

**ECONOMY ENERGY TRADING LIMITED**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2017**



# ECONOMY ENERGY TRADING LIMITED

## COMPANY INFORMATION

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<b>Directors</b>	Ms L Khilji Mr T Foster Mr J A McKenzie
<b>Company number</b>	07513319
<b>Registered office</b>	10th Floor Friars House Manor House Drive Coventry CV1 2TE
<b>Auditor</b>	Baldwins Audit Services Limited Churchill House 59 Lichfield Street Walsall West Midlands WS4 2BX

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# ECONOMY ENERGY TRADING LIMITED

## CONTENTS

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	<b>Page</b>
Strategic report	1 - 2
Directors' report	3
Directors' responsibilities statement	4
Independent auditor's report	5 - 6
Statement of income and retained earnings	7
Balance sheet	8
Statement of cash flows	9
Notes to the financial statements	10 - 23

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# ECONOMY ENERGY TRADING LIMITED

## STRATEGIC REPORT

### FOR THE YEAR ENDED 31 MARCH 2017

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The directors present the strategic report for the year ended 31 March 2017.

#### Financial review

The results for the year and the financial position of the Company are shown in the following financial statements.

During the year to 31 March 2017 the Company continued to make significant progress in growing its customer base by 117% from 108,000 to 235,000 customers. Since 1 April 2017 the Company has added an additional net 70,000 customers and as at the date of this report has a customer base of 305,000. The Company now supplies gas or electricity to in excess of 500,000 energy supply points throughout the UK.

The growth in the customer base has resulted in revenues up 135% from the previous year to £133.7m (2016: £56.9m) and an increase of 56% in operating profit to £2.8m (2016: £1.8m). However, as was the case with other suppliers, the gross margin decreased as a result of high levels of volatility in the electricity markets. This also had an impact on operating profits.

#### Objectives and strategy

The objective of the Company is to deliver long-term value to its shareholder whilst providing competitive pricing and great service to its customers. The board's strategy to achieve this involves continuous investment in technology, systems and people. Throughout the year, the Company invested in developing a new CRM system, which was successfully deployed in September 2017 enabling significant improvements in its ability to process customer data. The directors also made the decision to relocate its customer contact centres back to the United Kingdom. This significant transition was completed in October 2017 and is already improving customer experience. The enhanced functionality of the My Account online service and the addition of web chat will further improve services over the next year.

The directors continue to believe that Smart meters are a key element of improving customer experience particularly amongst customers using a prepayment meter. The company has been supporting Smart meters since April 2016 and approximately 25% of its prepay customers now use a Smart meter. The company has agreements in place with a number of installation partners and is committed to installing in excess of 100,000 meter sets. Additional use of smart technologies is planned for 2018 and will further improve the customer experience.

The Company is determined to not only deliver for its customers but to also make a difference to the community it is based in and does so by supporting local charities. It is committed to supporting charitable foundations in the Coventry area and in particular has committed to supporting children with special educational needs.

#### Markets

The UK market for the domestic supply of energy remains highly competitive amongst the newer independent suppliers, the number of which continues to grow. The market is also highly regulated and some major reforms have come into force since 31 March 2017. These involve significant investment in system changes.

The Company took steps in 2016 to diversify its customer base and began to attract customers using credit meters. The majority of these customers pay by monthly direct debit, reducing the credit risk, although the directors pay close attention to this new area of the business.

#### Key performance indicators ("KPI"s)

The board monitors performance by a variety of financial KPIs together with equally important non-financial measures. The key financial performance indicators include:

	2017	2016
Revenue	£133.7m	£56.9m
Gross margins	7.56%	13.05%
Net bank balances	£8.9m	£7.4m

# ECONOMY ENERGY TRADING LIMITED

## STRATEGIC REPORT (CONTINUED)

**FOR THE YEAR ENDED 31 MARCH 2017**

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### **Risks to achieving the Company's objectives**

Risk is inherent in all businesses. Risks are constantly monitored by the board and the senior management team in order that processes can be implemented to mitigate them. The directors consider the principal risks to the Company achieving its objectives are those identified below. They also recognise, however, that the nature of those risks changes and that there may be additional risks, not yet identified, or risks currently considered immaterial that may impact on the business;

a. **Economic environment**

The economic environment, and changes to it, can impact upon customer spending. The directors seek to mitigate this risk by means of investment in technology and systems and by ensuring that the Company's offering remains competitive.

b. **Managing customer expectations**

The business has invested and continues to make significant investment in both systems and people to ensure that the customer experience is both monitored and continuously improving.

c. **Competition**

The Company monitors both the activities of new entrants to the market and of existing competitors to ensure that it is able to maintain and expand its own market position.

d. **Cash flow and liquidity risk**

The company is debt free. Cash flow forecasts are produced on a regular basis, and are updated at least weekly, to ensure that liquidity is maintained and that longer term and strategic funding requirements are both identified and managed.

e. **Employees**

The board recognises the importance of a well trained, knowledgeable and highly motivated workforce. As a result it remains committed to attracting, developing and maintaining staff of the highest calibre.

f. **Volume and price risks**

Fixed price energy is obtained to match demand in accordance with an agreed hedging strategy. The board monitors wholesale prices closely and engages in a number of forward contracts to ensure certainty of prices in what can be a volatile market.

g. **Regulatory and legislative risk**

In common with all energy supply businesses, the Company is subject to ever increasing and time consuming regulatory requirements across all areas of its operations. Failure to comply with those requirements can have serious consequences not least being financial and reputational damage. Consequently, the board continues to direct increasing resources towards ensuring that there is a compliance regime that monitors and, where possible, mitigates such risks.

On behalf of the board



Ms L Khilji

Director

.....15-12-17

# ECONOMY ENERGY TRADING LIMITED

## DIRECTORS' REPORT

**FOR THE YEAR ENDED 31 MARCH 2017**

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The directors present their annual report and financial statements for the year ended 31 March 2017.

### Principal activities

The principal activity of the company is that of trading in energy sources.

### Directors

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

Ms L Khilji

Mr T Foster

Mr J A McKenzie

Mrs A Beardsmore

Mr K Jakobsen

(Resigned 31 August 2016)

(Resigned 3 June 2016)

### Results and dividends

The results for the year are set out on page 7.

No ordinary dividends were paid. The directors do not recommend payment of a final dividend.

### Political donations

No political donations have been made within the year.

### Research and development

The company is looking at compiling an R&D claim to submit to HMRC. Any tax credits or adjustments resulting from such have not been recognised within the attached financial statements.

### Future developments

As referred to in more detail in the notes to the financial statements, in September 2016 Ofgem opened an investigation. This investigation has not yet been concluded upon. As a result there is no fiscal impact relating to the investigation reflected in these financial statements.

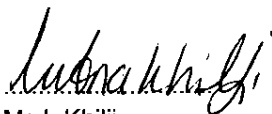
### Auditor

In accordance with the company's articles, a resolution proposing that Baldwins Audit Services Limited be reappointed as auditor of the company will be put at a General Meeting.

### Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

On behalf of the board



Ms L Khilji

Director

Date: 15.12.17

# **ECONOMY ENERGY TRADING LIMITED**

## **DIRECTORS' RESPONSIBILITIES STATEMENT**

***FOR THE YEAR ENDED 31 MARCH 2017***

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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 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 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 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.

# **ECONOMY ENERGY TRADING LIMITED**

## **INDEPENDENT AUDITOR'S REPORT**

### **TO THE MEMBERS OF ECONOMY ENERGY TRADING LIMITED**

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We have audited the financial statements of Economy Energy Trading Limited for the year ended 31 March 2017 set out on pages 8 to 24. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

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

#### **Respective responsibilities of directors and auditor**

As explained more fully in the Directors' Responsibilities Statement set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

#### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

#### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

#### **Opinion on other matters prescribed by the Companies Act 2006**

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

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# ECONOMY ENERGY TRADING LIMITED

## INDEPENDENT AUDITOR'S REPORT (CONTINUED)

### TO THE MEMBERS OF ECONOMY ENERGY TRADING LIMITED

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

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

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



**Mr John Edwards (Senior Statutory Auditor)**  
for and on behalf of Baldwins Audit Services Limited

.....15-12-17

**Chartered Accountants**  
**Statutory Auditor**

Churchill House  
59 Lichfield Street  
Walsall  
West Midlands  
WS4 2BX

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**ECONOMY ENERGY TRADING LIMITED**  
**STATEMENT OF INCOME AND RETAINED EARNINGS**  
**FOR THE YEAR ENDED 31 MARCH 2017**

	Notes	2017 £000	2016 £000
<b>Turnover</b>	<b>4</b>	133,685	56,934
Cost of sales		(123,581)	(49,505)
<b>Gross profit</b>		10,104	7,429
Administrative expenses		(7,319)	(5,593)
<b>Operating profit</b>	<b>5</b>	2,785	1,836
Interest receivable and similar income	<b>9</b>	7	7
Interest payable and similar expenses	<b>10</b>	-	(1)
<b>Profit before taxation</b>		2,792	1,842
Tax on profit	<b>11</b>	(500)	(331)
<b>Profit for the financial year</b>		2,292	1,511
Retained earnings brought forward		2,442	931
Retained earnings carried forward		4,734	2,442

The Profit And Loss Account has been prepared on the basis that all operations are continuing operations.

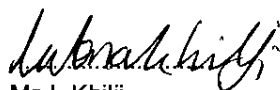
# ECONOMY ENERGY TRADING LIMITED

## BALANCE SHEET

AS AT 31 MARCH 2017

	Notes	2017 £000	2016 £000	2016 £000
<b>Fixed assets</b>				
Intangible assets	13		241	-
Tangible assets	12		307	198
			<u>548</u>	<u>198</u>
<b>Current assets</b>				
Stocks	14	-	127	
Debtors	15	22,217	4,850	
Cash at bank and in hand		8,942	7,431	
		<u>31,159</u>	<u>12,408</u>	
<b>Creditors: amounts falling due within one year</b>	16	(26,908)	(10,099)	
<b>Net current assets</b>			<u>4,251</u>	<u>2,309</u>
<b>Total assets less current liabilities</b>			<u>4,799</u>	<u>2,507</u>
<b>Provisions for liabilities</b>	17		(25)	(25)
<b>Net assets</b>			<u>4,774</u>	<u>2,482</u>
<b>Capital and reserves</b>				
Called up share capital	19		40	40
Profit and loss reserves			4,734	2,442
<b>Total equity</b>			<u>4,774</u>	<u>2,482</u>

The financial statements were approved by the board of directors and authorised for issue on 15.12.17 and are signed on its behalf by:



Ms L Khilji  
Director

Company Registration No. 07513319

# ECONOMY ENERGY TRADING LIMITED

## STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2017

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	Notes	2017 £000	2016 £000
<b>Cash flows from operating activities</b>			
Cash generated from operations	1	2,308	4,780
Interest paid		-	(1)
Income taxes paid		(379)	(186)
<b>Net cash inflow from operating activities</b>		<b>1,929</b>	<b>4,593</b>
<b>Investing activities</b>			
Purchase of intangible assets		(241)	-
Purchase of tangible fixed assets		(184)	(176)
Proceeds on disposal of tangible fixed assets		-	1
Proceeds from other investments and loans		-	190
Interest received		7	7
<b>Net cash (used in)/generated from investing activities</b>		<b>(418)</b>	<b>22</b>
<b>Net cash used in financing activities</b>		<b>-</b>	<b>-</b>
<b>Net increase in cash and cash equivalents</b>		<b>1,511</b>	<b>4,615</b>
Cash and cash equivalents at beginning of year		7,431	2,816
<b>Cash and cash equivalents at end of year</b>		<b>8,942</b>	<b>7,431</b>

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**ECONOMY ENERGY TRADING LIMITED**  
**STATEMENT OF CASH FLOWS (CONTINUED)**  
**FOR THE YEAR ENDED 31 MARCH 2017**

1	<b>Cash generated from operations</b>	<b>2017</b>	<b>2016</b>
		<b>£000</b>	<b>£000</b>
	Profit for the year after tax	2,292	1,511
	<b>Adjustments for:</b>		
	Taxation charged	500	331
	Finance costs	-	1
	Investment income	(7)	(7)
	(Gain)/loss on disposal of tangible fixed assets	-	34
	Depreciation and impairment of tangible fixed assets	75	64
	<b>Movements in working capital:</b>		
	Decrease/(increase) in stocks	127	(32)
	(Increase) in debtors	(17,228)	(1,793)
	Increase in creditors	16,549	4,671
	<b>Cash generated from operations</b>	<u>2,308</u>	<u>4,780</u>

**2 Accounting policies**

**Company information**

Economy Energy Trading Limited is a private company limited by shares incorporated in England and Wales. The registered office is 10th Floor, Friars House, Manor House Drive, Coventry, CV1 2TE.

**2.1 Accounting convention**

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £000.

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

**2.2 Going concern**

At the time of approving the financial statements, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

# ECONOMY ENERGY TRADING LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2017

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### 2 Accounting policies

#### 2.3 Turnover

Revenue arises from the supply of gas and electricity and related services as these costs are incurred; amounts are derived from provisions of goods and services that fall within the ordinary activities of the company. Revenue is recognised net of sales discounts. Revenue is recognised net of value added tax (VAT) and climate change levy (CCL).

Accrued revenue, representing gas and electricity supplied since the last billing date, is recognised in the balance sheet and is netted off against deferred income to the extent it can be matched against specific customer payments. Accrued income is calculated taking account of range of factors including industry information, meter readings and coefficients that account for usage of particular periods in the year.

#### 2.4 Intangible fixed assets other than goodwill

Intangible assets acquired separately from a business are recognised at cost and are subsequently measured at cost less accumulated amortisation and accumulated impairment losses. Intangible assets acquired on business combinations are recognised separately from goodwill at the acquisition date if the fair value can be measured reliably.

Amortisation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

App and website development costs	33.33% straight line, with no charge in the initial year of expenditure
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#### 2.5 Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Leasehold improvements	- 20% straight line
Fixtures, fittings & equipment	- 25% reducing balance
Computer equipment	- 33% straight line

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to profit or loss.

#### 2.6 Impairment of fixed assets

At each reporting period end date, the company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

# ECONOMY ENERGY TRADING LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 MARCH 2017

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#### 2 Accounting policies

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

#### 2.7 Stocks

Stocks are stated at the lower of cost and estimated selling price less costs associated with delivery. Stock is valued using average cost.

At each reporting date, an assessment is made for impairment. Any excess of the carrying amount of stocks over its estimated selling price less costs to complete and sell is recognised as an impairment loss in profit or loss. Reversals of impairment losses are also recognised in profit or loss.

#### 2.8 Cash at bank and in hand

Cash and cash equivalents are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less.

#### 2.9 Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the company's balance sheet when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with 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.

#### **Basic financial assets**

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method 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. Financial assets classified as receivable within one year are not amortised.

# ECONOMY ENERGY TRADING LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 MARCH 2017

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#### 2 Accounting policies

##### **Other financial assets**

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

##### **Impairment of financial assets**

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. 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 asset's original effective interest rate. The impairment loss is recognised in 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 profit or loss.

##### **Derecognition of financial assets**

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the company transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

##### **Classification of financial liabilities**

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

##### **Basic financial liabilities**

Basic financial liabilities, including creditors, 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 payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

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

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts 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 creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.



# ECONOMY ENERGY TRADING LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2017

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### 2 Accounting policies

#### ***Other financial liabilities***

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 hedge accounting is applied and the hedge is a cash flow hedge.

Debt instruments that do not meet the conditions in FRS 102 paragraph 11.9 are subsequently measured at fair value through profit or loss. Debt instruments may be designated as being measured at fair value through profit or loss to eliminate or reduce an accounting mismatch or if the instruments are measured and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

#### ***Derecognition of financial liabilities***

Financial liabilities are derecognised when the company's contractual obligations expire or are discharged or cancelled.

#### **2.10 Equity instruments**

Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

#### **2.11 Derivatives**

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to fair value at each reporting end date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

A derivative with a positive fair value is recognised as a financial asset, whereas a derivative with a negative fair value is recognised as a financial liability.

#### **2.12 Taxation**

The tax expense represents the sum of the tax currently payable and deferred tax.

#### ***Current tax***

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

# ECONOMY ENERGY TRADING LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 MARCH 2017

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#### 2 Accounting policies

##### **Deferred tax**

Deferred tax liabilities are generally recognised for all timing differences and 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. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

##### **2.13 Employee benefits**

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

##### **2.14 Energy forward contracts**

The company uses long term purchase contracts with fixed prices (forward contracts) in order to be able to fulfil the demand of the customers for physical delivery of gas and electricity in the future. The forward contracts only cover a certain percentage of the expected demand. There is no past practice to settle the contract net in cash or to generate income from short-term fluctuations or other reason outside the usual scope of the Company. The forward contracts are used in the normal course of business. As a result, the own use exemption is applied and these contracts are not treated as financial instruments in the scope of IAS 39. Forward contracts to purchase energy are accounted for in the income statement in the period in which the supply of power occurs.

#### 3 Judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

# ECONOMY ENERGY TRADING LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 MARCH 2017

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#### 3 Judgements and key sources of estimation uncertainty

##### **Key sources of estimation uncertainty**

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are as follows.

##### ***Ofgem investigation***

Ofgem opened an investigation in September 2016. At the date of approval of these accounts the investigation had not been concluded.

##### ***Revenue recognition***

The nature of the energy industry in the UK in which the Company operates is such that revenue recognition is subject to a degree of estimation.

Revenue for the supply of electricity and gas, supplied through a prepaid meter, is recognised based on remittances less an estimate for energy paid for, not yet supplied, in the week leading up to the company's year end.

Revenue for the supply of electricity and gas, supplied under a credit meter, is recognised using invoices raised to customers plus a provision at the year end for estimated energy supplied, for which invoices have not yet been raised to customers. The estimate of unbilled energy is calculated using historical patterns, customer numbers and average customer spend.

##### ***Energy purchase costs***

Settlement of energy purchase costs and volumes can typically take 14 months to be finalised due to the settlement procedures standard in the energy market. Therefore, there is an element of energy purchase costs that need to be estimated based on industry data that is available at any particular point in time. As a result of events within the year and after the year end, a proportion of the energy purchase costs invoiced in the year have been deferred due to the company expecting to receive credit notes relating to inaccurate supply data.

##### ***Customer debtor provisioning:***

The company's exposure to credit risk is influenced mainly by the characteristics of each customer. Trade receivables are stated at their net realisable value. The net realisable value includes no provision for bad debts. Provision for bad debt is recognised where a loss is probable. Calculations of this bad debt provision requires judgements to be made around the recoverability of debts based upon their ageing profile, and the historic payments profile of the tariffs.

##### ***Taxation:***

The company establishes provisions based on reasonable estimates. The amount of such provisions is based on various factors, such as experience in the interpretation of tax regulations. Management estimation is required to determine the amount of deferred tax to be recognised, based upon likely timing and level of future taxable profits together with assessment of the effect of future tax strategies.

##### ***Operating lease commitments***

The company has entered into meter rental transactions and obtains the use of plant and equipment as a lessee. The classification of such leases as operating or finance lease requires the company to determine, based on 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.

# ECONOMY ENERGY TRADING LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 MARCH 2017

#### 4 Turnover and other revenue

An analysis of the company's turnover is as follows:

	<b>2017</b>	<b>2016</b>
	<b>£000</b>	<b>£000</b>
<b>Turnover analysed by class of business</b>		
Gas	56,317	22,932
Electricity	77,368	33,822
Other	-	180
	<u>133,685</u>	<u>56,934</u>

	<b>2017</b>	<b>2016</b>
	<b>£000</b>	<b>£000</b>
<b>Other significant revenue</b>		
Interest income	<u>7</u>	<u>7</u>

	<b>2017</b>	<b>2016</b>
	<b>£000</b>	<b>£000</b>
<b>Turnover analysed by geographical market</b>		
UK	<u>133,685</u>	<u>56,934</u>

#### 5 Operating profit

Operating profit for the year is stated after charging:

	<b>2017</b>	<b>2016</b>
	<b>£000</b>	<b>£000</b>
Depreciation of owned tangible fixed assets	75	64
(Profit)/loss on disposal of tangible fixed assets	-	34
Cost of stocks recognised as an expense	<u>109,835</u>	<u>44,004</u>

#### 6 Auditor's remuneration

Fees payable to the company's auditor and associates:

	<b>2017</b>	<b>2016</b>
	<b>£000</b>	<b>£000</b>
<b>For audit services</b>		
Audit of the financial statements of the company	<u>25</u>	<u>26</u>

The auditors remuneration as detailed above for the 2016 year includes £15,000 payable to Baldwins (Coventry) Limited, the company's previous auditors. The remainder of the audit fees specified above pertain to Baldwins Audit Services Limited.

# ECONOMY ENERGY TRADING LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2017

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### 7 Employees

The average monthly number of persons (including directors) employed by the company during the year was:

	<b>2017</b>	<b>2016</b>
	<b>Number</b>	<b>Number</b>
Directors	3	4
Call centre staff (including sales and complaints)	48	35
Other	55	35
	<u>106</u>	<u>74</u>

Their aggregate remuneration comprised:

	<b>2017</b>	<b>2016</b>
	<b>£000</b>	<b>£000</b>
Wages and salaries	2,893	2,210
Social security costs	214	178
	<u>3,107</u>	<u>2,388</u>

### 8 Directors' remuneration

	<b>2017</b>	<b>2016</b>
	<b>£000</b>	<b>£000</b>
Remuneration for qualifying services	<u>346</u>	<u>429</u>

Remuneration disclosed above include the following amounts paid to the highest paid director:

	<b>2017</b>	<b>2016</b>
	<b>£000</b>	<b>£000</b>
Remuneration for qualifying services	<u>108</u>	<u>134</u>

### 9 Interest receivable and similar income

	<b>2017</b>	<b>2016</b>
	<b>£000</b>	<b>£000</b>
<b>Interest income</b>		
Interest on bank deposits	7	-
Other interest income	-	7
	<u>7</u>	<u>7</u>
Total income	<u>7</u>	<u>7</u>

# ECONOMY ENERGY TRADING LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2017

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### 9 Interest receivable and similar income

Investment income includes the following:

Interest on financial assets not measured at fair value through profit or loss	7	-
	<u>7</u>	<u>-</u>

### 10 Interest payable and similar expenses

	2017	2016
	£000	£000
<b>Other finance costs:</b>		
Other interest	-	1
	<u>-</u>	<u>1</u>

### 11 Taxation

	2017	2016
	£000	£000
<b>Current tax</b>		
UK corporation tax on profits for the current period	500	390
Adjustments in respect of prior periods	-	(59)
	<u>500</u>	<u>331</u>

The actual charge for the year can be reconciled to the expected charge for the year based on the profit or loss and the standard rate of tax as follows:

	2017	2016
	£000	£000
Profit before taxation	2,792	1,842
	<u>2,792</u>	<u>1,842</u>
Expected tax charge based on the standard rate of corporation tax in the UK of 20.00% (2016: 20.00%)	558	368
Tax effect of expenses that are not deductible in determining taxable profit	2	30
Permanent capital allowances in excess of depreciation	40	(8)
Under/(over) provided in prior years	(100)	(59)
	<u>500</u>	<u>331</u>

# ECONOMY ENERGY TRADING LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2017

### 12 Tangible fixed assets

	Leasehold improvements	Fixtures, fittings & equipment	Computer equipment	Total
	£000	£000	£000	£000
<b>Cost</b>				
At 1 April 2016	82	57	161	300
Additions	8	65	111	184
At 31 March 2017	90	122	272	484
<b>Depreciation and impairment</b>				
At 1 April 2016	4	26	72	102
Depreciation charged in the year	17	14	44	75
At 31 March 2017	21	40	116	177
<b>Carrying amount</b>				
At 31 March 2017	69	82	156	307
At 31 March 2016	79	31	88	198

### 13 Intangible fixed assets

	App and website development costs
	£000
<b>Cost</b>	
Additions - internally developed	241
Other changes	0
At 31 March 2017	241
<b>Amortisation and impairment</b>	
At 1 April 2016	-
Amortisation charged for the year	-
At 31 March 2017	-
<b>Carrying amount</b>	
At 31 March 2017	(241)
At 31 March 2016	-

# ECONOMY ENERGY TRADING LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2017

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<b>14</b>	<b>Stocks</b>		<b>2017</b>	<b>2016</b>
			<b>£000</b>	<b>£000</b>
	Electricity not yet supplied		-	127
			<u>          </u>	<u>          </u>
<b>15</b>	<b>Debtors</b>		<b>2017</b>	<b>2016</b>
	<b>Amounts falling due within one year:</b>		<b>£000</b>	<b>£000</b>
	Trade debtors		2,114	2,434
	Corporation tax recoverable		-	11
	Amounts owed by group undertakings		2,676	125
	Other debtors		10,784	1,822
	Prepayments and accrued income		6,643	458
			<u>          </u>	<u>          </u>
			22,217	4,850
			<u>          </u>	<u>          </u>
<b>16</b>	<b>Creditors: amounts falling due within one year</b>		<b>2017</b>	<b>2016</b>
			<b>£000</b>	<b>£000</b>
	Trade creditors		11,659	3,084
	Corporation tax		500	390
	Other taxation and social security		75	59
	Accruals and deferred income		14,674	6,566
			<u>          </u>	<u>          </u>
			26,908	10,099
			<u>          </u>	<u>          </u>
	Bank:			
	The company has agreed facilities with its bank. As a result there is a multilateral guarantee over group assets that allows for set-off. A fixed and floating charge was created on 15 June 2015 over all assets of the company.			
<b>17</b>	<b>Provisions for liabilities</b>		<b>2017</b>	<b>2016</b>
		<b>Notes</b>	<b>£000</b>	<b>£000</b>
	Deferred tax liabilities	18	25	25
			<u>          </u>	<u>          </u>

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# ECONOMY ENERGY TRADING LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2017

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### 18 Deferred taxation

Deferred tax assets and liabilities are offset where the company has a legally enforceable right to do so. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	<b>Liabilities</b>	<b>Liabilities</b>
	<b>2017</b>	<b>2016</b>
<b>Balances:</b>	<b>£000</b>	<b>£000</b>
Accelerated capital allowances	25	25

There were no deferred tax movements in the year.

The deferred tax liability set out above is expected to reverse within 12 - 36 months and relates to accelerated capital allowances that are expected to mature within the same period.

### 19 Share capital

	<b>2017</b>	<b>2016</b>
	<b>£000</b>	<b>£000</b>
<b>Ordinary share capital</b>		
<b>Issued and fully paid</b>		
40,000 Ordinary shares of £1 each	40	40

### 20 Financial commitments, guarantees and contingent liabilities

In September 2016 Ofgem opened an investigation into the company's compliance under the gas and electricity licences (Standard Licence Condition 25). The investigation is ongoing at the time of authorising the financial statements. As the potential outcome of the investigation is not currently known, it is not possible at this stage to quantify any potential fiscal impact.

### 21 Operating lease commitments

The company's main operating lease relates to the registered office address. The lease term is 5 years with annual rental payable at 92,880. The lease ends 23 September 2020.

At the reporting end date the company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	<b>2017</b>	<b>2016</b>
	<b>£000</b>	<b>£000</b>
Within one year	118	93
Between two and five years	251	325
	<u>369</u>	<u>418</u>

**ECONOMY ENERGY TRADING LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 MARCH 2017**

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**22 Related party transactions**

**Remuneration of key management personnel**

	<b>2017</b>	<b>2016</b>
	<b>£000</b>	<b>£000</b>
Aggregate compensation	346	429
	<u>          </u>	<u>          </u>

**Transactions with related parties**

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

	<b>Purchase of goods</b>	
	<b>2017</b>	<b>2016</b>
	<b>£000</b>	<b>£000</b>
Other related parties	56	62
	<u>          </u>	<u>          </u>

The following amounts were outstanding at the reporting end date:

	<b>2017</b>	<b>2016</b>
	<b>£000</b>	<b>£000</b>
<b>Amounts owed to related parties</b>		
Other related parties	-	12
	<u>          </u>	<u>          </u>

**23 Controlling party**

The company's ultimate parent company is Economy Energy Holdings Limited, a company incorporated within the UK.