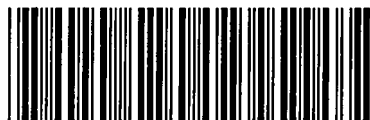


Premier Transmission Limited
Annual report
for the year ended 31 March 2016

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Premier Transmission Limited

Annual report for the year ended 31 March 2016

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Directors and advisers

Directors

Clarke Black	Non-executive director
Regina Finn	Chairman
Stephen Kirkpatrick	Non-executive director
Patrick Larkin	Executive director
Gerard McIlroy	Executive director
Kate Mingay	Non-executive director
Christopher Murray	Non-executive director

Company secretary

Gerard McIlroy

Registered office

First Floor
The Arena Building
85 Ormeau Road
Belfast
BT7 1SH

Principal place of business

First Floor
The Arena Building
85 Ormeau Road
Belfast
BT7 1SH

Solicitors

Arthur Cox Northern Ireland
Victoria House
15-17 Gloucester Street
Belfast
BT1 4LS

Bankers

Barclays Bank plc
Donegall House
Donegall Square North
Belfast
BT1 5GB

Independent auditors

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Waterfront Plaza
8 Laganbank Road
Belfast
BT1 3L

Strategic report for year ended 31st March 2016

The directors manage Premier Transmission's operations at the Mutual Energy group level. The strategies, KPIs and operations of the Premier Transmission Pipeline System, which includes the Premier Transmission and Belfast Gas Transmission assets, are therefore considered as a whole.

Strategic objectives

Our strategy is made up of three key elements:

Our objective	How do we deliver?	How do we measure success?
Operate assets safely and cost effectively, outsourcing where appropriate	We provide a safe, reliable and efficient transmission service to the gas suppliers of Northern Ireland. Delivery is achieved through a competitive tendering process for operational activities and the development of a comprehensive contracting strategy and partnership approach with key contractors. Further information on asset operation can be found on page 4.	Our success measures include: • Availability targets for our assets (KPI 1); • Operational savings against forecast (KPI 2); • Lost time incidents (KPI 3); • Detailed maintenance and contracting milestones which are monitored at contract meetings; and • Detailed monthly budgets which are monitored over a rolling five year horizon.
Deliver savings to all Northern Ireland consumers evenly over the life of the assets	Group strategy involves returning all savings or cash surpluses to the generality of Northern Ireland consumers as evenly as possible over the life of the assets. In doing so, where possible, we seek to build up reserves to smooth future cash flows and minimise energy price increases and fluctuations associated with our assets. Where appropriate, reserves will be used to provide capital for future investments.	Our measures of success include: • Operational savings against forecast (KPI 2); and • Cash generated from operations (KPI 4).
Manage market changes to minimise risks to the NI consumer	Our key focus is to ensure, so far as possible, that changes driven by EU, national or other pressures do not impact negatively on our business, our financing arrangements or energy consumers in Northern Ireland. We seek to achieve this by influencing at EU stakeholder meetings, active participation in the work of the EU system operator confederations and by assisting the regulators and relevant government departments to identify and address issues particularly relevant to Northern Ireland. The market environment is discussed in more detail on page 6.	Our measures of success include: • Avoidance of changes which would compromise the financing structures of the group; • Monitoring of individual projects against initial objectives and implementation plans with milestone dates; and • The number of code modifications issued (KPI 5).

Strategic report for year ended 31st March 2016

Key Performance Indicators (“KPIs”)

Our KPIs are designed to reflect what is important to our stakeholders and we use them to assess the group’s development against its strategy and financial objectives.

Key Performance Indicator	Definition of KPI
1. Availability The quality of service to our direct customers is determined by the performance of our assets, of which the principal measure is the availability of transmission capacity. A graph showing availability can be found on page 4.	Availability Availability is calculated as the number of hours available (excluding upstream outages) x capacity available / total plant capacity under connection agreements x the number of hours in the year.
2. Operational savings against forecast For the gas businesses cost effectiveness is measured by comparing outturn with the forecast used and submitted in preparing annual gas tariffs. Operational savings vs forecasts for the gas businesses are shown on page 5.	Operational savings against forecast The KPI for gas business operational savings is calculated by subtracting the actual agreed revenue for the gas year, calculated in accordance with the gas companies’ licences, from the forecast required revenue submitted in advance of the year.
3. Lost time incidents Our safety is measured by the safe operation of our staff and contractors as noted on page 4.	Lost time incidents Lost time incidents are calculated as the number of lost time incidents per 100,000 hours worked by staff and contractors.
4. Cash generated from operations Cash generated in the business which will be used to avoid future charges to consumers. Cash generated in the business can be seen in the graphs on page 5.	Cash generated from operations Cash generated in each of the businesses post tax.
5. Code modifications issued The number of code modifications issued are monitored as these are a measure of progress in implementing the changes required by EU legislation. Code modifications issued can be seen in the graph on page 6.	Code modifications issued Code modifications issued is the sum of the code modifications made to each of the PTL and BGTL codes.

A number of other KPIs are used at a corporate level to monitor other aspects of business performance, including Corporate responsibility KPIs. These are included later in this report.

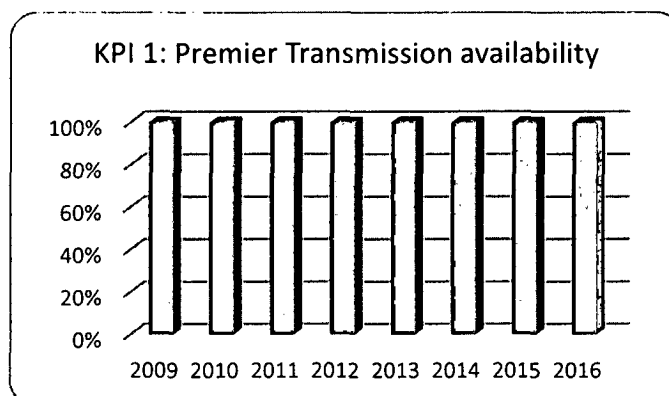
Strategic report for year ended 31st March 2016

Gas business review

Strategic objective: Operate assets safely and cost effectively, outsourcing where appropriate

Operational performance

The gas businesses operated during the year with 100% availability (KPI 1) and no lost time incidents (KPI 3).

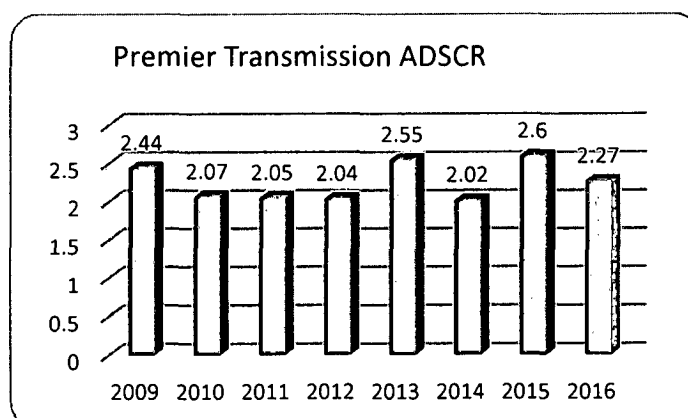


Premier Transmission incurred £3.8m costs in the year as a result of major works carried out to Gas Networks Ireland's upstream assets, a share of which is rechargeable to Premier Transmission under its Transportation Agreement. Upgrades to Premier Transmission's metering and billing system were also carried out in the year in order to facilitate compliance with new EU gas market arrangements, and engineering works were also carried out in line with site maintenance plans and statutory examination schedules.

Financial performance

The combined gas business costs for the gas year ending on 30th September 2015 were £0.5m below the forecasts used for predicting tariffs (September 2014: £1.0m below) (KPI 2).

The business is cash generative and able to meet its debt service obligations, though because of the bond structures it is not expected to be profitable in the earlier years of the bonds when interest costs incurred are in excess of debt repayments. This situation will then reverse in later years. In terms of the Annual Debt Service Cover (ADSCR) these will tend to average towards 2.0. Over-performance by Premier Transmission above 2.0 in the early years, will reverse in the future and will result in future ADSCR below 2.0 when this cash is released to the benefit of consumers. Premier Transmission's 2015 ADSCR is higher than usual due to differences in the timing of tax payments. The ADSCRs can be seen in the graph below.



Strategic report for year ended 31st March 2016

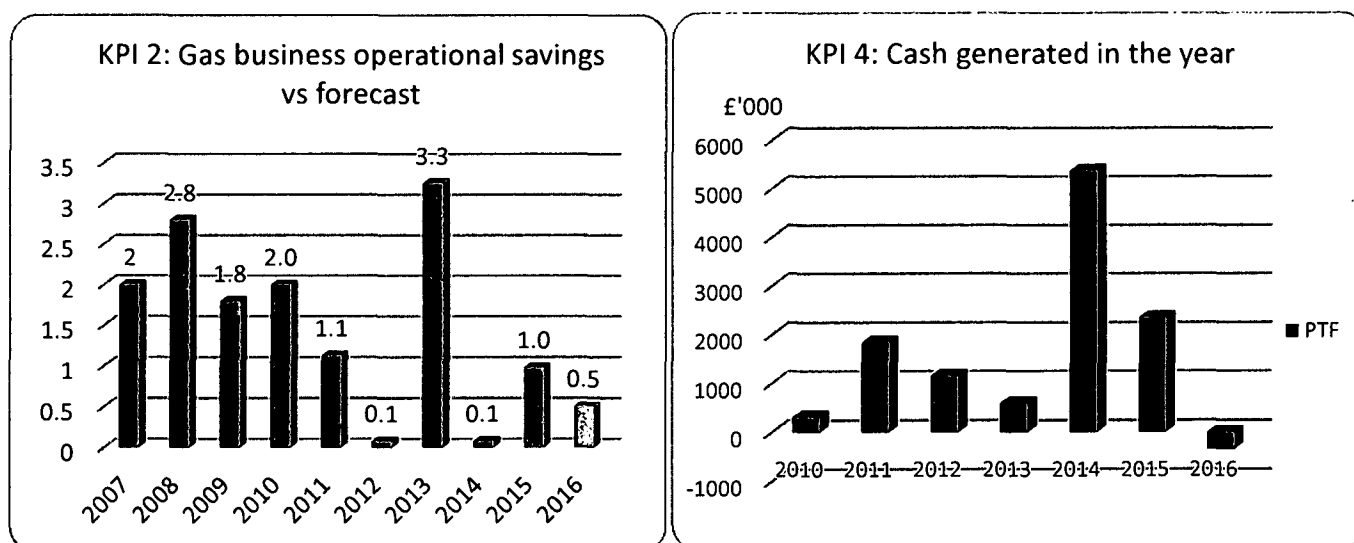
Future development

The Northern Ireland Gas Capacity Statement published by the Utility Regulator shows that, although gas demand is expected to remain relatively stable, over the next ten years the annual peak demand is expected to increase considerably, most notably with the increased use of gas generation on the no-wind days and the growth of the domestic gas sector. The report indicates that the Northern Ireland transmission network does not have sufficient capacity to meet severe winter peak day firm demand in 2016/17 and 2017/18 and anticipates that capacity short fall measures or the use of the South-North pipeline would be required in such conditions. The changing needs of the power generation shippers, married with potential upstream pressure reductions (as highlighted in the annual Gaslink Winter Outlook), are likely to require investment in the NI gas transmission network over the next 10 years. Any reinforcement would require significant lead times and no specific projects are earmarked for development at present.

Strategic objective: Deliver savings to all consumers evenly over the life of the assets

The main means by which the company delivers savings to the consumers in Northern Ireland is through providing a low cost of capital. The costs of the gas transmission assets are charged to the respective shippers through a “use of system” charge which happens automatically through the postalised transmission system. The savings achieved due to our low costs of capital are therefore passed on to shippers, allowing them to charge the end consumer less for their gas. Overall gas business charges recovered from shippers in the 2014-15 gas year were 10% lower in real terms than in 2004-5, before the mutualisation of Mutual Energy’s gas assets. We continually seek to achieve operational savings and efficiencies.

Year on year the business measures its progress with reference to the annual forecast provided for the tariff calculation, as shown in the following KPI.



KPI 4 shows a cash outflow in 2015/16 which is the result of timing of payments in relation to tax from prior years. The graph shows the movement in the cash balance (including deposits with maturity of more than three months) from the previous year.

Strategic report for year ended 31st March 2016

Strategic objective: Manage market changes to minimise risks to the Northern Ireland consumer

European energy regulation

European legislation continues to be the main driver for changes in our market arrangements and contracts with shippers. The EU regulation has driven a “Gas Target Model” to be implemented by our gas businesses. The first major deadline for implementation for the work streams was October 2015, with others following until 2017. As well as these major changes, the Northern Ireland Utility Regulator (NIAUR) determined that a single system operator for Northern Ireland should be put in place. This is not a requirement of the legislation itself.

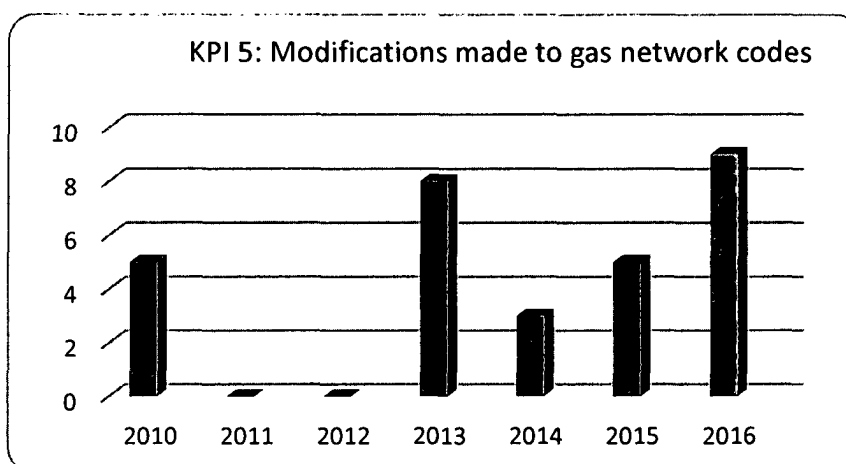
The list below sets out some of the key changes made to the Northern Ireland gas market during the year in order to implement the EU regulation requirements.

- The introduction of entry capacity products and nominations;
- New products offered including bundled products at Moffat –annual, quarterly, monthly, daily and within day;
- Entry capacity auctioned by the relevant TSO using the PRISMA auction platform;
- Charging split between entry and exit from the network;
- Transition to a new Gas Day (06:00 – 06:00 to 05:00 – 05:00);
- Development of the Northern Ireland Trading Point to facilitate gas trading within NI;
- De-designation of the Moffat Agent and the introduction of TSO to TSO nomination matching;
- New methods to allocate gas at the entry points into the network;
- Significant rewrite of the NI Network Codes; and
- Significant update of the Align IT System to facilitate the new processes, and automatic data exchange with EU wide systems, National Grid and Gas Networks Ireland.

Whilst all of the 2016 EU obligations have been met, future requirements will focus on the implementation of REMIT, an EU regulation on energy market integrity and transparency and modifications to the Capacity Allocation Mechanisms regulation concerning incremental capacity. In addition to the existing regulations, the Tariff Network Code is currently in development and its implementation will require further changes for the NI market. It should be expected that there will be further changes coming from the EU over the upcoming years as the work continues to deliver the Gas Target Model.

In addition to the changes required by the EU legislation, the decision by the NIAUR to require the creation of a single TSO for Northern Ireland will result in a number of changes, notably the development of a single network code, a single market facing body and a single IT system. This fundamentally changes the market and means a considerable amount of work is needed in a short period. Work also has been progressing on the development of contractual agreements and licence changes.

Code modifications are required to implement these changes within our network code and the graph below shows the number of code modifications made in recent years.



Premier Transmission Limited

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Strategic report for year ended 31st March 2016

Stakeholders, relationships and resources

Customers

The Premier Transmission Pipeline System provides a service to shippers from Moffat in Scotland to exit points at AES Ballylumford, the connection with Gas Networks Ireland (NI) pipelines at Carrickfergus and Belfast Gas exit points in Belfast and Larne. A total of 13 shippers are currently registered to use our system.

Partners and contractors

There has been no change to the major outsourced contractors in the year with SGN carrying out the routine maintenance, emergency response and monitoring our system from their gas control centre in London.

Staff

The Mutual Energy group is committed to maintaining a high quality and committed workforce. Our vision is to have an innovative corporate culture and employees who will look to constantly improve all aspects of the business to achieve the corporate strategy.

The group employs a personal performance evaluation system with assessment of targets and training needs to encourage performance. Succession planning is periodically reviewed by the board. Remuneration is linked to performance throughout the organisation.

Employee diversity

The company recognises the importance of diversity amongst its employees and is committed to ensuring that employees are selected and promoted on the basis of merit and ability, regardless of age, gender, race, religion, sexual orientation or disability. The gender split across the company as at 31 March 2016 is illustrated in the table below:

	Male	Female
Board	5	2
Senior Management	4	-
All employees	10	3

Strategic report for year ended 31st March 2016

Social, community and human rights issues

The Mutual Energy group has a fundamental community focus through its purpose: to own and operate energy infrastructure in the long-term interest of energy consumers in Northern Ireland. This is also reflected through all of our strategic objectives which include cost effective operation to deliver savings and minimise risks of market change to Northern Ireland consumers. More information on how the group delivers these objectives can be found on pages 5 to 6.

The group also continues to consider its impact on the environment and remains committed to reducing our energy consumption and related emissions where possible, as well as reducing our wider impacts such as resource use and waste to landfill. The group ensures robust Health & Safety systems are in place as discussed on page 10, for the benefit of employees, contractors and the wider public. We comply with the Employments Rights Act, Modern Slavery Act and all other applicable UK law as an absolute minimum and recognise the importance of treating all of our employees fairly. We are committed to conducting business in an honest and ethical manner and act according to our Code of Ethics, which is integral to our business and sets out a range of principles we adhere to. We do not tolerate bribery or corruption of any kind and are committed to acting professionally, fairly and with integrity in all our business dealings and relationships.

Risk management

The Mutual Energy group continues to apply a structured approach to risk management throughout the companies in the group, which is designed to ensure that emerging risks are identified and managed effectively.

Risk management structure

The Board approves the overall risk management process, known as the group risk governance framework, and approves all the policies covered by the framework. Responsibility for ensuring compliance with the policies is divided between the Risk Committee and the Audit Committee. The Risk Committee deals with all risks that are inherently operational in nature (including Health & Safety), while the Audit Committee monitors all financial and other risks.

The risk register records key risks identified and how they are being managed and is reviewed regularly by the board and the relevant board committees. This process has been in place for the full year ended 31 March 2016 and up to the date of approval of the annual report and financial statements.

Control is maintained through a management structure with clearly defined responsibilities, authority levels and lines of reporting; the appointment of suitably qualified staff in specialised business areas; a comprehensive financial planning and accounting framework and a formal reporting structure. These methods of control are subject to periodic review as to their continued suitability.

The Board, during its annual review of the effectiveness of the group's internal control and risk management systems, did not identify, nor was advised of, any failings or weaknesses which it has determined to be significant.

Strategic report for year ended 31st March 2016

The principal risks of the Mutual Energy group are:

Risk description and potential impact	Mitigation	Assessment of risk movement from March 2015
Operational Risk		
Poor operational performance could result in impaired availability, damage to assets and/or reputation, injury to third party and/or employees, loss of revenue, loss of licence.	Experienced qualified maintenance subcontractors are used and are managed through the contractual process, frequent performance monitoring and maintaining a high standard of eligibility for tendered work. Structured maintenance plans are followed. The group promotes a strong health and safety culture, has a well-defined health and safety management system and follows industry standard practices.	➡
Financial Risk		
Poor financial management could result in breach of financing covenants, compliance failure or financial loss.	The Board reviews and agrees policies for addressing these compliance risks and senior management are specifically delegated the task of ensuring compliance.	⬇
Inadequate financing, non-compliance with covenants, market changes or failure of counterparties could lead to failure of financial structure.	Borrowing arrangements align the financing costs to the income allowances. Processes are in place to monitor covenant compliance and there is active management of market changes. Treasury policies are aimed at minimising the risks associated with the group's financial assets and liabilities and financial counterparty failure clauses are included in financing documents.	➡
Liquidity risk could result in insufficient cash being available to meet the business' needs, controlling creditor intervention, default on bonds, or reputational damage.	The group has low liquidity risk due to its strong cash flows and the reserve accounts and liquidity facilities required by its financing documents. The required reserve accounts were fully funded and £12m of liquidity facilities were in place throughout the year for Premier Transmission. Banking counterparties are only used where they meet the criteria requirements of our financing documents. Liquidity risks from customers is minimised through requirements for security and protection measures built into the postalisation arrangements for the gas businesses. Business planning processes are in place to identify cash requirements in advance.	➡
Business environment and market risk		
Market changes for gas in Northern Ireland could result in reduced volumes transported through the assets, insufficient revenue recovery, default on bonds, damage to reputation of mutual model or fines.	Licence provisions implementing a postalised charges system in the gas business are designed to offset the impact of such changes. An influencing strategy is in place to positively impact market developments. Recent and future market development are discussed on page 6	➡
Regulatory risk		
As the group consists primarily of regulated businesses it is exposed to regulatory risk. Changes in economic regulation or government policy could have an adverse effect on our financial position.	The group's relationships with the Northern Ireland Authority for Utility Regulation (NIAUR) and DETI are managed at senior level through frequent meetings and correspondence in line with the group's communication strategy. The group coordinates with other EU system operators on EU issues. A proactive approach is taken to consultations on any issue which could affect the group's business interests, with legal advice sought where appropriate.	➡
Corporate strategy and communication risk		
Inadequate corporate strategy and communication with external stakeholders could result in reputational damage, regulatory action, loss of support from members or lost growth opportunities.	The Board retains responsibility for strategy as a reserved matter and manages communications directly in line with its communication plan, using outsourcing as appropriate.	➡

The group's system of internal control is designed to manage rather than eliminate the risk of failure to achieve business objectives and can provide only reasonable, and not absolute, assurance against material misstatement or loss.

Strategic report for year ended 31st March 2016

Environment and safety

The Mutual Energy group continues to put a high value on the Health and Safety of its operations and to recognise the importance of minimising the impact of its activities on the environment, both locally and in the global context. Our gas business runs simulated gas supply emergency exercises to ensure a robust response plan is in place and Premier Transmission Ltd and Northern Ireland Network Emergency Co-ordinator (NINEC) coordinate the exercises for the gas industry in Northern Ireland, as they would in the event of an actual Northern Ireland Gas Supply Emergency. The Offsite Gas Emergency Plan was tested as part of a major desktop exercise with all the appropriate responders in Dumfries and Galloway in September 2015.

The group has a comprehensive Health and Safety Management System (HSMS) which is based on HSE's HSG 65 'Successful Health and Safety Management' and the revised joint Institute of Directors / Health & Safety Executive guidance "Leading Health and Safety at Work". HSG 65 was substantially revised in December 2013 and re-titled 'Managing for Health and Safety' and is now based on the Plan, Do, Check, Act approach which achieves a balance between the systems and behavioural aspects of management. It also treats Health and Safety management as an integral part of good management generally, rather than a stand-alone system.

In November 2015 the group was audited by the British Safety Council as part of their Five-Star Occupational Health and Safety Audit. We achieved an overall audit grading of 90.33% which equates to a 'Four Star' award.

The group is committed to environmental performance, with no breach of any environmental licence or permit recorded in the year. Usage of gas for pre heating is monitored to help target improvements.

Greenhouse gas emissions reporting

The table below sets out our greenhouse gas (GHG) emissions in the current and prior year:

Emissions from:	Tonnes of CO ₂ e	
	2016	2015
Usage of gas in operations	1,762	1,303
Emissions per GWh energy transmission	0.11	0.9

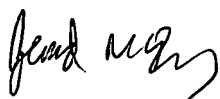
Methodology

We have reported on all the emission sources required under the Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013. Emissions have been calculated using UK Government guidelines for conversion of natural gas.

Forward-looking statements

The Chairman's Statement and Strategic Report contain forward-looking statements. Due to the inherent uncertainties, including both economic and business risk factors underlying such forward-looking information, the actual results of operations, financial position and liquidity may differ materially from those expressed or implied by these forward-looking statements.

By order of the Board



Gerard McIlroy
Company secretary
23 June 2016

Directors' report for the year ended 31 March 2016

The directors present their annual report and the audited financial statements of the company for the year ended 31 March 2016.

General information on the company can be found on page 1 and within note 1 to the financial statements.

Results and dividends

The company's profit for the year is £4,061,000 (2015: £3,642,000). The directors do not recommend the payment of a dividend (2015: £nil).

A review of our operational and financial performance, research and development activity, current position and future developments is included in our Strategic report and is included in this report by cross-reference.

Directors

The directors, who served the company during the year, and up to the date of signing the financial statements, were:

Clarke Black
Regina Finn
Stephen Kirkpatrick
Patrick Larkin
Gerard McIlroy
Kate Mingay
Christopher Murray

Financial risk management

Please refer to note 1 to these financial statements for a description of the financial risks that the company faces and how it addresses those risks.

Directors indemnities

The company has made a qualifying third party indemnity provision for the benefits of its directors during the year and it remained in force at the date of this report.

Statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101).

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards, including FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- notify its shareholders in writing about the use of disclosure exemptions, if any, of FRS 101 used in the preparation of financial statements; and

Directors' report for the year ended 31 March 2016 (continued)

Statement of directors' responsibilities (continued)

- 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 the group 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 the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Statement of disclosure of information to auditors

So far as each of the directors in office at the date of approval of the Directors' report is aware:

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

Medium companies' exemption

This report has been prepared in accordance with the special provisions of the medium companies' regime within Part 15 of the Companies Act 2006.

By order of the Board



Gerard McIlroy
Company secretary
23 June 2016

Independent auditors' report to the members of Premier Transmission Limited

Report on the financial statements

Our opinion

In our opinion, Premier Transmission Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 31 March 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited

Premier Transmission Limited's financial statements comprise:

- the profit and loss account for the year ended 31 March 2016;
- the balance sheet as at 31 March 2016; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 101 "Reduced Disclosure Framework".

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion, 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.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

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

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept, 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.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Independent auditors' report to the members of Premier Transmission Limited (continued)

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of directors' responsibilities set out on pages 11 and 12, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

What an audit of financial statements involves

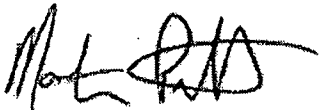
We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.



Martin Pitt (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Belfast
8 July 2016

Profit and loss account for the year ended 31 March 2016

	Note	2016 £'000	2015 £'000
Turnover - continuing operations		26,390	25,676
Net operating expenses	2	(18,932)	(16,890)
Earnings before interest, tax, depreciation and amortisation (EBITDA)		10,142	10,843
Depreciation (net of amortisation of government grants)		(2,684)	(2,057)
Operating profit		7,458	8,786
Interest receivable and similar income	4	327	343
Interest payable and similar charges	4	(4,210)	(4,438)
Interest payable - net	4	(3,883)	(4,095)
Profit on ordinary activities before taxation		3,575	4,691
Tax credit/(charge) on profit on ordinary activities	5	486	(1,049)
Profit for the financial year	12	4,061	3,642

The notes on pages 17 to 29 are an integral part of these financial statements.

There are no changes in reserves other than the results shown in the profit and loss account and therefore a separate statement of changes in equity has not been presented.

Balance sheet as at 31 March 2016

	Note	2016 £'000	2015 £'000
Assets			
Fixed assets			
Tangible assets	6	76,447	78,877
Investments	7	2	2
		76,449	78,879
Current assets			
Debtors	8	26,055	23,074
Financial assets	9	13,511	-
Cash at bank and in hand	10	19,425	31,168
		58,991	54,242
Total assets		135,440	133,121
Capital and reserves			
Called up share capital	11	861	861
Share premium		14,012	14,012
Profit and loss account	12	23,811	19,750
		38,684	34,623
Liabilities			
Creditors: amounts falling due after one year	13	79,118	79,787
Provisions for liabilities	14	7,830	9,025
		86,948	88,812
Current liabilities			
Creditors: amounts falling due within one year	15	9,550	9,285
Corporation tax payable		258	401
		9,808	9,686
Total liabilities		96,756	98,498
Total reserves and liabilities		135,440	133,121

The notes on pages 17 to 29 are an integral part of these financial statements.

The financial statements on pages 15 to 29 were authorised for issue by the Board of Directors on 23 June 2016 and were signed on its behalf by:



Patrick Larkin
Director



Gerard McIlroy
Director

Notes to the financial statements for the year ended 31 March 2016

1 Accounting policies, financial risk management and critical accounting estimates/judgements

General information

The company's principal activity during the year was the operation of the Scotland Northern Ireland pipeline which links the gas transmission systems of Northern Ireland and Scotland. The company is incorporated and domiciled in Northern Ireland.

The financial statements are presented in Sterling and all values are rounded to the nearest thousand pounds (£'000) except when otherwise indicated. All of the company's assets and liabilities are denominated in Sterling. These financial statements were authorised for issue by the Board of Directors on 23 June 2016 and were signed on their behalf by Patrick Larkin and Gerard McIlroy. The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

The financial statements have been prepared on a going concern basis, under the historical cost convention.

Basis of preparation

These financial statements have been prepared in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS 101) and the Companies Act 2006 (the Act). FRS 101 sets out a reduced disclosure framework for a 'qualifying entity' as defined in the standard which addresses the financial reporting requirements and disclosure exemptions in the individual financial statements of qualifying entities that otherwise apply the recognition, measurement and disclosure requirements of EU-adopted IFRS.

The company is a qualifying entity for the purposes of FRS 101. Note 19 gives details of the company's parent and from where its consolidated financial statements prepared in accordance with IFRS may be obtained.

The disclosure exemptions adopted by the company in accordance with FRS 101 are as follows:

- A cash flow statement has not been presented;
- Financial instruments and fair value measurement disclosures have not been presented;
- The company's capital management policy has not been presented;
- Disclosure of future changes in accounting standards has not been presented;
- Comparative information in respect of tangible fixed assets has not been presented; and
- Related party disclosures between entities that are wholly owned within the Mutual Energy group have not been given.

Standards, amendments and interpretations effective in the year to 31 March 2016 and applicable to the company

There were no standards, amendments and interpretations to published standards effective for the year ended 31 March 2016 that are relevant to the company's operations.

Standards, amendments and interpretations effective in the year to 31 March 2016 and not applicable to the company

The following standards, amendments and interpretations to published standards are effective for the year ended 31 March 2016 but they are not relevant to the company's operations:

Amendment to IAS19 Employee benefits on defined benefit plans (1 July 2014)

Notes to the financial statements for the year ended 31 March 2016**1 Accounting policies, financial risk management and critical accounting estimates/judgements
(continued)****Turnover**

Turnover comprises the fair value of the consideration received or receivable for the sale of capacity on the Scotland Northern Ireland pipeline for the transmission of gas between Scotland and Northern Ireland. All turnover is generated within the United Kingdom. Turnover is shown net of value-added tax, returns, rebates and discounts. Turnover is recognised in accordance with the terms of the licence issued by the regulatory authority, namely in line with the applicable costs incurred by the company over the same period. The company recognises turnover when the amount of turnover can be reliably measured and it is probable that future economic benefits will flow to the entity.

Tangible fixed assets and depreciation

Tangible fixed assets are stated at historical cost less accumulated depreciation and accumulated impairment losses. The initial cost of an asset comprises purchase cost plus any costs directly attributable to bringing the asset into operation and an estimate of any decommissioning costs.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the profit and loss account during the financial period in which they are incurred.

The charge for depreciation is calculated so as to write off the depreciable amount of assets over their estimated useful economic lives on a straight line basis. The useful economic lives of each major class of depreciable asset are as follows:

Pipeline	43 years
Plant and machinery	15 years
Computer equipment	3 years

The assets' residual values and useful economic lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. An asset is derecognised upon disposal or when no future economic benefit is expected to arise from the asset.

Notes to the financial statements for the year ended 31 March 2016**1 Accounting policies, financial risk management and critical accounting estimates/judgements (continued)****Impairment of non-financial assets**

The company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. 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. Impairment losses of continuing operations are recognised in the profit and loss account in those expense categories consistent with the function of the impaired asset.

Investments

Investments in unquoted companies are recorded at cost, which is the fair value of the consideration paid. The company assesses at each balance sheet date whether there is objective evidence that these investments are impaired.

Classification of financial assets

The company classifies its financial assets in the following categories: available for sale and, loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as debtors falling greater than one year. The company's loans and receivables comprise 'debtors' and 'cash at bank and in hand' on the balance sheet.

Loans and receivables (financial instruments)**(a) Debtors**

Debtors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade and other receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the profit and loss account within 'net operating expenses'. When a debtor is uncollectible, it is written off against the allowance account for trade debtors. Subsequent recoveries of amounts previously written off are credited against 'net operating expenses' in the profit and loss account.

Debtors with a maturity of more than twelve months from the balance sheet date are shown as current debtors falling due after one year.

(b) Cash at bank and in hand

Cash at bank and in hand includes cash in hand, deposits held at call or for short maturity periods with banks, other short-term highly liquid investments with original maturities of three months or less.

(c) Financial assets

Financial assets includes deposits with banks which have original maturities of more than three months.

Notes to the financial statements for the year ended 31 March 2016**1 Accounting policies, financial risk management and critical accounting estimates/judgements
(continued)****Impairment of financial assets**

The company assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The criteria that the company uses to determine that there is objective evidence of an impairment loss include:

- significant financial difficulty of the issuer or obligor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- the company, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- it becomes probable that the borrower will enter bankruptcy or other financial reorganisation;
- the disappearance of an active market for that financial asset because of financial difficulties; or
- observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including i) adverse changes in the payment status of borrowers in the portfolio; and ii) national or local economic conditions that correlate with defaults on the assets in the portfolio.

The company first assesses whether objective evidence of impairment exists. The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the profit and loss account. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the company may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the profit and loss account.

Notes to the financial statements for the year ended 31 March 2016

1 Accounting policies, financial risk management and critical accounting estimates/judgements (continued)

Called up share capital

Ordinary shares are classified as equity.

Other financial liabilities at amortised cost (financial instruments)

(a) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the profit and loss account over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the company has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

(b) Financial liabilities

Financial liabilities represent financial guarantees issued by the company to a 3rd party in respect of liabilities of the company's parent undertaking. Financial liabilities are recognised initially at fair value and subsequently stated at amortised cost with the amortisation being recognised in finance income in the profit and loss account.

(c) Creditors

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less. If not, they are presented as creditors: amounts falling due after one year.

Creditors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Current income tax and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the profit and loss account.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates and laws that are enacted or substantively enacted by the balance sheet date.

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither an accounting nor a taxable profit or loss. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the company and it is probable that the temporary difference will not reverse in the foreseeable future.

Tax is charged or credited directly to reserves if it relates to items that are credited or charged to reserves. Otherwise tax is recognised in the profit and loss account.

Notes to the financial statements for the year ended 31 March 2016**1 Accounting policies, financial risk management and critical accounting estimates/judgements (continued)****Government grants**

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the company will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the profit and loss account over the period necessary to match them with the costs they are intended to compensate.

Government grants relating to tangible fixed assets are included in liabilities as deferred government grants and are credited to the profit and loss account on a straight line basis over the expected useful economic lives of the related assets.

Operating lease commitments

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the profit and loss account on a straight-line basis over the period of the lease.

Pensions and other post-retirement benefits

The company contributes to individuals' personal pension schemes. Contributions are recognised in the profit and loss account in the period in which they become payable.

Foreign currency translation

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

Financial risk management***Financial risk factors***

The company operates the gas pipeline which links the gas transmission systems of Northern Ireland and Scotland under a licence agreement with the Northern Ireland Authority for Utility Regulation. Under the licence agreement the company, together with its parent undertaking, receives turnover that compensates the companies for their operating expenses, financing costs and repayment of borrowings. Accordingly the company has limited financial risk.

(a) Market risk- interest rate risk

The company's interest rate risk arises from amounts borrowed from its parent undertaking. These borrowings are index linked to the Retail Price Index and expose the company to interest rate cash flow risk. A change in the Retail Price Index by 1% would have increased/decreased interest costs, profit and equity during the year by £542,000. The company does not need to actively manage its exposure to interest rate risk as a result of its licence agreement mentioned in the preceding paragraph.

Under the terms of its licence agreement the company receives sufficient turnover to settle its operating costs and its repayments of borrowings. Accordingly the company does not need to actively manage its exposure to cash flow interest rate risk.

The long term borrowings are amounts due to the company's parent undertaking and were used to settle group balances existing at acquisition date. The company monitors its cash flow regularly to ensure it can meet the repayments due under the terms of its borrowings.

Notes to the financial statements for the year ended 31 March 2016**1 Accounting policies, financial risk management and critical accounting estimates/judgements (continued)****Financial risk management (continued)***(b) Credit risk*

The company has limited exposure to credit risk as its customers are high profile gas suppliers, who are reliant on the use of the company's transmission assets. Given the nature of the industry in which the company operates, its customers are regulated by the Northern Ireland Authority for Utility Regulation. The company's debtors are not impaired or past due and management does not expect any losses from non-performance by its customers.

(c) Liquidity risk

Under the company's licence agreement it receives turnover that compensates the company, and its parent undertaking, for their operating expenses, financing costs and repayment of borrowings. Accordingly the company has limited liquidity risk. The company also retains significant cash reserves and a liquidity facility with an A – rated bank to manage any short term liquidity risk.

Critical accounting estimates and judgements

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed below.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical accounting estimates and assumptions

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying value of assets and liabilities within the next financial year are discussed below.

Estimate of useful economic life of assets

The company assesses the useful economic life of assets on an annual basis. The remaining useful economic life of the Pipeline was determined as approximately 24.5 years at the beginning of the year. If the remaining useful economic life had been 25.5 years, depreciation would have decreased by £123,000 and if the remaining useful economic life had been assessed at 23.5 years, depreciation would have increased by £133,000.

Notes to the financial statements for the year ended 31 March 2016

2 Net operating expenses

	2016 £'000	2015 £'000
Employee benefit expense (note 3)	357	298
Depreciation	3,780	3,153
Amortisation of deferred government grants	(1,096)	(1,096)
Operating lease payments	81	79
Fees payable to the company's auditor in respect of the audit of the company's financial statements	11	15
Other expenses	15,799	14,441
Net operating expenses	18,932	16,890

Other expenses include grid control costs, engineering works, IT system costs, rates, insurance and licence fees, costs payable to Gas Networks Ireland (UK) for access and maintenance to the SWOS pipeline, together with administrative costs.

3 Employee benefit expense

	2016 £'000	2015 £'000
Wages and salaries	321	268
Social security costs	36	30
	357	298

The average monthly number of employees during the year (including only directors holding contracts of service with the company) was 7 (2015: 6). All staff perform asset management activities.

The company's directors were not remunerated for their services to the company (2015: £nil) but instead received emoluments for their services to the Mutual Energy group of companies. The directors do not believe that it is practicable to apportion this amount between their services as directors of the company and their services as directors of other group companies.

4 Interest payable - net

	2016 £'000	2015 £'000
Interest payable and similar charges		
Borrowings from parent undertaking	4,074	4,331
Short-term bank deposits	136	107
	4,210	4,438
Interest receivable and similar income		
Short-term bank deposits	(202)	(207)
Financial liabilities	(125)	(136)
	(327)	(343)
Interest payable - net	3,883	4,095

Notes to the financial statements for the year ended 31 March 2016

5 Tax credit/(charge) on profit on ordinary activities

	2016 £'000	2015 £'000
Current tax:		
Current tax on profits for the year	589	564
Group relief claimed	543	727
Adjustment in respect of previous periods	(423)	250
Total current tax	709	1,541
Deferred tax:		
Origination and reversal of temporary differences	(1,110)	(210)
Adjustments in respect of previous periods	(85)	(282)
Total deferred tax (note 14)	(1,195)	(492)
Tax (credit)/charge on profit on ordinary activities	(486)	1,049

The tax (credit)/charge in the profit and loss account for the year is different from the standard rate of corporation tax in the UK of 20% (2015: 21%). The differences are reconciled below:

	2016 £'000	2015 £'000
Profit on ordinary activities before taxation	3,575	4,691
Tax calculated at the UK standard rate of corporation tax of 20% (2015: 21%)	715	985
Effect of:		
Income not taxable	(25)	(29)
Transfer pricing adjustments	202	114
Reduction in tax rates in respect of deferred tax liabilities	(870)	11
Adjustments in respect of previous periods	(508)	(32)
Tax (credit)/charge on profit on ordinary activities	(486)	1,049

Future tax changes

The tax rate for the current year is lower than the prior year due to changes in the UK Corporation Tax rate which decreased from 21% to 20% from 1 April 2015. Accordingly the company's taxable profits are taxed at a rate of 20% during the year.

Further reductions to the UK Corporation Tax rate were introduced as part of the Finance Act 2015 (substantively enacted on 26 October 2015). These reduce the main rate of tax to 19% from 1 April 2017 and to 18% from 1 April 2020. The deferred tax assets and liabilities reflect these rates.

Notes to the financial statements for the year ended 31 March 2016

6 Tangible assets

	Pipeline £'000	Plant and machinery £'000	Computer equipment £'000	Total £'000
Cost				
At 1 April 2015	133,412	77	1,621	135,110
Additions	-	-	1,350	1,350
At 31 March 2016	133,412	77	2,971	136,460
Accumulated depreciation				
At 1 April 2015	56,224	6	3	56,233
Provided during the year	3,148	5	627	3,780
At 31 March 2016	59,372	11	630	60,013
Net book amount				
At 31 March 2016	74,040	66	2,341	76,447
At 31 March 2015	77,188	71	1,618	78,877

Depreciation expense of £3,780,000 (2015: £3,153,000) has been fully charged to net operating expenses. The borrowings of the company's parent undertaking are secured on all of the tangible fixed assets of the company.

7 Investments

	Other investments £'000
Cost	
At 1 April 2015 and at 31 March 2016	2

Other investments represent an amount the company invested in a 0.9% share in PRISMA European Capacity Platform GmbH, at a cost of £1,988.

The investments are recorded at cost, which is the fair value of the consideration paid.

8 Debtors

	2016 £'000	2015 £'000
Trade receivables	737	590
Prepayments and accrued income	3,600	4,093
Other receivables	2,000	2,000
Amounts owed by related parties	19,718	16,391
	26,055	23,074

Amounts owed by related parties are unsecured, interest free, have no fixed date of repayment and are repayable on demand

Notes to the financial statements for the year ended 31 March 2016

9 Financial assets

	Group		Company	
	2016	2015	2016	2015
	£'000	£'000	£'000	£'000
Cash deposits	13,511	-	-	-

10 Cash at bank and in hand

	2016	2015
	£'000	£'000
Cash at bank and in hand	19,425	31,168

11 Called up share capital

	2016	2015
	£'000	£'000
Allotted and fully paid		
860,928 ordinary shares of £1 each	861	861

12 Profit and loss account

	£'000
At 1 April 2014	16,108
Profit for the financial year	3,642
At 31 March 2015	19,750
Profit for the financial year	4,061
At 31 March 2016	23,811

Included in the profit and loss account reserves is an amount of £1,874,000 (2015: £1,874,000) which we have agreed with the regulator will be applied to costs of future EU compliance projects.

13 Creditors: amounts falling due after one year

	2016	2015
	£'000	£'000
Amounts owed to group undertakings	53,841	53,296
Other borrowings	-	4
Financial liabilities (note 16)	653	767
Government grants (note 17)	24,624	25,720
	79,118	79,787

The amounts owed to group undertakings relate to a 2.953% index linked (linked to the Retail Price Index) unsecured loan from the company's parent undertaking. The borrowings are repayable in full on 31 March 2030.

Notes to the financial statements for the year ended 31 March 2016

14 Provisions for liabilities

The gross movement on the deferred income tax account is as follows:

	Deferred tax £'000
At 1 April 2014	9,517
Credited to the profit and loss account	(492)
At 31 March 2015	9,025
Credited to the profit and loss account	(1,195)
At 31 March 2016	7,830

Deferred income tax relates to accelerated capital allowances. The portion of the company's deferred tax liabilities arising from accelerated capital allowances that are expected to fall due after more than 12 months is £7,312,000 (2015: £8,815,000).

15 Creditors: amounts falling due within one year

	2016 £'000	2015 £'000
Trade creditors	66	570
Other creditors	-	191
Accruals and deferred income	6,743	5,229
Amounts owed to related parties	924	1,133
Other tax and social security	607	941
Financial liabilities (note 16)	114	125
Government grant (note 17)	1,096	1,096
	9,550	9,285

Amounts owed to related parties are unsecured, interest free and are repayable on demand

16 Financial liabilities

	2016 £'000	2015 £'000
Financial guarantee	767	892
Less current portion	(114)	(125)
Non-current portion	653	767

The financial guarantee represents the amortised cost of issuing a financial guarantee to a 3rd party in respect of borrowings by the company's parent undertaking.

Notes to the financial statements for the year ended 31 March 2016

17 Government grant

	£'000
At 1 April 2014	27,912
Amortised during the year	(1,096)
At 31 March 2015	26,816
Amortised during the year	(1,096)
At 31 March 2016	25,720

The government grant was provided to the company for the purpose of its expenditure on its property, plant and equipment. The current portion of deferred income is £1,096,000 (2015: £1,096,000) and the non-current portion is £24,624,000 (2015: £25,720,000).

18 Commitments

Operating lease commitments

The company has entered into a commercial lease on land and this lease has a remaining lease term of 19 years. There are no restrictions placed upon the lessee by entering into these leases. The lease expenditure charged to the profit and loss account during the year is disclosed in note 2.

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

	2016 £'000	2015 £'000
Not later than one year	81	81
After one year but not more than five years	323	323
After more than five years	1,128	1,210
	1,532	1,614

19 Ultimate controlling party and ultimate parent undertaking

The ultimate controlling party of the company are the members of Mutual Energy Limited.

The immediate parent undertaking is Premier Transmission Financing plc, a company incorporated in Northern Ireland. Group financial statements for this company are prepared and are available to the public from First Floor, The Arena Building, 85 Ormeau Road, Belfast, BT7 1SH.

The ultimate parent undertaking is Mutual Energy Limited, a company incorporated in Northern Ireland. Group financial statements for this company are prepared and are available to the public from First Floor, The Arena Building, 85 Ormeau Road, Belfast, BT7 1SH.