Avid Energy Limited

Directors' Report and Financial Statements

Financial Year Ended 31 December 2018

CONTENTS

DIRECTORS AND OTHER INFORMATION

Board of Directors

Ulric Kenny
Andrew Collins
Cathal Fay
David Grindle

Solicitors

Gowling WLG
Two Snowhill
Birmingham
B4 GWR
United Kingdom

Secretary and Registered Office

Eversheds House
70 Great Bridgewater Street
Manchester
M1 5ES
England

Bankers

Allied Irish Banks plc
92 Ann Street
Belfast
BT1 3HH
United Kingdom

Registered Number: 10026662

Independent Auditors

PricewaterhouseCoopers
Chartered Accountants and Statutory Auditors
Cornmarket
Wexford
Republic of Ireland

DIRECTORS' REPORT

The directors present their report and the audited financial statements of the company, for the year ended 31 December 2018.

Statement of directors' responsibilities
The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

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

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

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

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

Principal activities
The company is wholly owned by Prepaypower Holdings Limited, a company registered in the Republic of Ireland, whose registered office is at Paramount Court, Corrig Road, Sandyford, Dublin 18. The company's principal activity is the provision of electricity and gas to consumers on a pre-pay basis in the UK.

Business review
The company commenced trading in August 2017. Since the year end, the directors have decided to wind down the company and cease trading in FY19. Turnover for the year ended 31 December 2018 was £4,376,695 (ten months ended 31 December 2017: £50,413) with a loss for the year of £7,009,344 (ten months ended 31 December 2017: £871,863).

Directors
The names of the persons who were directors at any time during the year ended 31 December 2018 are set out below. Unless indicated otherwise they served as directors for the entire year.

Ulric Kenny
Andrew Collins
Cathal Fay
David Grindle

There has been no contracts or arrangements entered into during the financial period in which the directors were materially interested and which were significant in relation to the company's business.

DIRECTORS' REPORT - continued

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

Political and charitable contributions
The company made no political contributions or donations to UK Charites during the current period or prior year.

Results and dividends
The profit and loss account is set out on page 8. The loss for the year ended 31 December 2018 was £7,009,344 (ten months ended 31 December 2017: £871,863). The directors do not recommend the payment of a dividend for the year ended 31 December 2018 (ten months ended 31 December 2017: £Nil).

Future developments
The company does not expect any change in the nature or trade of business in the next year.

Research and development
The company did not engage in any research and development during the period.

Events since the year end
Since the year end, the directors have taken the decision to wind down the operations of Avid Energy Limited and to cease trading in FY19. The accounts for 31 December 2018 have therefore been prepared on a break-up basis. Refer to note 3(a) for further information.

Policy and practice on payment of creditors
Trade creditors at the year end represented 60 days of purchases. It is the company's policy in respect of all suppliers to agree payment terms in advance of the supply of goods and to adhere to those payment terms.

Independent Auditors
The statutory auditors, PricewaterhouseCoopers, have indicated their willingness to continue in office and a resolution concerning their re-appointment, will be proposed at the Annual General Meeting.

By order of the board

Date: 26/6/19

CATHAL FAY

pwc

Independent auditors' report to the members of Avid Energy Limited

Report on the audit of the financial statements

Opinion

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

- give a true and fair view of the state of the company's affairs as at 31 December 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 Directors' Report and Financial Statements (the "Annual Report"), which comprise: the balance sheet as at 31 December 2018; the profit and loss account, the statement of comprehensive income, 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.

Emphasis of matter - financial statements prepared on a basis other than going concern

In forming our opinion on the financial statements, which is not modified, we draw attention to note 3(b) to the financial statements which describes the directors' reasons why the financial statements have been prepared on a basis other than 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.

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 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.

Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Directors' Report for the year ended 31 December 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 Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities set out on page 3, 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.

pwc

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.

Billy Sweetman (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers
Chartered Accountants and Statutory Auditors
Cornmarket
Wexford
26 June 2019

PROFIT AND LOSS ACCOUNT
For the Financial Year Ended 31 December 2018

	Note	Year ended 31 December 2018 £	Ten months ended 31 December 2017 £
Turnover	5	4,376,695	50,413
Cost of sales		(5,169,277)	(72,066)
Gross loss		(792,582)	(21,653)
Operating expenses		(6,218,147)	(850,824)
Operating loss	7	(7,010,729)	(872,477)
Interest receivable and similar income	8	1,385	614
Loss before taxation		(7,009,344)	(871,863)
Tax on loss	9	-	-
Loss for the financial year/period		(7,009,344)	(871,863)

STATEMENT OF COMPREHENSIVE INCOME
For the Financial Year Ended 31 December 2018

	Year ended 31 December 2018 £	Ten months ended 31 December 2017 £
Loss for the financial year/period	(7,009,344)	(871,863)
Cash flow hedges - change in value of hedging instrument	(147,423)	-
Tax impact on other comprehensive expense	18,428	-
Other comprehensive expense for the year, net of gain	(128,995)	-
Total comprehensive loss for the year/period	(7,318,339)	(871,863)

BALANCE SHEET
As at 31 December 2018

	Note	31 December 2018 £	31 December 2017 £
Intangible assets	10	-	120,000
Current assets			
Debtors	11	1,821,389	284,372
Cash at bank and in hand		1,514,578	1,501,126
		3,335,967	1,785,498
Creditors - amounts falling due within one year	12	(11,346,069)	(2,777,261)
Net current (liabilities)		(8,010,102)	(991,763)
Total assets less current liabilities		(8,010,102)	(871,763)
Net (liabilities)		(8,010,102)	(871,763)
Capital and reserves			
Called up share capital	14	100	100
Cash flow hedging reserve		(128,995)	-
Profit and loss account		(7,881,207)	(871,863)
Total equity		(8,010,102)	(871,763)

The financial statements on pages 8 to 23 were authorised for issue by the Board of Directors on 26/6/19 and were signed on its behalf.

Director

CATHAL FAY
Avid Energy Limited
Registered Number: 10026662

Date: 26/6/19

STATEMENT OF CHANGES IN EQUITY
For the Financial Year Ended 31 December 2018

	Note	Called up share capital £	Cash flow hedging reserve £	Profit and loss account £	Total £
Balance at 1 March 2017		100	-	-	100
Loss for the financial period		-	-	(871,863)	(871,863)
Total comprehensive income for the financial period		-	-	(871,863)	(871,763)
Balance at 31 December 2017	14	100	-	(871,863)	(871,763)
Balance at 1 January 2018		100	-	(871,863)	(871,763)
Loss for the financial period		-	-	(7,009,344)	(7,009,344)
Other comprehensive income for the financial year		-	(128,995)	-	(128,995)
Total comprehensive income for the financial period		-	(128,995)	(7,009,344)	(7,138,339)
Balance at 31 December 2018	14	100	(128,995)	(7,881,207)	(8,010,102)

NOTES TO THE FINANCIAL STATEMENTS

1 General information

Avid Energy Limited acts as a provider of electricity and gas in the United Kingdom.

Avid Energy Limited is incorporated as a company limited by shares in England. The company registration number is 10026662. The address of its registered office is Eversheds House, 70 Great Bridgewater Street, Manchester, M1 5ES, England.

Prepaypower Holdings Limited owns 100% of the equity share capital of Avid Energy Limited.

Avid Energy Limited's ultimate parent and ultimate controlling party is Prepaypower Holdings Limited. Prepaypower Holdings Limited prepares group financial statements and is both the smallest and largest group for which group financial statements are drawn up and of which Avid Energy Limited is a member. Copies of the Prepaypower Holdings Limited group financial statements are available from the Company Secretary at Paramount Court, Corrig Road, Sandyford, Dublin 18.

2 Statement of compliance

The individual financial statements of Avid Energy Limited have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102") and the Companies Act 2006.

3 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

These financial statements are prepared on a break-up basis, under the historical cost convention.

Subsequent to 31 December 2018, the decision was taken to wind down the operations of Avid Energy Limited and to cease trading in FY19. For these financial statements carrying values of assets have been reduced to their realisable value and provision made for costs under onerous contracts.

The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 4.

(b) Going concern

The financial statements have not been prepared on a going concern basis. As a result of applying the break-up basis of accounting, assets and liabilities have been restated to their net realisable values and where appropriate classified as current. Provision has been made for all costs under onerous contracts from the decision to cease trading.

NOTES TO THE FINANCIAL STATEMENTS - continued

3 Summary of significant accounting policies - continued

(c) Disclosure exemptions for qualifying entities under FRS 102

FRS 102 allows a qualifying entity certain disclosure exemptions. The company is a qualifying entity and has taken advantage of the following exemptions:

(i) Exemption from the requirements of Section 7 of FRS 102 and FRS 102 paragraph 3.17(d) to present a statement of cash flow.
(ii) Exemption from the requirement of FRS 102 paragraph 33.7 to disclose key management personal compensation in total.
(iii) Exemption from the requirements of FRS 102 paragraph 33.9 to disclose related party transactions within the Prepaypower Holdings Limited group.

(d) Consolidated financial statements

The company is a wholly owned subsidiary of its ultimate parent, Prepaypower Holdings Limited. It is included in the consolidated financial statements of Prepaypower Holdings Limited which are publicly available.

These financial statements are the company's separate financial statements.

(e) Foreign currency

(i) Functional and presentation currency

The company's functional and presentation currency is the pound sterling, denominated by the symbol £.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss account.

(f) Turnover recognition

Turnover represents the sales value derived from the distribution and sale of electricity and gas and excludes value added tax. Turnover is recognised on the basis of units distributed during the year. Turnover includes an assessment of the volume of electricity and gas distributed, estimated using historical consumption patterns.

Amounts received from customers and credited to meters but not yet utilised through consumption of electricity and gas are recorded as deferred income.

(g) Taxation

Taxation expense for the period comprises current and deferred tax recognised in the reporting period. Tax is recognised in the profit and loss account, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case tax is also recognised in other comprehensive income or directly in equity respectively.

Current or deferred taxation assets and liabilities are not discounted.

NOTES TO THE FINANCIAL STATEMENTS - continued

3 Summary of significant accounting policies - continued

(g) Taxation - continued

(i) *Current tax*
Current tax is the amount of income tax payable in respect of the taxable profit for the year or prior years. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the period end.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(ii) *Deferred tax*
Deferred tax arises from timing differences that are differences between taxable profits and total comprehensive income as stated in the financial statements. These timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements.

Deferred tax is recognised in all timing differences at the reporting date except for certain exceptions. Unrelieved tax losses and other deferred tax assets are only recognised when 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 tax rates and laws that have been enacted or substantively enacted by the period end and that are expected to apply to the reversal of the timing difference.

(h) **Intangible assets**
Utility licences are carried at cost less accumulated amortisation and accumulated impairment losses. Licences are amortised over the estimated useful life of thirty five years, on a straight line basis. Licences are not considered to have a residual value.

Where factors, such as technological advancement or changes in market price, indicate that the licence's useful life has changed, the useful life is amended prospectively to reflect the new circumstances.

Intangible assets are reviewed for impairment if there is an indication that the intangible fixed asset may be impaired.

Costs associated with maintaining the asset are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable internally generated intangible assets are recognised when the following criteria are met:

- It is technically feasible to complete the asset so that it will be available for use;
- management intends to complete the asset and use or sell it;
- there is an ability to use or sell the asset;
- it can be demonstrated how the asset will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the asset are available; and
- the expenditure attributable to the asset during its development can be reliably measured.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

3 Summary of significant accounting policies - continued

(i) Leased assets

(i) Operating leases
Operating leases do not transfer substantially all the risk and rewards of ownership to the lessor. Payments under operating leases are recognised in profit and loss account on a straight-line basis over the term of the lease.

(ii) Lease incentives
Incentives received to enter into an operating lease are recognised as a reduction of the operating lease expense on a straight-line basis over the term of the lease.

(j) Cash and cash equivalents
Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. Bank overdrafts, when applicable, are shown within borrowings in current liabilities.

(k) Provisions and contingencies

(i) Provisions
Provisions are recognised when the company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount of the obligation can be estimated reliably.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

(ii) Contingencies
Contingent liabilities are not recognised. Contingent liabilities arise as a result of past events when:

(i) it is not probable that there will be an outflow of resources or that the amount cannot be reliably measured at the reporting date, or
(ii) when the existence will be confirmed by the occurrence or non-occurrence of uncertain future events not wholly within the company's control. Contingent liabilities are disclosed in the financial statements unless the probability of an outflow of resources is remote.

Contingent assets are not recognised. Contingent assets are disclosed in the financial statements when an inflow of economic benefits is probable.

(l) Financial instruments
The company has chosen to adopt the Section 11 and 12 of FRS 102 in respect of financial instruments.

(i) Financial assets
Basic financial assets, including trade and other receivables and cash and bank balances, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

Such assets are subsequently carried at amortised cost using the effective interest method.

NOTES TO THE FINANCIAL STATEMENTS - continued

3 Summary of significant accounting policies - continued

(l) Financial instruments - continued

(i) Financial assets - continued

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the assets original effective interest rate. The impairment loss is recognised in the profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment not previously been recognised. The impairment reversal is recognised in the profit or loss.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (c) control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

(ii) Financial liabilities

Basic financial liabilities, including trade and other payables, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Preference shares, which result in fixed returns to the holder or are mandatorily redeemable on a specific date, are classified as liabilities. The dividends on these preference shares are recognised in the profit and loss account as 'interest expense'.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

(iii) Offsetting

Financial assets and liabilities area offset and the net amounts presented in the financial statements when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

NOTES TO THE FINANCIAL STATEMENTS - continued

3 Summary of significant accounting policies – continued

(l) Financial instruments - continued

(iv) Derivatives and hedge accounting
Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or finance income as appropriate, unless they are included in a hedging arrangement.

(v) Derivatives and hedging arrangements
The company is exposed to commodity price risk on future electricity purchases and as a result has entered into electricity and gas swaps to manage this exposure. The company have elected to designate some of these derivatives as cash flow hedges.

Changes in the fair values of derivatives designated as cash flow hedges, and which are effective, are recognised directly in equity. Any ineffectiveness in the hedging relationship (being the excess of the cumulative change in fair value of the hedging instrument since inception of the hedge over the cumulative change in the fair value of the hedged item since inception of the hedge) is recognised in the income statement.

The gain or loss recognised in other comprehensive income is reclassified to the income statement when the hedge relationship ends. Hedge accounting is discontinued when the hedging instrument expires or is terminated, no longer meets the hedging criteria, or the forecast transaction is no longer highly probable.

The fair value movements on derivatives that are not in hedging relationships are taken to the profit and loss and when they occur.

(m) Share capital presented as equity
Equity shares issued are recognised at the proceeds received and presented as share capital. Incremental costs directly attributable to the issue of new equity shares or options are shown in equity as a deduction net of tax, from the proceeds.

(n) Distributions to equity holders
Dividends and other distributions to company's shareholders are recognised as a liability in the financial statements in the period in which the dividends and other distributions are approved by the company's shareholders. These amounts are recognised in the statement of changes in equity.

(o) Related party transactions
The company discloses transactions with related parties which are not wholly owned with the same group. It does not disclose transactions with members of the same group that are wholly owned.

NOTES TO THE FINANCIAL STATEMENTS - continued

4 Critical accounting judgements and estimation uncertainty

Estimates and judgements made in the process of preparing the entity financial statements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical accounting estimates and assumptions

The directors make estimates and assumptions concerning the future in the process of preparing the entity financial statements. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(i) Deferred income
Amounts received from customers and credited to meters but not yet utilised through consumption of electricity and gas are recorded as deferred income.

(ii) Derivatives and hedge accounting
The company has elected to designate derivatives entered into to manage commodity price exposure as cash flow hedges.

The model used to fair value the derivative financial instruments require management to estimate future cash flows based on current market prices using available market information. See note 17 for carrying value of derivative financial instruments.

5 Turnover

Turnover represents the sale value derived from the distribution and sale of electricity and gas which excludes valued added tax.

The total turnover of the company for the year has been derived from its principal activities as wholly undertaken in the United Kingdom.

6 Employee and directors

The company had 1 employee during the year ended 31 December 2018 (ten months ended 31 December 2017: Nil).

Particulars of staff	Year ended 31 December 2018 Number	Ten months ended 31 December 2017 Number
The average number of persons employed by the company during the period was:		
Selling and distribution	-	-
Administration	1	1
	1	1
Staff costs comprise:	£	£
Wages and salaries recharge	926,510	-
Wages and salaries	74,094	143,013
	1,000,604	143,013

NOTES TO THE FINANCIAL STATEMENTS - continued

6 Employee and directors - continued

The company has one full time employee. Wages and salaries are re-charged from Prepaypower Limited, a group undertaking for personnel services provided. The average number of employees recharged in 2018 was 22.

Directors	Year ended 31 December 2018 £	Ten months ended 31 December 2017 £
Emoluments	-	-

7 Operating loss

	Year ended 31 December 2018 £	Ten months ended 31 December 2017 £
Operating loss is stated after crediting:		
Directors' remuneration	-	-
Loss/(gain) on foreign exchange	72,855	(4,398)
Impairment of intangible assets	116,571	-

8 Interest receivable and similar income

	Year ended 31 December 2018 £	Ten months ended 31 December 2017 £
Interest receivable	1,385	614
	1,385	614

NOTES TO THE FINANCIAL STATEMENTS - continued

9 Income tax

(a) Tax credit included in profit or loss

	Year ended 31 December 2018 £	Ten months ended 31 December 2017 £
Current tax:		
Irish corporation tax on loss for the financial period	-	-
Adjustments in respect of prior financial periods	-	-
Current tax credit for the financial period	-	-
Deferred tax:		
Origination and reversal of timing differences	-	-
Deferred tax credit for the financial period	-	-
Tax on loss on ordinary activities	-	-

(b) Reconciliation of tax credit

Tax assessed for the financial period is higher (2017: higher) than the standard rate of corporation tax in Ireland for the year ended 31 December 2018 of 12.5% (ten months ended 31 December 2017: 12.5%). The differences are explained below:

	Year ended 31 December 2018 £	Ten months ended 31 December 2017 £
Loss before tax	(7,009,344)	(871,863)
Loss before tax multiplied by the standard rate of tax in Ireland of 12.5% (ten months ended 31 December 2017: 12.5%)	(876,168)	(174,373)
Effects of:		
Expenses not deductible for tax purposes	19,385	174,373
Group relief surrendered	856,610	-
Losses utilised	(173)	-
Income taxed at higher rate	346	-
Tax on loss on ordinary activities	-	-

Avid Energy Limited is tax resident in Ireland and is subject to taxation under Irish taxation legislation.

NOTES TO THE FINANCIAL STATEMENTS - continued

10 Intangible assets

	Utility Licence £	Total £
At 31 December 2017		
Cost	120,000	120,000
Accumulated amortisation	-	-
Carrying amount	120,000	120,000
Year ended 31 December 2018		
Opening carrying amount	120,000	120,000
Amortisation	(3,429)	(3,429)
Impairment	(116,571)	(116,571)
Closing carrying amount	-	-
At 31 December 2018		
Cost	120,000	120,000
Accumulated amortisation	(3,429)	(3,429)
Impairment	(116,571)	(116,571)
Carrying amount	-	-

An impairment charge of £116,571 was recognised under the break-up basis to account for the reduction in the net realisable value of intangible assets.

11 Debtors

	31 December 2018 £	31 December 2017 £
Deferred tax	18,428	-
Deposits (a)	130,898	-
Other debtors	1,293,547	138,682
Prepayments	201,655	145,690
Amounts due from group undertakings (b)	176,861	-
	1,821,389	284,372

(a) The deposits noted above are amounts on deposit to third parties against credit granted to the company.

(b) Amounts due from group undertakings are unsecured, interest free and as they have no fixed payment date, are repayable on demand.

12 Creditors - amounts falling due within one year

	31 December 2018 £	31 December 2017 £
Tax and social insurance (a)	238,341	1,933
Trade creditors	782,635	154,573
Accruals	1,859,372	80,761
Amount owed to group undertakings (b)	8,014,698	2,539,994
Deferred income	303,600	-
Derivatives	147,423	-
	11,346,069	2,777,261

NOTES TO THE FINANCIAL STATEMENTS - continued

12 Creditors - amounts falling due within one year - continued

(a) Creditors for tax and social insurance are payable in the timeframe set down in the relevant legislation.

(b) Amounts owed to group undertakings are unsecured, interest free, and as they have no fixed date of repayment, they are disclosed as repayable on demand.

13 Deferred taxation

The provision for deferred tax consists of the following deferred tax assets:

	2018	2017
	£	£
Timing differences - hedging	18,428	-
	18,428	-

There were no unused tax losses or tax credits (2017: £Nil).

The net deferred tax liability expected to reverse in the financial year ended 31 December 2019 is £18,428 and £Nil in the financial year ended 31 December 2020. This relates to the reversal of timing differences on hedging contracts.

14 Called up share capital	31 December 2018	31 December 2017
	£	£
Authorised		
100 ordinary shares of £1 each	100	100
Called up, allotted and fully paid:		
Ordinary share capital		
100 ordinary shares of £1 each	100	100

15 Commitments

There are no contingencies or commitments as at 31 December 2018 (31 December 2017: £Nil).

16 Related party transactions

There were no related party transactions for the current financial period (31 December 2017: £Nil).

The company is exempt from disclosing other related party transactions as they are with other group companies that are wholly owned within the group.

NOTES TO THE FINANCIAL STATEMENTS - continued

17 Financial instruments

	Note	31 December 2018 £	31 December 2017 £
The company has the following financial instruments			
Financial asset that are debt instruments measured at amortised cost			
- Other debtors	11	1,293,547	138,682
- Deposits	11	130,898	-
- Amounts due from group undertakings		176,861	-
		1,601,306	138,682
Cash at bank and in hand		1,514,578	1,501,126
Financial liabilities measured at amortised cost			
- Amount owed to group undertakings	12	8,014,698	2,539,994
- Trade creditors	12	782,635	154,573
- Derivatives	12	147,423	-
		8,944,756	2,694,567

Derivative financial instruments and hedging activities
The company enters into commodities future contracts to mitigate the commodity price risk for electricity purchases.

	Fair Value 31 December 2018 £	Fair Value 31 December 2017 £
Current assets		
Commodity contracts - cash flow hedges		
Gas contracts	(143,775)	-
Electricity contracts	(3,648)	-
Commodity contracts - not in hedge relationships	-	-
Total derivative financial instruments	(147,423)	-

The commodity contracts are measured at fair value, which is determined using valuation techniques that utilise observable inputs. The key inputs used in valuing the derivatives are the underlying commodity price included in the contract. The movement of the fair value amount of (£147,423) (2017: £Nil) has been included within other comprehensive income.

Of the balance included in the cash flow hedge reserve at 31 December 2018, (£147,423) (2017: £Nil) is expected to crystallise within one year; £Nil (2017: £Nil) is expected to occur between 1-2 years.

NOTES TO THE FINANCIAL STATEMENTS - continued

17 Financial Instruments - continued

Notionals Group	Notional Amount 31 December 2018 £	Notional Amount 31 December 2017 £
Commodity Gas contracts - cash flow hedges	1,489,308	-
Commodity Electricity - cash flow hedges	971,267	-

The company does not use derivatives for trading or speculative purposes.

Derivatives not in hedging relationships

The unrealised gain recognised in the income statement during the year that arises from derivatives not designated as hedges or ineligible for hedge accounting is £Nil (2017: £Nil).

18 Post balance sheet events

Subsequent to year end, the directors have taken the decision to wind down the operations of Avid Energy Limited and to cease operations in FY19.