

COMPANY REGISTRATION NUMBER: 04849181

**Utilita Energy Limited**  
**Financial Statements**  
**For the year ended**  
**31 March 2019**

**utilita**   
life with power

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# Utilita Energy Limited

## Financial Statements

Year ended 31 March 2019

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# Utilita Energy Limited

## Officers and Professional Advisers

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**The board of directors**

W.N. Bullen  
M.D.E. Smith

**Company secretary**

M.D.E. Smith

**Registered office**

Hutwood Court  
Bournemouth Road  
Chandler's Ford  
Eastleigh  
SO53 3QB

**Auditor**

James Cowper Kreston  
Chartered accountants & statutory auditor  
The White Building  
4 Cumberland Place  
Southampton  
SO15 2NP

# Utilita Energy Limited

## Strategic Report

Year ended 31 March 2019

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### Principal activity

The principal activity of the company during the year was the supply of electricity and gas. We specialise in supplying gas and electricity to residential customers in GB.

### Business review

The directors are pleased to report that the turnover of the company has increased by 33% to £718m (2018 39% increase to £540m). The number of supply points that energy is supplied to has also increased by 16% (2018 22%). A further increase is predicted for the year 2019-20. The company has steadily followed its growth path with the net addition of 108k (2018 118k) customers, and 179k (2018 202k) energy supply points, during the year bringing the total customer base to 724k (2018 615k) and 1,317k (2018 1,138k) energy supply points. The company is the 10th largest energy supplier in GB and 2nd largest PPM energy supplier. Some 95% of Utilita's customers are prepayment.

On 30 November 2018 Utilita Group Limited successfully acquired all the shares owned by Secure Meters (UK) Limited. Utilita is, therefore, no longer part of the Secure Meter's group of companies and is now independent.

The growth in the energy retailing business continues to lead to extra demands being placed on the resources of the group. Independent banking facilities, office accommodation and a wholesale energy purchasing agreement have been put in place to enable this growth to be maintained.

The company has made a loss before tax in the current year of £31.9m (2018 profit £9.9m). The onerous safeguard tariff cap is the main reason for the lack of profit in the group, along with a poorly performing commercial division.

On 1 April 2017, the amount of money energy suppliers can charge a domestic prepayment meter (PPM) customer per unit of energy became subject to a safeguard tariff (or 'price cap'). This development followed an investigation into the energy market by the Competitive Markets Authority (CMA) who subsequently went onto to develop the safeguard tariff. This tariff was set so low that it meant that even the most efficient energy suppliers in the industry would not be able to produce a positive return. The prepayment safeguard tariff became the lowest of all tariffs available on the market despite its cost to serve being the highest of all payment methods. Utilita is a 95% prepayment customer business and considers itself one of the most efficient energy suppliers. The cap has also resulted in fewer customers switching away from the Six Large Energy Suppliers (Big Six) and has restricted growth. In January 2019 the CMA, announced that they were to review the level of their safeguard tariff. After the year end the CMA have announced their findings, which means that from 1 October 2019 there will be a very significant improvement to the tariff regime that Utilita operates under. The introduction on 1 January 2019 of the Direct Debit and Standard Variable Tariff price caps has impacted the business but to a lesser degree due to the fewer customers supplied under those tariffs.

The group has continued to install Secure Meters' smart prepayment meters at its customers' homes, 88% (2018 90%) of our customers now have such a meter. This is the highest penetration of smart meters of all suppliers. The small reduction in the percentage of Smart installed customers is due to a number of factors, one of which being the increase in commercial uninstalled smart meter customers. We also continue to drive efficiencies in the business operations and cash collection through the use of technology, self-service and process improvements.

# Utilita Energy Limited

## Strategic Report *(continued)*

Year ended 31 March 2019

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### Principal risks and uncertainties

#### Market risk:

The GB retail energy market remains dominated by the Big Six suppliers, although independent suppliers now make up approximately 29% of the total GB market. Utilita has based its strategy on being a niche supplier to the prepayment segment of the market. This segment is poorly served by the Big Six mainly due to a high cost to serve. From 1 April 2017, the amount of money suppliers can charge a domestic prepayment meter (PPM) customer per unit of energy became subject to a safeguard tariff (or 'price cap') set by the CMA. This price cap is reviewed by Ofgem bi-annually. However, the base assumptions on costs do not reflect the reality of the actual costs incurred. On 1 January 2019 price caps were introduced on both Direct-Debit (DD) and Standard Variable tariffs (SVT), these caps use a different methodology to the CMA safeguard tariff cap. In June 2019 the Competition and Markets Authority (CMA) announced that the safeguard tariff cap should be based on a similar methodology to the DD and SVT Ofgem designed caps, with a prepayment uplift. This change took effect from 1 October 2019. Switching rates in the prepayment sector have fallen since the introduction of the safeguard tariff cap. Utilita continues to diversify from its core prepayment business with the B2B product and offering Utilita Mobile to its domestic customers.

#### Technical risk:

As the company operates in an industry using sophisticated technology, there is a risk of technical issues related to utility meters used in the field, and from regulator intervention, which the group faces. New demands from the regulator placed on the company continue to need to be incorporated into systems and procedures. The ongoing introduction of SMETS2 meters will require further system changes. With SMETS2 prepayment functionality currently inferior to that available and in use in SMETS1 we continue to seek improvements in this respect. The business requires appropriate planning horizons and timescales to make major change in order keep costs to customers down. Government's apparent strategy of drip-feeding delays adds costs to the programme.

#### Currency risk:

The company is not exposed to foreign currencies. All transactions are incurred in the functional currency, Sterling. However, GB energy prices have a significant link to the world price of oil, which is denominated in US Dollars.

#### Industry risk:

The company is exposed to many industry related risks that are outside its control. The GB retail energy market is dominated by the Big Six suppliers and many industry practices are weighted in their favour. It is very difficult for a small independent supplier to influence practices and procedures that work to the detriment of small and new entrant suppliers. A number of energy suppliers have ceased trading over the last year or so. The mutualisation of certain costs of failed suppliers means that Utilita has to meet more than its fair share of these costs.

#### Wholesale energy market risk:

The company operates in the GB energy retail market and purchases its energy in the GB wholesale markets. The company fixes the prices to its customers until notifying a change and sources the energy from the wholesale market at the prevailing prices. Due to the volatility in the market, there remains a price risk in the energy retailing market. However, the group forward purchases wholesale energy, in accordance with a board level agreed hedging policy, to reduce the price risk.

#### Liquidity risk:

The company is in a continued growth phase, its market share and its addressable market are expanding, the company faces liquidity risk. However, cash flows are strong, and this risk is being efficiently managed. Industry regulations require us to have substantial levels of credit cover in place to cover future purchases but daily fluctuations in liabilities can still result in significant cash calls having to be paid out or cash deposits having to be placed. The wholesale energy purchasing agreement has reduced the company's exposure to liquidity risk by removing the requirement to place collateral for energy purchases.

# Utilita Energy Limited

## Strategic Report *(continued)*

Year ended 31 March 2019

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### Political risk:

Energy remains an important political issue and this exposes the business to higher regulatory risk than would be the normal for any other retail market. The CMA investigation into the retail energy sector placed further demands on the business with the price cap for prepayment customers from April 2017 and its extension to other vulnerable customers. On 1 January 2019 a wider direct-debit cap and SVT cap were introduced. The PPM price cap methodology changed again on 1 October 2019. These interventions reduce the competitiveness of the market. Policy changes regarding renewable energy have also impacted the domestic market disproportionately. It is expected that political intervention risk will continue for the foreseeable future.

### Key performance indicators

#### Turnover:

Turnover as compared to last year has increased by 33%.

#### Customer acquisition:

The number of energy supply points at 31 March 2019 as compared to last year has increased by 16%.

This report was approved by the board of directors on 20 November 2019 and signed on behalf of the board by:



M.D.E. Smith  
Company Secretary

Registered office:  
Hutwood Court  
Bournemouth Road  
Chandler's Ford  
Eastleigh  
SO53 3QB

# Utilita Energy Limited

## Directors' Report

### Year ended 31 March 2019

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The directors present their report and the financial statements of the company for the year ended 31 March 2019.

#### **Directors**

The directors who served the company during the year were as follows:

W.N. Bullen  
M.D.E. Smith

#### **Dividends**

Particulars of recommended dividends are detailed in note 10 to the financial statements.

#### **Employment of disabled persons**

Utilita Energy Limited is committed to providing equal opportunities for all employees and job applicants. We aim to create a working environment in which all individuals are able to make best use of their skills, free from discrimination or harassment, and in which all decisions are based on merit.

Striving to ensure that the work environment is free of harassment and bullying and that everyone is treated with dignity and respect is an important aspect of ensuring equal opportunities in employment.

#### **Employee involvement**

Utilita Energy Limited is committed to involving and consulting employees in all aspects of the company's business. This includes the use of "U" Magazine, company wide emails, an intranet, open access to HR staff and senior management. During the year the U-Team has been set up as a discussion forum for staff this is chaired each month by Bill Bullen, CEO.

#### **Disclosure of information in the strategic report**

Certain information required by schedule 7 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 has been included in the strategic report.

#### **Directors' responsibilities statement**

The directors are responsible for preparing the strategic report, 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 elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and 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 judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

# Utilita Energy Limited

## Directors' Report *(continued)*

### Year ended 31 March 2019

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

#### **Auditor**

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as they are aware, there is no relevant audit information of which the company's auditor is unaware; and
- they have taken all 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 auditor is aware of that information.

This report was approved by the board of directors on 20 November 2019 and signed on behalf of the board by:



M.D.E. Smith  
Company Secretary

Registered office:  
Hutwood Court  
Bournemouth Road  
Chandler's Ford  
Eastleigh  
SO53 3QB



# Utilita Energy Limited

## Independent Auditor's Report to the Member of Utilita Energy Limited

Year ended 31 March 2019

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### Opinion

We have audited the financial statements of Utilita Energy Limited (the 'company') for the year ended 31 March 2019 which comprise the income statement, statement of financial position, statement of changes in equity and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2019 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Companies Act 2006.

### Basis for opinion

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

### Conclusions relating to going concern

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

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

### Other information

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

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

We have nothing to report in this regard.

# Utilita Energy Limited

## Independent Auditor's Report to the Member of Utilita Energy Limited *(continued)*

Year ended 31 March 2019

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

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

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

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

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

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

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

### Responsibilities of directors

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

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

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

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

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

# Utilita Energy Limited

## Independent Auditor's Report to the Member of Utilita Energy Limited *(continued)*

Year ended 31 March 2019

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### Use of our report

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



Louise Hallsworth BA FCA (Senior Statutory Auditor)

For and on behalf of  
James Cowper Kreston  
Chartered accountants & statutory auditor  
The White Building  
4 Cumberland Place  
Southampton  
SO15 2NP

27/11/2019

# Utilita Energy Limited

## Income Statement

Year ended 31 March 2019

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	Note	2019 £000	2018 £000
Turnover	4	717,775	540,368
Cost of sales		<u>668,795</u>	<u>476,739</u>
<b>Gross profit</b>		48,980	63,629
Administrative expenses		82,995	56,176
Other operating income	5	<u>1,233</u>	<u>485</u>
<b>Operating (loss)/profit</b>	6	(32,782)	7,938
Other interest receivable and similar income	8	<u>915</u>	<u>1,935</u>
<b>(Loss)/profit before taxation</b>		(31,867)	9,873
Tax on (loss)/profit	9	<u>(4,043)</u>	<u>1,883</u>
<b>(Loss)/profit for the financial year</b>		<u>(27,824)</u>	<u>7,990</u>

All the activities of the company are from continuing operations.

The company has no other recognised items of income and expenses other than the results for the year as set out above.

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The notes on pages 13 to 22 form part of these financial statements.

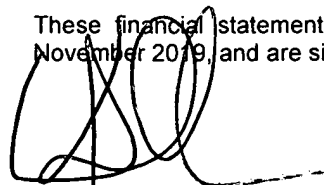
# Utilita Energy Limited

## Statement of Financial Position

31 March 2019

	Note	2019		2018	
		£000	£000	£000	£000
<b>Fixed assets</b>					
Intangible assets	11		50,457		41,781
Tangible assets	12		<u>5,263</u>		<u>5,835</u>
			55,720		47,616
<b>Current assets</b>					
Debtors: due within one year	13	89,585		65,252	
Debtors: due after more than one year	13	7,517		5,088	
Investments	14	41,654		31,522	
Cash at bank and in hand		<u>2,408</u>		<u>6,125</u>	
		141,164		107,987	
<b>Creditors: amounts falling due within one year</b>	15	<u>192,183</u>		<u>123,078</u>	
<b>Net current liabilities</b>			51,019		15,091
<b>Total assets less current liabilities</b>			<u>4,701</u>		<u>32,525</u>
<b>Net assets</b>			<u>4,701</u>		<u>32,525</u>
<b>Capital and reserves</b>					
Called up share capital	18		4,000		4,000
Profit and loss account	19		<u>701</u>		<u>28,525</u>
<b>Shareholder funds</b>			<u>4,701</u>		<u>32,525</u>

These financial statements were approved by the board of directors and authorised for issue on 20 November 2019, and are signed on behalf of the board by:



W.N. Bullen  
Director

Company registration number: 04849181

The notes on pages 13 to 22 form part of these financial statements.

# Utilita Energy Limited

## Statement of Changes in Equity

Year ended 31 March 2019

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	Called up share capital £000	Profit and loss account £000	Total £000
<b>At 1 April 2017</b>	4,000	30,535	34,535
Profit for the year	—	7,990	7,990
<b>Total comprehensive income for the year</b>	—	7,990	7,990
Dividends paid and payable	<b>10</b>	(10,000)	(10,000)
<b>Total investments by and distributions to owners</b>	—	(10,000)	(10,000)
<b>At 31 March 2018</b>	4,000	28,525	32,525
Loss for the year	—	(27,824)	(27,824)
<b>Total comprehensive income for the year</b>	—	(27,824)	(27,824)
<b>At 31 March 2019</b>	<u>4,000</u>	<u>701</u>	<u>4,701</u>

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The notes on pages 13 to 22 form part of these financial statements.

# Utilita Energy Limited

## Notes to the Financial Statements

Year ended 31 March 2019

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### 1. General information

The company is a private company limited by shares, registered in England and Wales. The address of the registered office is Hutwood Court, Bournemouth Road, Chandler's Ford, Eastleigh, SO53 3QB.

### 2. Statement of compliance

These financial statements have been prepared in compliance with FRS 102, 'The Financial Reporting Standard applicable in the UK and the Republic of Ireland'.

### 3. Accounting policies

#### Basis of preparation

The financial statements have been prepared on the historical cost basis.

The financial statements are prepared in sterling, which is the functional currency of the entity.

#### Disclosure exemptions

The entity satisfies the criteria of being a qualifying entity as defined in FRS 102. Its financial statements are consolidated into the financial statements of Utilita Group Limited which can be obtained from the registered office. As such, advantage has been taken of the following disclosure exemptions available under paragraph 1.12 of FRS 102:

- (a) No cash flow statement has been presented for the company;
- (b) Disclosures in respect of financial instruments have not been presented; and
- (c) No disclosure has been given for the aggregate remuneration of key management personnel.

#### Consolidation

The entity has taken advantage of the exemption from preparing consolidated financial statements contained in Section 400 of the Companies Act 2006 on the basis that it is a subsidiary undertaking and its immediate parent undertaking is established under the law of an EEA State.

#### Judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported. These estimates and judgements are continually reviewed and are based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

#### Significant judgements

The judgements (apart from those involving estimations) that management has made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognised in the financial statements are as follows:

- Revenue recognition - An estimate is made of the value of energy supplied to customers based on company specific industry settlement data and estimates of customer usage since last meter read data. The industry settlement data is the estimated quantity the industry system operator deems the individual suppliers, including the company, to have supplied;

# Utilita Energy Limited

## Notes to the Financial Statements *(continued)*

### Year ended 31 March 2019

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#### 3. Accounting policies *(continued)*

##### Judgements and key sources of estimation uncertainty *(continued)*

- Forward purchases of energy - The company has entered into contracts for the purchase of energy for periods up to 24 months in the future. The directors have determined that the classification of such contracts represents commodity purchases for use within the business accounted for at cost at date of delivery and not as derivative instruments accounted for at fair value;
- Deferred tax assets - these 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. The directors have assessed the future trading performance of the company and believe it is probable that the company will generate profits and therefore a deferred tax asset has been recognised; and
- Operating lease commitments - The company has entered into meter rental transactions and obtains use of plant and equipment as lessee. The classification of such leases as operating or finance lease requires the company to determine, based on an evaluation of the terms and conditions of the arrangements, whether it retains or acquires the significant risks and rewards of ownership of these assets and accordingly whether the lease requires an asset and liability to be recognised in the statement of financial position.

##### Key sources of estimation uncertainty

Accounting estimates and assumptions are made concerning the future and, by their nature, will rarely equal the related actual outcome. The key assumptions and other sources of estimation uncertainty that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

- Taxation - The company establishes provisions based on reasonable estimates. The amount of such provisions is based on various factors, such as experience and the interpretation of tax regulations. Management estimation is required to determine the amount of deferred tax assets that can be recognised, based upon likely timing and level of future taxable profits together with an assessment of the effect of future tax planning strategies;
- Revenue recognition – Estimates of customer usage are obtained from historic usage patterns and projections, and industry settlement data;
- Depreciation and amortisation - The company has determined the estimated useful lives of its tangible and intangible assets. The life of an individual asset is based on various, technological, practical and legislative information, including the economic life of the customer; and
- Impairment of trade receivables and balances with customers - Impairments against trade receivables and balances with customers are recognised where the loss is probable. The directors have based their assessment of the level of impairment on collection rates experienced to date. The estimates and assumptions used to determine the level of provision will continue to be reviewed periodically and could lead to changes in the impairment provision methodology which would impact the income statement in future years.

##### Revenue recognition

Turnover is measured at the fair value of the consideration received or receivable for sales of energy and the value of services and facilities provided during the year, net of discounts and value added tax.

Revenue includes an estimate of the value of energy supplied to customers based on company specific industry settlement data and estimates of customer usage since last meter read data. The industry settlement data is the estimated quantity the industry system operator deems the individual suppliers, including the company, to have supplied.



# Utilita Energy Limited

## Notes to the Financial Statements *(continued)*

Year ended 31 March 2019

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### 3. Accounting policies *(continued)*

#### **Balances with customers**

Amounts recoverable from and/or repayable to customers and/or other supply companies are calculated on the basis of best expectation of amounts due to be received or repaid. This expectation is based on historic patterns of behaviour for such amounts.

Receivables are made up of amounts in transit from customers plus an estimate of the balances expected to be recoverable from advances made to customers, the recoverable amount of unpaid invoices rendered and other similar amounts.

Liabilities are based on balances owed to customers for amounts received in advance of consumption, amounts due to be repaid to other supply companies or customers for amounts received in error and other refunds due to customers.

#### **Income tax**

The taxation expense represents the aggregate amount of current and deferred tax recognised in the reporting period. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, tax is recognised in other comprehensive income or directly in equity, respectively.

Current tax is recognised on taxable profit for the current and past periods. Current tax is measured at the amounts of tax expected to pay or recover using the tax rates and laws that have been enacted or substantively enacted at the reporting date.

Deferred tax is recognised in respect of all timing differences at the reporting date. Unrelieved tax losses and other deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the reporting date that are expected to apply to the reversal of the timing difference.

#### **Operating leases**

Lease payments are recognised as an expense over the lease term on a straight-line basis. The aggregate benefit of lease incentives is recognised as a reduction to expense over the lease term, on a straight-line basis.

Lease income is recognised in profit or loss on a straight line basis over the lease term. The aggregate cost of lease incentives are recognised as a reduction to income over the lease term on a straight-line basis. Costs, including depreciation, incurred in earning the lease income are recognised as an expense. Any initial direct costs incurred in negotiating and arranging the operating lease are added to the carrying amount of the lease and recognised as an expense over the lease term on the same basis as the lease income.

#### **Amortisation**

Amortisation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful life of that asset as follows:

Acquisition costs	-	5 years
Installation costs	-	5 years
Development costs	-	5 years

If there is an indication that there has been a significant change in amortisation rate, useful life or residual value of an intangible asset, the amortisation is revised prospectively to reflect the new estimates. Where a supply to a customer is lost the net book value of Acquisition and Installation costs at date of loss is treated as a loss on disposal.

# Utilita Energy Limited

## Notes to the Financial Statements *(continued)*

### Year ended 31 March 2019

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#### 3. Accounting policies *(continued)*

##### **Tangible assets**

Tangible assets are initially recorded at cost, and subsequently stated at cost less any accumulated depreciation and impairment losses. Any tangible assets carried at revalued amounts are recorded at the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

##### **Depreciation**

Depreciation is calculated so as to write off the cost or valuation of an asset, less its residual value, over the useful economic life of that asset as follows:

Land and buildings - Leasehold property	-	life of the lease
Plant and machinery	-	5 - 10 years
Equipment	-	2 - 10 years

##### **Impairment of fixed assets**

A review for indicators of impairment is carried out at each reporting date, with the recoverable amount being estimated where such indicators exist. Where the carrying value exceeds the recoverable amount, the asset is impaired accordingly. Prior impairments are also reviewed for possible reversal at each reporting date.

##### **Defined contribution plans**

Contributions to defined contribution plans are recognised as an expense in the period in which the related service is provided.

##### **Investments**

Fixed asset investments are initially recorded at cost, and subsequently stated at cost less any accumulated impairment losses.

Current asset investments are measured at fair value with changes in fair value being recognised in profit or loss.

##### **Forward energy purchases**

Forward purchases of energy are classified as commodity purchases for use within the company's business and as such are accounted for at cost on date of delivery.

#### 4. Turnover

Turnover arises from:

	2019 £000	2018 £000
Supply of energy	717,563	539,667
Other charges	212	701
	<u>717,775</u>	<u>540,368</u>

The whole of the turnover is attributable to the principal activity of the company wholly undertaken in the United Kingdom.

# Utilita Energy Limited

## Notes to the Financial Statements *(continued)*

Year ended 31 March 2019

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### 5. Other operating income

	2019 £000	2018 £000
Other operating income	<u>1,233</u>	<u>485</u>

### 6. Operating profit

Operating profit or loss is stated after charging:

	2019 £000	2018 £000
Amortisation of intangible assets	13,204	8,651
Depreciation of tangible assets	1,897	1,683
Loss on disposal of tangible assets	2	75
Loss on disposal of intangible assets	14,423	9,884
Impairment of trade debtors	<u>31,543</u>	<u>8,919</u>

### 7. Staff costs

The average number of persons employed by the company during the year, including the directors, amounted to:

	2019 No.	2018 No.
Administrative staff	<u>782</u>	<u>747</u>

The aggregate payroll costs incurred during the year, relating to the above, were:

	2019 £000	2018 £000
Wages and salaries	17,706	16,269
Social security costs	1,518	1,368
Other pension costs	298	111
	<u>19,522</u>	<u>17,748</u>

### 8. Other interest receivable and similar income

	2019 £000	2018 £000
Interest on cash and cash equivalents	35	18
Interest from group undertakings	724	1,001
Gain on financial instruments	156	916
	<u>915</u>	<u>1,935</u>

# Utilita Energy Limited

## Notes to the Financial Statements *(continued)*

Year ended 31 March 2019

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### 9. Tax on (loss)/profit

#### Major components of tax (income)/expense

	2019 £000	2018 £000
<b>Current tax:</b>		
UK current tax (income)/expense	(2,137)	1,900
Adjustments in respect of prior periods	1	(12)
Total current tax	<u>(2,136)</u>	<u>1,888</u>
<b>Deferred tax:</b>		
Origination and reversal of timing differences	(1,907)	(5)
<b>Tax on (loss)/profit</b>	<u>(4,043)</u>	<u>1,883</u>

#### Reconciliation of tax (income)/expense

The tax assessed on the (loss)/profit on ordinary activities for the year is higher than (2018: higher than) the standard rate of corporation tax in the UK of 19% (2018: 19%).

	2019 £000	2018 £000
(Loss)/profit on ordinary activities before taxation	(31,867)	9,873
(Loss)/profit on ordinary activities by rate of tax	(6,009)	1,876
Adjustment to tax charge in respect of prior periods	1	(12)
Effect of expenses not deductible for tax purposes	57	1
Effect of capital allowances and depreciation	–	18
Effect of different UK tax rates on some earnings	190	–
Unused tax losses	1,611	–
Group relief	107	–
Tax on (loss)/profit	<u>(4,043)</u>	<u>1,883</u>

### 10. Dividends

	2019 £000	2018 £000
Dividends paid during the year (excluding those for which a liability existed at the end of the prior year)	<u>–</u>	<u>10,000</u>

# Utilita Energy Limited

## Notes to the Financial Statements *(continued)*

Year ended 31 March 2019

### 11. Intangible assets

	Acquisition costs £000	Installation costs £000	Development costs £000	Total £000
<b>Cost</b>				
At 1 April 2018	47,666	7,403	142	55,211
Additions	31,024	–	–	31,024
Additions from internal developments	–	5,281	–	5,281
Disposals	(15,952)	(2,123)	–	(18,075)
<b>At 31 March 2019</b>	<u>62,738</u>	<u>10,561</u>	<u>142</u>	<u>73,441</u>
<b>Amortisation</b>				
At 1 April 2018	12,727	703	–	13,430
Charge for the year	11,218	1,958	28	13,204
Disposals	(3,388)	(262)	–	(3,650)
<b>At 31 March 2019</b>	<u>20,557</u>	<u>2,399</u>	<u>28</u>	<u>22,984</u>
<b>Carrying amount</b>				
<b>At 31 March 2019</b>	<u>42,181</u>	<u>8,162</u>	<u>114</u>	<u>50,457</u>
At 31 March 2018	<u>34,939</u>	<u>6,700</u>	<u>142</u>	<u>41,781</u>

### 12. Tangible assets

	Short leasehold property £000	Equipment £000	Total £000
<b>Cost</b>			
At 1 April 2018	721	8,129	8,850
Additions	141	1,215	1,356
Disposals	–	(42)	(42)
<b>At 31 March 2019</b>	<u>862</u>	<u>9,302</u>	<u>10,164</u>
<b>Depreciation</b>			
At 1 April 2018	161	2,854	3,015
Charge for the year	101	1,796	1,897
Disposals	–	(11)	(11)
<b>At 31 March 2019</b>	<u>262</u>	<u>4,639</u>	<u>4,901</u>
<b>Carrying amount</b>			
<b>At 31 March 2019</b>	<u>600</u>	<u>4,663</u>	<u>5,263</u>
At 31 March 2018	<u>560</u>	<u>5,275</u>	<u>5,835</u>

# Utilita Energy Limited

## Notes to the Financial Statements *(continued)*

Year ended 31 March 2019

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### 13. Debtors

Debtors falling due within one year are as follows:

	2019 £000	2018 £000
Trade debtors	58,455	23,626
Amounts owed by group undertakings	11,085	26,093
Prepayments and accrued income	14,325	11,661
Corporation tax repayable	1,880	–
Other debtors	3,840	3,872
	<u>89,585</u>	<u>65,252</u>

Debtors falling due after one year are as follows:

	2019 £000	2018 £000
Deferred tax asset	2,168	261
Prepayments and accrued income	5,349	4,827
	<u>7,517</u>	<u>5,088</u>

The company has placed cash collateral of £3,670k (2018 £3,738k) in respect of the purchase of energy and other services.

### 14. Investments

	2019 £000	2018 £000
Other investments	41,654	31,522

Other investments represent renewables obligation certificates.

### 15. Creditors: amounts falling due within one year

	2019 £000	2018 £000
Trade creditors	35,980	24,798
Amounts owed to group undertakings	–	1,870
Accruals and deferred income	155,457	94,619
Corporation tax	–	1,408
Social security and other taxes	391	361
Other creditors	355	22
	<u>192,183</u>	<u>123,078</u>

# Utilita Energy Limited

## Notes to the Financial Statements *(continued)*

### Year ended 31 March 2019

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#### 16. Deferred tax

The deferred tax included in the statement of financial position is as follows:

	2019 £000	2018 £000
Included in debtors (note 13)	2,168	261

The deferred tax account consists of the tax effect of timing differences in respect of:

	2019 £000	2018 £000
Accelerated capital allowances	264	261
Unused tax losses	1,900	-
Pension plan obligations	4	-
	<u>2,168</u>	<u>261</u>

#### 17. Employee benefits

##### Defined contribution plans

The amount recognised in profit or loss as an expense in relation to defined contribution plans was £298,077 (2018: £110,945).

The liability for pension contributions was £50,729 (2018 £22,019).

#### 18. Called up share capital

##### Issued, called up and fully paid

	2019		2018	
	No.	£000	No.	£000
Ordinary shares of £1 each	4,000,000	4,000	4,000,000	4,000

#### 19. Reserves

Profit and loss account - This reserve records retained earnings and accumulated losses.

#### 20. Operating leases

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

	2019 £000	2018 £000
Not later than 1 year	1,813	2,307
Later than 1 year and not later than 5 years	7,056	8,568
Later than 5 years	6,083	9,015
	<u>14,952</u>	<u>19,890</u>

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# Utilita Energy Limited

## Notes to the Financial Statements *(continued)*

### Year ended 31 March 2019

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#### 20. Operating leases *(continued)*

The company has a commitment to pay utility meter owners rentals for utility meters used by our customers. These arrangements are on a pence per day basis and are only payable while Utilita Energy Limited supplies energy to that customer. The amount paid in respect of this commitment was £40,519k (2018 £30,122k), a proportion of these rentals was paid to Utilita Field Services Limited, a fellow subsidiary.

#### 21. Contingencies

The company's hedging strategy aims to provide the company with protection against sudden and significant increases in energy prices while ensuring that the company is not competitively disadvantaged in a serious way in the event of a substantial fall in the price of energy. The strategy operates within limits set by the Board. The company's policy is not to trade in derivatives but to use these instruments to hedge anticipated expenses.

At 31 March 2019 the company has entered into a portfolio of forward contracts for the purchase of power. These contracts are capable of being bought and sold in an arm's length transaction. At 31 March 2019 the price to which the company is committed is above the market price for such contracts by £30m (2018 below by £11.24m). Most of these contracts are for a period of up to one year.

Utilita Energy Limited has guaranteed the banking facilities of Utilita Group Limited and its subsidiaries. At 31 March 2019 the balance outstanding under these guarantees was £nil (2018 £nil).

Utilita Energy Limited has entered into a Wholesale Energy Purchasing Agreement for the purchase of gas and power, the outstanding liability for the purchase of energy by the group to BP Gas Marketing Limited at 31 March 2019 was £nil (2018 £nil).

#### 22. Related party transactions

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

	Transaction value		Balance owed by/(owed to)	
	2019	2018	2019	2018
	£000	£000	£000	£000
Goods and services - Secure Group	<u>5,677</u>	<u>7,993</u>	<u>-</u>	<u>(1,870)</u>

The company has taken advantage of the exemption from disclosing transactions with other wholly owned entities within the group.

#### 23. Controlling party

Throughout both years the company has been controlled by Utilita Group Limited, the immediate parent company. Until 30 November 2018 the ultimate controlling party was Secure Meters Limited through their indirect shareholding in Utilita Group Limited, since 1 December 2018 the ultimate controlling party was W.N. Bullen, the majority shareholder of Utilita Group Limited.

The ultimate parent company of Utilita Energy Limited at the balance sheet date was Utilita Group Limited. All companies in the Utilita group have the same registered office.

The parent of the smallest and largest group for which group accounts including Utilita Energy Limited are drawn up is Utilita Group Limited. Copies of these accounts may be obtained from the registered office.