Company Registration Number 09135084

BRISTOL ENERGY LIMITED (formerly BRISTOL ENERGY & TECHNOLOGY SERVICES (SUPPLY) LIMITED)

ANNUAL REPORT AND FINANCIAL STATEMENTS

for the year ended 31 March 2018

BRISTOL ENERGY LIMITED (formerly BRISTOL ENERGY & TECHNOLOGY SERVICES (SUPPLY) LIMITED)

ANNUAL REPORT AND FINANCIAL STATEMENTS

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COMPANY INFORMATION

Directors	L A Flowerdew P J Haigh M M Hyman N M Jordan C T Molton A S Wiseman	 (appointed 15 February 2018)
Company secretary	S Daya	
Registered number	09135084	
Registered office	100 Temple Street Bristol BS1 6AG	
Independent auditors	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors 2 Glass Wharf Bristol BS2 0FR	

STRATEGIC REPORT

The Directors strategic report for the audited financial statements for Bristol Energy Limited (formerly Bristol Energy & Technology Services (Supply) Limited) (the "Company") for the year ended 31 March 2018.

Principal activities

The principal activity of the Company is to supply gas and electricity to residential and business customers in the UK.

Business review

The financial year ended 31 March 2018 has been a year of further significant growth for Bristol Energy. The Company aims to deliver a fair and transparent energy company, providing a financial return to its shareholder, Bristol City Council and a social and environmental benefit to the community in which it is based.

The retail and wholesale markets in which the Company operates have continue to be challenging, with a number of challenger energy companies entering the market and volatility in the wholesale commodity markets. Changes in the sector including the move towards smart meters and the introduction of an energy price cap for consumers also represent significant shift in the operation of the market.

Despite these challenges, the company has delivered a strong performance over the financial year, ending the year on over 120,000 residential meter points, above its business plan target and setting it up in a good position going forward. In addition, despite a winter that included the arrival of the 'Beast from the East' and record high energy prices, the Company required less funding than planned and delivered on all its key financial metrics.

Results and dividends

The financial year ending 31 March 2018 represented the second year of trading for the Company. Whilst the Company has a clear objective to reach profitability, as a start-up energy business, it was always anticipated that the Company would not reach profitability until later in its development cycle. However, it has made good progress towards delivering on key targets agreed with Bristol City Council, as set out in the table below:

Key performance indicators	2018	2017
Residential customers on supply (meter points)	120,752	58,129
Business customers on supply (GWh)	61	31
Turnover	£52.5	£13.7m
Gross margin	£3.6	£0.5m
EBITDA*	£(9.8)m	£(7.9)m
Funding (short term loans, preference and ordinary shares)	£22.3m	£15.3m

*Earnings/(loss) before tax, interest, depreciation and amortisation

As such, turnover increased from £13,662,271 in 2017 to £52,474,946 in 2018. This resulted in a gross profit of £3,578,176 (2017: £549,575), however, as the Company continues to grow in scale, significant set up and overhead costs continue to be incurred.

The directors do not recommend the payment of a dividend (2017: £nil).

STRATEGIC REPORT (continued)

Future developments

The Company is focussed on ensuring that it builds its customer base as it looks to move towards scale and profitability. This will be achieved by delivering great standards of customer care whilst staying focussed on the core values of the business. As part of this, the Company aims to build a financially stable business, whilst always focussing on being a force for social good. This ethos has attracted and retained customers and employees, and is an approach that has already been recognised with regional awards.

Increased scrutiny by customers, the regulator and the government, coupled with a large number of new entrants, is leading to a new era for energy retailers. The Directors believe the Company is well positioned to meet these challenges by treating our customers fairly and finding new ways to make sure our customers are always on the best possible deal for them.

Bristol Energy will continue to grow its renewable electricity supply with the help of generator partners and will offer 'green gas' or biomethane to customers in addition to the gas sourced from traditional fossil fuels.

The SMART metering project continues across the UK and the Company has a substantial project team focussed on managing this and ensuring that it is in a position to embrace smart technology, developing new products to maximise the benefits of a smarter energy system for all our customers.

This report was approved by the Board and signed on its behalf by:

P J Haigh

P J Haigh
Managing Director
18 July 2018

DIRECTORS' REPORT

The Directors present their annual report and the audited financial statements for Bristol Energy Limited (formerly Bristol Energy & Technology Services (Supply) Limited) (the "Company") for the year ended 31 March 2018

Directors

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

W R Edrich	(resigned 29 January 2018)
L A Flowerdew	
P J Haigh	
M M Hyman	
N M Jordan	
C T Molton	(appointed 15 February 2018)
J G Readman	(resigned 5 January 2018)
A S Wiseman	

Financial risk management

Refer to Notes to the Financial Statements, Note 23, page 24.

Qualifying third party indemnity provisions

The Company maintains directors' and officers' insurance on behalf of its Directors.

Future developments

Future developments are referenced in the Strategic Report on page 3.

Directors' responsibilities statement

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations. Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising Financial Reporting Standard 102 The Financial Reporting Standard Applicable in the UK and Republic of Ireland (FRS-102), and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies for the Company financial statements and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards comprising FRS 102 have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They

DIRECTORS' REPORT (continued)

are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Disclosure of information to auditors

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- so far as that directors are aware, there is no relevant audit information of which the Company's auditors are unaware, and
- that directors have taken all the steps that ought to have been taken as directors in order to be aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Independent auditor

The auditor, PricewaterhouseCoopers LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the Board and signed on its behalf by:

P J Haigh

P J Haigh
Managing Director
18 July 2018

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BRISTOL ENERGY LIMITED

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

In our opinion, Bristol Energy Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2018 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the statement of financial position as at 31 March 2018; the statement of comprehensive income and the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

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

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

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

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BRISTOL ENERGY LIMITED (Continued)

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.
With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.
Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 March 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.
In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Directors' Responsibilities Statement set out on page [4], the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.
A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BRISTOL ENERGY LIMITED (Continued)

OTHER REQUIRED REPORTING

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.

Paul Nott

Paul Nott (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Bristol

18 July 2018

STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 March 2018

	Note	2018 £	2017 £
Turnover	4	52,474,946	13,662,271
Cost of sales		(48,896,770)	(13,112,696)
Gross profit		3,578,176	549,575
Administrative expenses		(13,860,838)	(8,960,172)
Operating loss	5	(10,282,662)	(8,410,597)
Interest receivable and similar income	9	1,837	4,253
Interest payable and similar expenses	10	(1,129,290)	(474,689)
Loss before taxation		(11,410,115)	(8,881,033)
Tax on loss	11	204,552	517,850
Loss for the financial year, being total comprehensive expense for the year		(11,205,563)	(8,363,183)

STATEMENT OF FINANCIAL POSITION
At 31 March 2018

ASSETS	Note	2018 £	2017 £
Fixed assets			
Intangible assets	12	1,055,036	1,407,746
Tangible assets	13	185,459	192,548
		1,240,495	1,600,294
Current assets			
Stocks	14	742,775	203,853
Debtors: amounts falling due within one year	15	12,315,003	5,924,950
Cash at bank and in hand		2,001,805	1,920,214
		15,059,583	8,049,017
Total assets		16,300,078	9,649,311
LIABILITIES			
Capital and reserves			
Called-up share capital	16	5,618,100	3,868,100
Profit and loss account	17	(22,499,585)	(11,294,022)
Total equity		(16,881,485)	(7,425,922)
Current liabilities			
Creditors: amounts falling due within one year	18	16,541,563	8,745,233
Non-current liabilities			
Creditors: amounts falling due after more than one year	19	16,640,000	8,330,000
Total equity and liabilities		16,300,078	9,649,311

The financial statements on pages 9 to 26 were approved by the Board of Directors on 26 July 2018 and signed on its behalf by:

P J Haigh
Managing Director

L A Flowerdew
Finance Director

Bristol Energy Limited (formerly Bristol Energy & Technology Services (Supply) Limited)
Registered No: 09135084

STATEMENT OF CHANGES IN EQUITY
For the year ended 31 March 2018

	Called up share capital £	Profit and loss account £	Total equity £
At 1 April 2016	1	(2,930,839)	(2,930,838)
Loss for the financial year being total comprehensive income	-	(8,363,183)	(8,363,183)
Share capital issued	3,868,099	-	3,868,099
At 31 March 2017	3,868,100	(11,294,022)	(7,425,922)
Loss for the financial year being total comprehensive income	-	(11,205,563)	(11,205,563)
Share capital issued	1,750,000	-	1,750,000
At 31 March 2018	5,618,100	(22,499,585)	16,881,485

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2018

1. General information

Bristol Energy Limited (formerly Bristol Energy & Technology Services (Supply) Limited) (the "Company") operates a gas and electricity supply business in the UK.

The Company is a private company limited by shares and is incorporated and domiciled in England and Wales. The address of its registered office is 100 Temple Street, Bristol, England, BS1 6AG.

The functional and presentational currency of the Company is sterling.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared on a going concern basis, under the historical cost convention and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policies (see note 3).

The following principal accounting policies have been applied consistently in the preparation of these financial statements:

2.2 Financial reporting standard 102 – reduced disclosure exemptions

The Company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 4 Statement of Financial Position paragraph 4.12(a)(iv);
- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 11 Financial Instruments paragraphs 11.39 to 11.48A;
- the requirements of Section 12 Other Financial Instruments paragraphs 12.26 to 12.29;
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statements of Bristol City Council as at 31 March 2018 and these financial statements may be obtained from Bristol City Council, City Hall, College Green, Bristol, BS3 9FS.

2.3 Going concern

The Company has net liabilities and is currently reliant upon financial support from its ultimate parent, Bristol City Council. The directors have received confirmation from Bristol City Council that it will continue to provide funding to allow the Company to meet its debts as they fall due for a period of at least 12 months from the date of signing these financial statements. Accordingly, the directors believe that it is appropriate to prepare these financial statements on a going concern basis.

2. Accounting policies (continued)

2.4 Revenue

Revenue is recognised on the basis of electricity and gas supplied during the year. Revenue includes an estimate of the sales value of units supplied between the date of the last meter read and year end date. Revenue is recognised net of sales discounts, VAT and climate change levy.

Any unbilled revenue is included in trade revenue, net of related provisions, to the extent that it is considered recoverable. Accrued revenue supplied since the last billing date, is recognised in the balance sheet and is only netted off against deferred income once it can be matched against specific customer payments.

2.5 Financing costs

Interest payable is recognised in the Statement of Comprehensive Income as it accrues, using the relevant interest rate and method.

2.6 Foreign currency transactions

Transactions in foreign currencies are recorded in sterling at the currency rate prevailing at the date of the transaction.

2.7 Intangible assets

Intangible assets are initially recognised at cost. After recognition, under the historic cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

Intangible assets include capitalised development costs relating to websites, software, and other IT assets. Cost includes internal payroll costs relating to staff working directly on the development of an asset when the following criteria are met:

- it is technically feasible to complete the asset such that it will be available for use;
- there is an ability to use or sell the asset;
- it can be demonstrated that the asset will generate probable future economic benefit.

Costs that do not meet these criteria, or which relate to maintaining websites or software are expensed as incurred.

All intangible assets are considered to have a finite useful life. If a reliable estimate of the useful life cannot be made, the useful life shall not exceed five years.

The estimated useful lives range as follows:

Software - 3 to 5 years

The Directors review intangible assets for impairment and a provision is made if necessary.

2. Accounting policies (continued)

2.8 Tangible assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Leasehold improvements	-	Term of lease
Office equipment	-	4 years
Computer equipment	-	3 years
Bicycles	-	1 years

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

2.9 Stock

Under the provisions of the Utilities Act 2000, all electricity suppliers are required to procure a set percentage of their supplies from accredited renewable electricity generators. This obligation can be fulfilled by the purchase and surrender of Renewable Obligation Certificates (ROCs) originally issued to generators, or by making payments to purchasers of ROCs. The cost obligation is recognised as it arises and is charged to the profit and loss account for the year to which the charge relates to. Gains or losses on disposal of ROCs are included in the profit and loss account as and when they crystallize. The stock of ROCs carried forward is valued at the lower of cost and estimated net realisable value.

2.10 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

2.11 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

2. Accounting policies (continued)

2.12 Financial instruments

Debt instruments
Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade payables or receivables, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration, expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in case of an out- right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Financial assets
Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Statement of Comprehensive Income.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

Derivatives and hedging
The company uses commodity purchase contracts to hedge its exposures to fluctuations in gas and electricity commodity prices. When commodity purchase contracts have been entered into as part of the Company's normal business activity, the Company classifies them as 'own use' contracts and outside the scope of FRS102.12. This is achieved when:

- Physical delivery takes place under all such contracts;
- The volumes purchase or sold under the contracts corresponds to the Company's operating requirements; and
- The contracts are not considered as written options as defined by the Standard.

Commodity purchase contracts not qualifying as 'own use' which also meet the definition of a derivative are treated as derivative financial instruments. This includes both financial and non-financial contracts.

Derivatives and other financial instruments are measured at fair value on the contract date and are re-measured to fair value at subsequent reporting dates. Changes in the fair value of derivatives are recognised in the Statement of Comprehensive Income as they arise.

Right of offset
Financial assets and liabilities are offset and the net amount reported in the Statement of Financial Position when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

2. Accounting policies (continued)

2.13 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

2.14 Leases

Leases in which substantially all the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the profit or loss account on a straight-line basis over the period of the lease.

2.15 Post employment benefits

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payments obligations.

The contributions are recognised as an expense in the Statement of Comprehensive Income when they fall due. Amounts not paid are shown in accruals as a liability in the Statement of Financial Position. The assets of the plan are held separately from the Company in independently administered funds.

2.16 Taxation

Tax is recognised in the Statement of Comprehensive Income, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

Deferred tax is calculated based on tax rates and laws that have been enacted, or substantively enacted, by the Statement of Financial Position date.

A deferred tax asset is recognised only if it is probable that future taxable profits will be available against which the temporary differences can be utilised.

3. Judgements in applying accounting policies and key sources of estimation uncertainty

The preparation of the financial statements requires management to make a number of key judgements in applying the company's accounting policies. The most significant judgements impacting these financial statements are:

Classification of commodity purchase contracts

As discussed on page 15, it is necessary for the directors to assess whether commodity purchase contracts are for "own use" in the company's normal course of business, or whether they are derivative financial instruments. The directors believe that all such contracts held at 31 March 2018 fulfil the requirements to qualify as "own use".

Deferred tax assets

Deferred tax assets are only recognised when it is considered more likely than not that the Company will make future taxable profits against which the deferred tax asset can be utilised. Given that the Company is not expected to make a taxable profit during 2018/19, the directors have taken a view that it is not appropriate to recognise a deferred tax asset in respect of losses carried forward.

The directors also make estimates and assumptions concerning the future. The estimates that are most susceptible to a material adjustment to the carrying amount of assets and liabilities in the next twelve months are:

Revenue recognition

The nature of the energy industry in the UK and the reliance on meter read data for customer consumption results in revenue recognition being subject to a degree of estimation. Calculation of revenues from gas and electricity sales include an estimation of the value of electricity and gas supplied to customers based on the latest data available to the Company as at the reporting date. In recognising revenue, the company also makes an estimate of supplies that are not billable and revenue is recognised net of such amounts.

Energy purchase costs

Certain costs included in Cost of Sales are subject to the industry settlement process. This can typically take 14 months from the date of supply to be finalised, due to the processes that the energy market has to complete in order to finalise generation and consumption data for any period. Therefore, there is an element of power purchase costs that needs to be estimated based on a combination of internal and external data that is available at any particular point in time.

Impairment of trade debtors

Impairment against trade debtors are recognised where a loss is probable. The Directors have based their assessment of the level of impairment on industry averages given the Company's short trading history and increasing customer base. The estimates and assumptions used to determine the level of provision will be regularly reviewed as the Company grows and further trends and data becomes available.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2018

4. Turnover

Turnover arises from the supply of electricity and gas and related services in the United Kingdom to both residential and business customers.

5. Operating loss

Operating loss is stated after charging:

	2018 £	2017 £
Depreciation of tangible fixed assets	113,042	89,591
Amortisation of intangible assets	414,582	398,070
Write off of intangible assets	-	172,636
Operating lease rentals	-	43,936

6. Auditors' remuneration

	2018 £	2017 £
Fees payable to the Company's auditors for the audit of the Company's financial statements	40,000	29,000

7. Employees

	2018 £	2017 £
Wages and salaries	4,849,187	3,308,976
Social security costs	494,481	350,462
Other pension costs	168,830	116,667
	5,512,498	3,776,105

The average monthly number of employees, including the directors, during the year was as follows:

	2018 Number	2017 Number
Operations	106	75
Management and administration	55	20
	161	95

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2018

8. Directors' remuneration

	2018 £	2017 £
Directors' emoluments	343,000	361,242
Company contributions to defined contribution pension	27,100	29,783
	370,100	391,025

The highest paid director received remuneration of £165,000 (2017: £150,000). The value of the Company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £15,000 (2017: £15,000).

1 of the directors at 31 March 2018 (2017: 2) were not employed by the Company and received no remuneration in respect of their roles as directors of the Company. All directors who are employed by Bristol City Council received no additional remuneration in respect of their role as a director of the Company. The Company receives recharges from Bristol City Council in respect of the Directors' remuneration, as a proportional cost of their Council salary in relation to time spend as Director. The recharges comprise costs for salary, employer's national insurance and employer's pension contributions plus admin fee.

9. Interest receivable and similar income

	2018 £	2017 £
Bank interest receivable	1,837	4,253

10. Interest payable and similar expenses

	2018 £	2017 £
Preference share interest payable	990,549	422,237
Other interest payable to group companies	138,741	52,452
	1,129,290	474,689

Other interest payable to group companies reflects interest payable on guarantees provided by the ultimate controlling party.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2018

11. Tax on loss

Corporation tax

	2018 £	2017 £
Group taxation relief	(204,552)	(530,300)
Adjustment in respect of previous periods	-	12,450
Total tax	(204,552)	(517,850)

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2017: higher than) the standard rate of corporation tax in the UK of 19% (2017: 20%). The differences are explained below:

	2018 £	2017 £
Loss before tax	(11,410,114)	(8,881,033)
Loss multiplied by standard rate of corporation tax in the UK of 19% (2017 = 20%)	(2,167,922)	(1,776,207)
Effects of:		
Expenses not deductible for tax purposes	196,311	92,411
Deferred tax not recognised	1,737,059	1,153,496
Effect of changes in tax rates	-	-
Adjustment in respect of previous periods	-	12,450
Total current tax	(204,552)	(517,850)

Factors that may affect future tax charges

In his budget of 8 July 2015, the Chancellor of the Exchequer announced a reduction in the corporation tax rate to 19% for the financial year beginning 1 April 2017 and a further reduction to 18% for the financial year beginning 1 April 2020. The Finance Act 2016 reduced the main rate of corporation tax to 17% from 1 April 2020 (replacing the 18% rate) and was enacted on 15 September 2016. As these changes were substantively enacted at the balance sheet date, deferred tax has been calculated appropriately at these rates in the financial statements.

Unrecognised deferred tax asset

The Company has an unrecognised deferred tax asset at the year-end of £2,898,574 (2017: £1,317,521) made up mostly of trade losses of £2,836,817 (2017: £1,292,256), capital allowances of £22,852 (2017: £10,459) and others of £38,905 (2017: £14,806). This asset has not been recognised as the Directors do not believe that there is sufficient certainty that the Company will make taxable profits in the foreseeable future.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2018

12. Intangible assets

	Software £
Cost	
At 1 April 2017	1,807,797
Additions	61,872
At 31 March 2018	1,869,669
Accumulated Amortisation	
At 1 April 2017	400,051
Charge for the year	414,582
At 31 March 2018	814,633
Net book value	
At 31 March 2018	1,055,036
At 31 March 2017	1,407,746

13. Tangible assets

	Leasehold Improvements £	Office Equipment £	Computer Equipment £	Total £
Cost				
At 1 April 2017	132,693	6,654	165,703	305,050
Additions	-	13,478	92,476	105,954
At 31 March 2018	132,693	20,132	258,179	411,004
Accumulated Depreciation				
At 1 April 2017	43,676	1,932	66,894	112,502
Charge for the year	40,144	3,839	69,059	113,042
At 31 March 2018	83,820	5,771	135,953	225,545
Net book value				
At 31 March 2018	48,873	14,360	122,226	185,459
At 31 March 2017	89,017	4,722	98,809	192,548

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2018

14. Stocks

	2018 £	2017 £
Renewable obligation certificates	742,775	203,853

15. Debtors: amounts falling due within one year

	2018 £	2017 £
Trade debtors	5,110,306	1,702,102
Amounts owed by group undertakings	16,593	645,773
Group relief debtor	204,552	530,300
Other debtors	2,770,545	1,317,313
Prepayments and accrued income	4,213,007	1,729,462
	12,315,003	5,924,950

16. Called up share capital

	2018 £	2017 £
Allotted, called-up and fully paid		
5,618,100 (2017: 3,868,100) Ordinary shares of £1 each	5,618,100	3,868,100
	5,618,100	3,868,100

During the year the company issued ordinary shares at par for cash in the following tranches:

	£
22 June 2017	625,000
10 October 2017	500,000
22 February 2018	625,000
	1,750,000

17. Profit and loss account

The profit and loss account represents the accumulated profits, losses, and distributions of the Company.

18. Creditors: amounts falling due within one year

	2018 £	2017 £
Trade creditors	789,928	468,768
Amounts owed to group undertakings	1,944,158	3,782,394
Taxation and social security	230,534	147,879
Other creditors	2,162,635	676,146
Accruals and deferred income	11,414,308	3,670,046
	16,541,563	8,745,233

19. Creditors: amounts falling due after more than one year

	2018 £	2017 £
Preference shares classified as a liability	16,640,000	8,330,000

During the year, the Company issued cumulative redeemable preference shares in the following tranches:

	£
1 June 2017	3,060,000
22 June 2017	1,875,000
10 October 2017	1,500,000
22 February 2018	1,875,000
	8,310,000

All shares were issued at a dividend rate of 7% redeemable at the option of the Company within 30 years with mandatory redemption in year to 31 March 2048. No premium is payable on redemption.

20. Financial instruments

	2018 £	2017 £
Financial assets		
Financial assets that are debt instruments measured at amortised cost	12,110,451	5,656,350
Financial liabilities		
Financial liabilities measured at amortised cost	(32,951,028)	(16,927,354)

Financial assets measured at amortised cost comprise trade debtors, amounts owed by group undertakings, other debtors, and accrued income.

Financial liabilities measured at amortised cost comprise trade creditors, amounts owed to group undertakings, other creditors, accruals and preference share liabilities.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2018

21. Pension commitments

The Company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The pension charge amounted to £168,830 (2017: £116,667).

22. Commitments under operating leases

At 31 March 2018, the Company had future minimum lease payments under non-cancellable operating leases as follows:

	2018 £	2017 £
Not later than 1 year	452,875	48,580
Later than 1 year and not later than 5 years	1,396,998	56,677
	1,849,873	105,257

The Company is committed to meter rental charges for meters based at customer premises owned by third parties. It is not possible to quantify the total financial commitment at 31 March 2018 as the obligation exists for as long as the customer remains with the Company. The total charge incurred in the current year was £1,303,145 (2017: £343,646).

23. Financial risk management and impairment of financial assets

The Company's activities expose it to different financial risks:

- Market risk (mainly from commodity price risk)
- Credit risk
- Liquidity risk

The Audit and Risk Committee was constituted in March 2017 and meets at least 3 times each year. The Committee seeks to minimise the potential adverse financial effects of the above risks on the Company's financial performance. The terms of reference governing the Audit and Risk Committee were approved by the Board of Directors in February 2017.

Market risk

Commodity risk is the exposure that the Company has to price movements in the wholesale electricity and gas markets. The risk is mainly that the market price for commodities will fluctuate between the time that a tariff is set and the time at which the corresponding procurement cost is fixed; this may result in lower than expected margins or unprofitable sales. The Company is also exposed to volume risk in the form of uncertain consumption profiles arising from various factors including weather, economic climate and changes in energy consumption patterns.

23. Financial risk management and impairment of financial assets (continued)

The Company manages commodity risk by entering into forward contracts for a variety of periods. Energy procurement contracts are entered into and continue to be held for the purpose of the receipt of a non-financial item which is in accordance with the Company's expected purchase and sale requirements and are therefore out of scope of FRS 102. Energy contracts that are not financial instruments under FRS 102 are accounted for as executory contracts and changes in fair value do not immediately impact profit or equity. So whilst the risk associated with energy procurement contracts outside the scope of FRS 102 is monitored for internal risk management purposes, only those energy contracts within the scope of FRS 102 are within the scope of the standard's disclosure requirements. As at 31 March 2018 the Company had forward contracts for energy delivery on future dates totalling £16,887,927 (2017: £6,460,903).

The Company does not use derivatives or other financial instruments for speculative purposes.

Credit risk

Credit risk is the risk to the Company that a counterparty to a financial instrument fails to meet its contractual obligations. This arises mainly from the Company's customer debts and from security deposits and prepayments to suppliers and distributors.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company has net liabilities and is currently reliant upon financial support from its ultimate parent undertaking, Bristol City Council, for funding of its financial obligations. The directors have received confirmation from Bristol City Council that it will continue to provide funding to allow the Company to meet its debts as they fall due for a period of at least 12 months from the date of these financial statements.

The Directors use cashflow forecasts and sensitivity forecasting analysis to manage liquidity risk. The largest risk to the Company's liquidity is the potential for the Company to have to place margin calls against forward commodity contracts. Such payments could be required if the wholesale energy markets fell below the price of the forward contract. The Directors manage the Company's cash resources to ensure it has sufficient funds to meet all expected demands as they fall due.

A further risk to liquidity would arise from unusually cold weather or other factors causing customer volumes to be much higher than anticipated. This could place pressure on the Company's working capital as larger payments due to suppliers could become due before customer tariffs and collections could be adjusted. In addition, additional collateral would be required to allow additional energy to be procured in a short timeframe, which would require both cash and guarantees to be available.

24. Related party transactions

The Company made purchases and received recharges from Bristol City Council in the year ended 31 March 2018 of £578,029 (2017: £304,231) and made sales relating to the supply of energy to Bristol City Council totalling £2,353,787 (2017: £1,305,717). As at 31 March 2018 £491,258 was due to Bristol City Council. (2017: £229,223 due from Bristol City Council).

During the year, the Company received management recharges from Bristol Holding Limited of £32,139 (2017: £59,144) and recharged Bristol Holding Limited for management services totalling £7,200 (2017: £12,085). As at 31 March 2018, £18,088,070 was due to Bristol Holding Limited (2017: £11,695,844). Including £8,310,000 in preference shares due after more than one year (See Note 19).

Bristol City Council provided guarantees on behalf of the Company to counter-parties in order to enable the Company to undertake the purchase of energy in the normal course of business. Total guarantees in place as at 31 March 2018 were £7,108,240 (2017: £3,858,240).

The Company made purchases and received recharges from Bristol Waste Limited in the year ended 31 March 2018 of £375 (2017: £nil) and made sales relating to the supply of energy to Bristol Waste Limited totalling £23,177 (2017: £nil). As at 31 March 2018 £11,762 (2017: £nil) was due from Bristol Waste Limited.

25. Ultimate parent undertaking and controlling party

The immediate parent company is Bristol Holding Limited, a company incorporated in England and Wales.

The ultimate parent undertaking is Bristol City Council. The financial statements for Bristol City Council are available from the address shown in Note 1.

The smallest and largest undertaking for which the Company is a member and for which group financial statements are prepared is Bristol City Council.