for the year	-	-

11 Tangible fixed assets

	Plant and machinery £'000	Fixtures, fittings & equipment £'000	Other assets £'000	Bespoke computer system £'000	Total £'000
Cost					
At 1 April 2022	4	361	226	1,147	1,738
Additions	-	33	-	124	157
At 31 March 2023	4	394	226	1,271	1,895
Depreciation and impairment					
At 1 April 2022	4	317	155	1,116	1,592
Depreciation charged in the year	-	28	46	32	106
At 31 March 2023	4	345	201	1,148	1,698
Carrying amount					
At 31 March 2023	-	49	25	123	197
At 31 March 2022	-	44	71	31	146

12 Debtors

	2023 £'000	2022 £'000
Amounts falling due within one year:		
Trade debtors	5,424	2,174
Other debtors	22,404	9,228
	27,828	11,402

Flexitricity Limited

Notes to the financial statements (continued)

for the year ended 31 March 2023

13 Creditors: amounts falling due within one year

	Notes	2023 £'000	2022 £'000
Other borrowings	14	16,428	9,328
Trade creditors		1,094	207
Taxation and social security		3,918	1,919
Other creditors		7	34
Accruals and deferred income		18,351	9,912
		39,798	21,400

14 Loans and overdrafts

	2023 £'000	2022 £'000
Loans from group undertakings	16,428	9,328
Payable within one year	16,428	9,328

The balance above consists of a loan from the parent company of £5,828,346, a loan from Quinbrook Low Carbon Power LP and Quinbrook Low Carbon Power Parallel Fund (US) LP and UK Gas Co-Investment Partners LP for £6,750,115, following novation from the parent company on 7th February 2022, and a loan from Viridis Energy (Norgen) Limited for £3,850,000. The applicable interest rate is 7.6% for all loans and they are repayable on demand to their respective lenders.

15 Retirement benefit schemes

Defined contribution schemes	2023 £'000	2022 £'000
Charge to profit or loss in respect of defined contribution schemes	208	146

16 Share capital

	2023 Number	2022 Number	2023 £'000	2022 £'000
Ordinary share capital Issued and fully paid				
Ordinary shares of £1 each	996,471	996,471	1,066	1,066
Deferred ordinary shares of £1 each	70,000	70,000	-	-

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 2023****17 Financial commitments, guarantees and contingent liabilities**

There is a security held over £50k of cash in favour of Nord Pool AS, and a security over €50k of cash in favour of European Commodity Clearing AG. There is also a debenture including fixed charge over all present freehold and leasehold property; first fixed charge over book and other debts, chattels, goodwill and uncalled capital, both present and future; and first floating charge over all assets and undertaking both present and future dated 16 July 2004 in favour of HSBC.

18 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:

	2023 £'000	2022 £'000
Within one year	140	140
Between two and five years	423	561
	<u>563</u>	<u>701</u>

19 Related party transactions**Remuneration of key management personnel**

The remuneration of key management personnel is as follows.

	2023 £'000	2022 £'000
Aggregate compensation	<u>730</u>	<u>570</u>

Transactions with related parties

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

The company was invoiced £31,800 (2022:£21,000) of membership costs 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 £nil (2022: £nil).

The company made £108,918,000 (2022: £17,985,000) of purchases from, and made £88,924,000 (2022: £14,919,000) of sales to Velox Power Limited, a company in which Keith Gains and Rory Quinlan are directors, in the year, with £3,768,000 (2022: £1,970,000) still to be received at year end.

Loans of £16,428,000 (2022:£9,328,000) were due to the parent company Reserve Power Holdings (Jersey) Limited. At the year end, the full balance of this loan and £2,055,000 (2022: £966,000) of accrued interest charged thereon remained outstanding.

20 Ultimate controlling party

The parent company is Reserve Power Holdings (Jersey) Limited, a company incorporated in Jersey, which owns 100% of the issued share capital. Its registered office is 3rd Floor Standard Bank House, 47-49 La Motte Street, St Helier, Jersey, JE2 4SZ.

Flexitricity Limited

Notes to the financial statements (continued)

for the year ended 31 March 2023

21 Cash (absorbed by)/generated from operations

	2023	2022
	£'000	£'000
Loss for the year after tax	(1,065)	(789)
Adjustments for:		
Finance costs	1,089	667
Investment income	(31)	(1)
Depreciation and impairment of tangible fixed assets	106	125
Movements in working capital:		
Increase in debtors	(16,426)	(5,533)
Increase in creditors	11,298	6,419
Cash (absorbed by)/generated from operations	(5,029)	888

22 Analysis of changes in net debt

	1 April 2022	Cash flows 31 March 2023	
	£'000	£'000	£'000
Cash at bank and in hand	3,580	856	4,436
Borrowings excluding overdrafts	(9,328)	(7,100)	(16,428)
	(5,748)	(6,244)	(11,992)

This document was delivered using electronic communications and authenticated in accordance with the registrar's rules relating to electronic form, authentication and manner of delivery under section 1072 of the Companies Act 2006.