

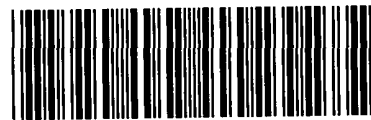
Neos Networks Limited

Directors report and financial statements

Year ended 31 March 2016

Registered No.: 3477297

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Neos Networks Limited

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Neos Networks Limited

Directors and Other Information

Directors

Colin Sempill
Louise Aitchison (resigned 5th August 2016)
Victoria Cook
David Eddy
Alan Nichols (resigned 2nd November 2016)
Nigel Pitcher

Registered office

55 Vastern Road
Reading
Berkshire
RG1 8BU
United Kingdom

Secretary

Louise Aitchison (resigned 5th August 2016)
Brian Sharma (appointed 10th August 2016)

Auditor

KPMG LLP
Chartered Accountants
319 St Vincent Street
Glasgow
G2 5AS

Registered number

3477297

Neos Networks Limited

Strategic Report

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

This Strategic Report has been prepared in accordance with the requirements of Section 414 of the Companies Act 2006. Its purpose is to inform shareholders and help them assess how the directors have performed their duty to promote the success of Neos Networks Limited.

The Strategic and Financial Review sets out the main trends and factors underlying the development and performance of Neos Networks Limited (the "Company") during the year ended 31 March 2016, as well as those matters which are likely to affect its future development and performance.

1 Business review

The profit and loss account for the year ended 31 March 2016 is set out on page 10. The loss for the year after taxation amounted to £0.9m (2015: loss of £0.9m). The balance sheet at 31 March 2016 is set out on page 11 and indicates net assets of £41.1m (2015: net assets of £41.9m).

This financial year has seen Neos Networks Limited ("Neos") further strengthen key customer portfolios with the roll out of "Edge Plus" and progression of "Edge 2" extending the geographical reach of the current national network, increasing the choice of suppliers streamlining the speed of delivery and reducing the cost to the end user. Neos Networks has continued to develop higher capacity bandwidth options and extreme Internet access.

The business has been supported by a strong programme of marketing activities including a strong presence at a selection of trade fairs throughout the year, networking evenings and one to one dialogue with leading industry figureheads.

Neos is a wholly owned subsidiary of SSE Telecommunications Limited ("SSE Telecommunications"). SSE Telecommunications enters the coming financial year from a strong commercial position and will build upon this success in the coming year by re-enforcing and expanding the network, unbundling more exchanges, and developing the product set with careful focus on 6 key market sectors.

SSE Telecommunication's longer-term strategy is focused on five key objectives:

- developing a robust, scalable business capable of expansion;
- increasing geographic coverage including expansion in London;
- facilitating fast and reliable cloud services delivery for customers;
- developing new high-capacity, high availability network services; and
- becoming ever-easier to work with as a service provider.

Other priorities in 2016/17 and beyond:

- efficiency and customer service;
- effective product development; and
- technological change and innovation.

Neos Networks Limited

Strategic Report *(continued)*

2 Key performance indicators

The directors believe that the following indicators will provide shareholders with sufficient information to assess how effectively the company is performing.

Financial / Operational	2016	2015
Gross profit - £m	25.2	23.6
Turnover - £m	38.6	35.4
Operating loss - £m	(0.8)	(1.6)
Net assets - £m	41.1	41.9
Loss before tax - £m	(0.6)	(1.4)

On behalf of the board



Colin Sempill
Director

14 November 2016

Neos Networks Limited

Directors' Report

The directors present their report together with the audited financial statements for the year ended 31 March 2016.

Reporting requirements on the Company's principal activities and future developments, its key performance indicators can be found in the Strategic Report on page 4.

1 Principal activities

The Company's principal activity during the year was the provision of telecommunications infrastructure services for both external and group customers.

Neos Networks provides multi-site virtual private network connections to its high-capacity resilient national fibre optic network and data centre services to the UK's cloud services, systems integration and telecoms industries.

2 Principal risks and uncertainties

The directors acknowledge that they have responsibility for the Company's systems of internal control and risk management and for monitoring their effectiveness. The purposes of these systems are to manage, rather than eliminate, the risk of failure to achieve business objectives, to provide reasonable assurance as to the quality of management information and to maintain proper control over the income, expenditure, assets and liabilities of the Company.

No system of control can, however, provide absolute assurance against material misstatement of loss. Accordingly, the directors have regard to what controls, in their judgement, are appropriate to the Company's business and to the relative costs and benefits of implementing specific controls.

The main financial risks that the Company could face have been considered by the directors and the Group's Risk and Trading Committee. These include

- failure to maintain sufficient and satisfactory levels of network performance;
- failure to deliver a satisfactory experience of the Company's products and services or to deal with customer complaints effectively;
- failure in suppliers processes of systems could have a significant impact on the company's brand and profitability;
- failure to prevent loss of exploitation of confidential information could result in loss of competitive advantage, regulatory fines and increased churn of customers.

3 Results and dividends

The loss for the financial year amounted to £0.9m (2015: loss of £0.9m).

The directors do not recommend the payment of a dividend (2015: Nil).

4 Directors

The directors and secretary who served during the year are as listed on page 3. In accordance with the Articles of Association of the company the directors are not required to retire by rotation.

5 Disclosure of information to auditors

The directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditors are unaware; and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Neos Networks Limited

Directors' Report *(continued)*

6 Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will, therefore, continue in office.

7 Going Concern

The directors have assessed that the company will prepare its financial statements on a going concern basis; see note 1 for details.

On behalf of the Board:

A handwritten signature in black ink, appearing to read 'Colin Sempill', written over a circular stamp or seal.

Colin Sempill
Director

14 November 2016

Neos Networks Limited

Statement of directors' responsibilities in respect of the Strategic report, the Directors' report and the financial statements

The directors are responsible for preparing the Strategic report, 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 they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice) including FRS101 Reduced Disclosure Framework.

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 year. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- 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 have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

On behalf of the Board:



Colin Sempill
Director

14 November 2016

Independent Auditor's Report to the Members of Neos Networks Limited

We have audited the financial statements of Neos Networks Limited for the year ended 31 March 2016 as set out on pages 10 to 21. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) including FRS101 Reduced Disclosure Framework.

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.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 8, 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). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion 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 loss for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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.

Matters on which we are required to report by exception

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

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



James Ledward (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
319 St Vincent Street
Glasgow
G2 5AS

17 November 2016

Neos Networks Limited

Profit and Loss Account for the year ended 31 March 2016

	Note	2016 £m	2015 £m
Turnover		38.6	35.4
Cost of sales		(13.4)	(11.8)
Gross profit		25.2	23.6
Administrative costs	2	(26.0)	(25.2)
Operating loss	2	(0.8)	(1.6)
Interest receivable and similar income	5	0.2	0.3
Exceptional items	3	-	(0.1)
Loss on ordinary activities before taxation		(0.6)	(1.4)
Tax on loss on ordinary activities	6	(0.3)	0.5
Loss for the financial year		(0.9)	(0.9)

Continuing operations

The above results are derived from continuing activities.

The accompanying notes are an integral part of these financial statements.

Total other comprehensive income

The company had no other comprehensive income in the current or prior financial years.

Neos Networks Limited

Balance Sheet as at 31 March 2016

	Note	2016 £m	2015 £m
Fixed assets			
Tangible assets	7	23.1	20.6
Current assets			
Debtors:			
amounts falling due within one year	8	18.3	13.8
amounts falling due after more than one year	8	13.5	30.4
Total current assets		31.8	44.2
Current liabilities			
Creditors: amounts falling due within one year	9	(13.5)	(22.7)
Net current assets		18.3	21.5
Total assets less current liabilities		41.4	42.1
Creditor: amounts falling due after more than one year	10	(0.1)	(0.2)
Deferred taxation	12	(0.2)	-
Net assets		41.1	41.9
Capital and reserves			
Called up share capital	13	24.1	24.1
Share premium account		31.8	31.8
Profit and loss account		(14.8)	(14.0)
Equity Shareholders' funds		41.1	41.9

The accompanying notes form an integral part of this balance sheet.

These financial statements were approved by the Directors on 14 November 2016 and signed on their behalf by:



Colin Sempill

Director

Company registered number: 3477297

Neos Networks Limited

Statement of Changes in Equity for the year ended 31 March 2016

	Share capital £m	Share premium £m	Retained earnings £m	Total equity £m
Balance at 1 April 2014	24.1	31.8	(13.2)	42.7
Loss for the financial year	-	-	(0.9)	(0.9)
Credit in respect of employee share awards	-	-	0.1	0.1
Balance at 31 March 2015	24.1	31.8	(14.0)	41.9
Balance at 1 April 2015	24.1	31.8	(14.0)	41.9
Loss for the financial year	-	-	(0.9)	(0.9)
Credit in respect of employee share awards	-	-	0.1	0.1
Balance at 31 March 2016	24.1	31.8	(14.8)	41.1

Neos Networks Limited

Notes on the Financial statements for the year ended 31 March 2016

1 Significant accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Company's financial statements.

Basis of preparation

The financial statements have been prepared in accordance with all applicable United Kingdom accounting standards. The principal accounting policies are summarised below and have been applied consistently.

In preparing these financial statements, the Company has applied the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ('Adopted IFRS'), but has made amendments, where necessary, in order to comply with the Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

In these financial statements, the Company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- A cash flow statement and related notes;
- Comparative period reconciliations for share capital, tangible fixed assets and intangible assets;
- The effect of new, but not yet effective, IFRSs;
- Disclosures in respect of the compensation of key management personnel;
- Disclosures in respect of capital management; and
- Related party disclosures.

As the consolidated financial statements of SSE plc include the equivalent disclosure, the Company has also taken advantage of the exemptions, under FRS 101, available in respect of the following disclosures:

- *IFRS2 Share based payments* in respect of group settled share based payments, and

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Going concern

The company has net current assets and the directors consider that adequate finance will be available for the foreseeable future. The financial statements are therefore prepared on a going concern basis.

The directors consider that this should enable the company to continue in operational existence for the foreseeable future by meeting liabilities as they fall due for payment.

Neos Networks Limited

Notes on the Financial statements *(continued)* for the year ended 31 March 2016

1 Significant accounting policies *(continued)*

Turnover

Turnover comprises the value of telecommunication services provided during the year to both internal and external customers. This includes income from data network managed service contracts and site sharing rentals.

Recognition of profits on contracts

Profit is taken on long-term contracts whilst the contract is in progress having regard to the proportion of the total contract which has been completed at the balance sheet date. Provision is made for foreseeable losses.

Research and development

Expenditure on research and development is charged to the profit and loss account as incurred with the exception of expenditure on the development of certain major projects where the outcome of these projects is assessed as being reasonably certain as regards viability and technical feasibility. Such expenditure will be amortised once the product or service begins and will be amortised over the expected life of the product or service.

Leases

Operating lease rentals and premiums are charged to the profit and loss account on a straight-line basis over the term of the lease. Assets acquired under finance leases are capitalised and the outstanding future lease obligations are shown in creditors.

Taxation

The credit for taxation is based on the loss for the year and takes into account deferred taxation.

Current tax, including UK corporation tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted, or substantially enacted, by the balance sheet date.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not there will be suitable profits from which future reversals of the underlying temporary differences can be deducted.

Neos Networks Limited

Notes on the Financial statements *(continued)* for the year ended 31 March 2016

1 Significant accounting policies *(continued)*

Tangible fixed assets

(i) Tangible fixed asset disclosure

The presentation of property, plant and equipment at Note 7 includes the net book value of assets under construction as a separate column in the main tabular disclosure:

Assets under construction that are commissioned and enter operation in the financial year are transferred from relevant column to the appropriate category of assets in the table. Capital additions in the year comprise additions to assets still in construction, additions to commissioned operational assets and other directly incurred capital costs. The disclosure has been adopted to improve the relevance of the table to users and for consistency with internal reporting.

(ii) Depreciation

Heritable and freehold land is not depreciated.

Depreciation is provided on tangible and intangible fixed assets to write off cost, less residual values, on a straight-line basis over their estimated operational lives. The estimated operational lives are as follows:

	Years
Telecoms assets	10 to 40
Non-operational assets:	
Buildings - freehold	Up to 60
Buildings - leasehold	Lower of lease period and 60
Fixtures, equipment, plant and machinery, vehicles and mobile plant	4 to 10

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, over the term of the relevant lease.

(iii) Subsequent expenditure

Expenditure incurred to replace a component of a tangible fixed asset that is accounted for separately is capitalised. Other subsequent expenditure is capitalised only when it increases the future economic benefits of the tangible fixed asset to which it relates.

Neos Networks Limited

Notes on the Financial statements *(continued)* for the year ended 31 March 2016

1 Significant accounting policies *(continued)*

Employee benefit obligations

Pensions

Contributions to pension schemes on behalf of the employees of the Company are charged to the profit and loss account in accordance with the contributions incurred in the year.

Equity and equity-related compensation benefits

SSE plc, the ultimate parent of the Company, operates a number of All Employee Share Schemes as described in the Remuneration Report of the Group. These schemes enable Group employees to acquire shares of the ultimate parent company. The employees of the Company are entitled, where applicable, to participate in these schemes. The Company has not been charged with the cash cost of acquiring shares on behalf of its employees, this cost is borne by the Ultimate Parent Company. Where the fair value of the options granted has been measured, the Company has recognised the expense as if the share based payments related to the Company's own shares.

The exercise prices of the sharesave scheme are set at a discount to market price at the date of the grant. The fair value of the sharesave scheme option granted is measured at the grant date by use of an option pricing model. The fair value of the options granted is recognised as an expense on a straight-line basis over the period that the scheme vests. Estimates are updated at each balance sheet date with any adjustment in respect of the current and prior years being recognised in the profit and loss financial statements.

The costs associated with the other main employee schemes, the share incentive plan and the deferred bonus scheme, are recognised over the period to which they relate.

2 Expenses and auditor's remuneration

Operating loss is arrived at after charging/(crediting):

	2016 £m	2015 £m
Depreciation of tangible fixed assets	3.3	4.0
Operating lease rentals - Other	16.2	13.1
Gain/(loss) on disposal of obsolete fixed assets	-	2.0

The audit fee in the year and the previous year was borne by the Parent company, £6,603 of this was in relation to the audit of Neos Networks Limited (2015: £6,603).

3 Exceptional items

	2016 £m	2015 £m
Voluntary Early release	-	(0.1)

During the prior year an exceptional charge of £0.1m was recorded for voluntary Early release scheme to account for the cost of releasing employees from the company.

Neos Networks Limited

Notes on the Financial statements *(continued)* for the year ended 31 March 2016

4 Staff costs and numbers

	2016 £m	2015 £m
Staff costs:		
Wages and salaries	5.4	5.2
Social security costs	0.7	0.5
Share based remuneration	0.1	0.1
Contributions to defined contributions plans	0.8	0.7
	<u>7.0</u>	<u>6.5</u>

Employee numbers

	2016 Number	2015 Number
Numbers employed at 31 March	<u>107</u>	<u>97</u>

	2016 Number	2015 Number
The monthly average number of people employed by the Company during the year	<u>92</u>	<u>90</u>

	2016 £m	2015 £m
Directors remuneration	0.8	0.3

The aggregate of remuneration and amounts receivable under long term incentive schemes of the highest paid director was £179,000 (2015: £95,000), and company pension contributions of £42,000 (2015: £24,000) were made on their behalf. The director is a member of a defined benefit scheme, under which the accrued pension at the year end was £42,000 (2015: £23,729). During the year, the highest paid director exercised share options and received shares under a long term incentive scheme.

5 Interest receivable and similar income

	2016 £m	2015 £m
Interest receivable from group undertakings	<u>0.2</u>	<u>0.3</u>
	<u>0.2</u>	<u>0.3</u>

Neos Networks Limited

Notes on the Financial statements *(continued)* for the year ended 31 March 2016

6 Taxation

	2016 £m	2015 £m
UK corporation tax		
Current tax on income for the period	(0.5)	(0.1)
Adjustment in respect of prior periods	-	(0.2)
Total current tax charge/(credit)	(0.5)	(0.3)
Deferred tax (see note 12):		
Origination and reversal of timing differences	0.4	(0.2)
Change in applicable tax rate	0.4	-
Total deferred tax	0.8	(0.2)
Total tax on loss on ordinary activities	0.3	(0.5)

The difference between the total current tax shown above and the amount calculated by applying the standard rate of UK corporation tax to the loss before tax is as follows:

	2016 £m	2015 £m
Loss before taxation	(0.6)	(1.4)
Tax on loss on ordinary activities at standard UK corporation tax rate of 20% (2015: 21%)	0.1	(0.3)
Effects of:		
Corporation tax adjustment in respect of previous periods	-	(0.4)
Revenue items capitalised	(0.4)	0.2
Total tax charge for year	(0.3)	(0.5)

Reductions in the UK corporation tax rate from 23% to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015. An additional reduction to 17% (effective from 1 April 2020) was announced in the Budget on 16 March 2016. This will reduce the company's future current tax charge accordingly. The deferred tax liability at 31 March 2016 has been calculated based on these rates.

Neos Networks Limited

Notes on the Financial statements *(continued)* for the year ended 31 March 2016

7 Tangible fixed assets

	Assets under construction £m	Other miscellaneous equipment £m	Network Assets £m	Total £m
Cost:				
At 1 April 2015	4.3	0.2	49.5	54.0
Additions	5.5	-	-	5.5
Transfers from assets under construction	1.1	-	(1.1)	-
Transfers between businesses	-	-	0.3	0.3
At 31 March 2016	10.9	0.2	48.7	59.8
Accumulated depreciation:				
At 1 April 2015	-	0.2	33.2	33.4
Charge for the year	-	-	3.3	3.3
At 31 March 2016	-	0.2	36.5	36.7
Net book value:				
At 31 March 2016	10.9	-	12.2	23.1
At 31 March 2015	4.3	-	16.3	20.6

8 Debtors

	2016 £m	2015 £m
Amounts falling due within one year:		
Trade debtors	14.5	6.7
Prepayments and accrued income	0.3	5.8
Amounts owed by group undertakings	2.4	-
Deferred tax asset (note 12)	-	0.6
Corporation tax - group relief receivable	1.1	0.7
	18.3	13.8
Amounts falling due after more than one year:		
Amounts due from group undertakings	13.5	30.4
	13.5	30.4

9 Creditors: amounts falling due within one year

	2016 £m	2015 £m
Amounts owed to group undertakings	2.3	5.9
Other creditors	0.9	-
Accruals and deferred income	10.2	16.7
Obligations under finance leases and hire purchase contracts	0.1	0.1
	13.5	22.7

Neos Networks Limited

Notes on the Financial statements *(continued)* for the year ended 31 March 2016

10 Creditors: amounts falling due after more than one year

	2016 £m	2015 £m
Obligations under finance leases and hire purchase contracts	0.1	0.2

11 Finance Lease Liabilities

	Minimum lease payments		Present value of minimum lease payments	
	2016 £m	2015 £m	2016 £m	2015 £m
Amounts payable:				
Within one year	0.1	0.1	0.1	0.1
Between one and five years	0.1	0.2	0.1	0.2
	0.2	0.3	0.2	0.3
Present value of lease obligations	0.2	0.3		

12 Deferred taxation

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2016 £m	2015 £m	2016 £m	2015 £m	2016 £m	2015 £m
Other	-	0.6	-	-	-	0.6
Net tax assets/(liabilities)	-	0.6	(0.2)	-	(0.2)	0.6

Movement in deferred tax during the year

	1 April 2015 £m	Recognised in income £m	Recognised in equity £m	31 March 2016 £m
Other	0.6	(0.8)	-	(0.2)
Net tax assets/(liabilities)	0.6	(0.8)	-	(0.2)

Movement in deferred tax during prior year

	1 April 2014 £m	Recognised in income £m	Recognised in equity £m	31 March 2015 £m
Other	0.4	0.2	-	0.6
Net tax assets	0.4	0.2	-	0.6

Neos Networks Limited

Notes on the Financial statements (continued) for the year ended 31 March 2016

13 Share capital

	2016 £m	2015 £m
Equity:		
Allotted, called up and fully paid:		
2,405,428,701 ordinary shares of £0.01 each	24.1	24.1
	<u>24.1</u>	<u>24.1</u>

14 Pensions

The majority of the Company's employees are member of the Scottish Hydro Electric Pension Scheme or Southern Electric Pension Scheme which provides defined benefits based on pensionable pay. As there is no contractual agreement or stated group policy for charging the net defined benefit cost of the plan to participating entities, the net defined benefit cost of the pension plan is recognised fully by the sponsoring employer, which is another member of the group.

New employees can opt to join a personal pension scheme which is a money purchase scheme with the Company matching the members' contributions up to a maximum of 6% of salary, the scheme is managed by Friend's Provident.

The Company's share of the total contribution payable to the pension schemes during the year was £0.8m (2015: £0.7m).

15 Operating lease commitments

Total commitments under non-cancellable operating leases are as follows:

	2016 Land & Buildings £m	Other £m	2015 Land & Buildings £m	Other £m
Operating leases which expire:				
Within one year	-	10.5	-	8.3
Between one and five years	-	21.0	-	9.9
In more than five years	-	7.6	-	4.8
	<u>-</u>	<u>39.1</u>	<u>-</u>	<u>23.0</u>

16 Capital Commitments

	2016 £m	2015 £m
Contracted but not provided for	<u>(0.7)</u>	<u>(1.5)</u>

17 Ultimate parent company

The Company is a subsidiary of SSE plc, which is the ultimate parent company and is registered in Scotland. The largest and smallest Group in which the results of the Company are consolidated is that headed by SSE plc. The consolidated financial statements of the Group (which include those of the Company) are available from the Company Secretary, SSE plc, Inverlorn House, 200 Dunkeld Road, Perth, PH1 3AQ or by accessing the Company's website at www.sse.com.

18 Explanation of transition to FRS 101 from Adopted old UK GAAP

As stated in note 1, these are the Company's first financial statements prepared in accordance with FRS 101.

The accounting policies set out in note 1 have been applied in preparing the financial statements for the year ended 31 March 2016 and the comparative information presented in these financial statements for the year ended 31 March 2015.

In preparing its FRS 101 balance sheet, no transitional adjustments were required.