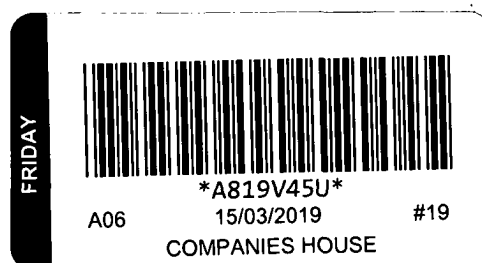


PFP Energy Limited

**Annual report and consolidated
financial statements**

Registered number 08994981

31 March 2018



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Strategic Report

The directors have the pleasure of presenting their annual report and financial statements of the Company for the period ended 31 March 2018.

Principal Activities

The principal activities of the Group and Company during the period was the supply of electricity and gas to domestic and business customers.

Review of the business

PFP Energy Limited continued to grow and increased customer numbers by 16% during its second full year of trading. As a result, reported turnover was up to £76.3m (2017: £29.7m). However, in common with other suppliers, the gross margin continued to remain under pressure over the year due to initial market entry costs and volatility as new challenger brands compete within the sector. This had a direct impact on net margin.

Results for the period are set out on page 7.

Although the business operates in a challenging environment, strategic focus on customer service levels, retention and new acquisitions, combined with operating cost and margin control will allow the business to deliver its future financial plans.

The business financial controls include a three-year rolling business plan that takes into account variations in energy costs and customer pricing, combined with sensitivity analysis to allow for variances in market forces and forecasted growth rates. The business plans demonstrate the going concern of the business with an ongoing reduction in future losses and the ability to operating within its current funding levels.

Post Balance Sheet Date Events

Details of changes to working capital funding are contained in note 1.2 to the financial statements.

Key performance indicators

The Group's KPI's are revenue, number of customers and EBITDA. Management continue to monitor performance against these KPIs on a regular basis.

Principal risks and uncertainties

To tackle the dominance of the big six energy suppliers PFP Energy Limited has been engaging with policy makers and influencers at the highest level, campaigning for more transparency in the energy sector.

PFP Energy Limited, in common with other energy companies, buys in the wholesale market where prices fluctuate with supply and demand. This presents a risk that if we buy off the wholesale market as and when we require supply to our customers, and wholesale prices rise sharply, we may be selling below cost. In order to mitigate this risk we operate a hedging strategy that we believe is broadly in line with other energy large companies and smooths the peaks and troughs of the wholesale market enabling us to predict with sufficient notice our supply cost so that we can adjust our selling price and also maintain buying competitiveness with other energy companies. This is achieved by buying power and gas into the future in tranches so that we have bought all of our forecast power and gas.

Cash flow risk arises from the difference in demand and payment. The majority of customers pay an equal amount each month by direct debit, but demand and usage is seasonal based on the weather. This creates peaks and troughs in working capital where at the end of winter working capital is at its lowest point. With customer growth, wholesale price volatility and weather variations, the working capital movements are difficult to forecast and therefore difficult to manage.

Credit risk arises from the possibility of customers failing to meet their obligations to the Company. Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on customers requiring credit over a certain amount.

By order of the board

SBS Soim
Director



12 March 2019

Directors' report

The directors have the pleasure of presenting their directors' report and financial statements of the Company for the period ended 31 March 2018.

Results and dividend

The Company's loss for the period, after taxation, amounted to £4,782,000. A dividend of £nil (2017: £nil) was paid during the period.

Directors

The directors who held office during the year were as follows:

A Gupta

JE Thomasson (resigned on 4th May 2018)

SBS Soin (appointed on 4th May 2018)

S Binks (appointed on 4th May 2018 and resigned 20th November 2018)

RG Binns (appointed 1st January 2019)

Political contributions

Neither the Company nor any of its subsidiaries made any disclosable political donations or incurred any disclosable political expenditure during the year.

Disclosure of information to auditor

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 auditor is 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 auditor is aware of that information.

Other information

An indication of likely future developments in the business and particulars of significant events which have occurred since the end of the financial year have been included in the Strategic Report on page 2.

Auditor

KPMG LLP are the company's auditors and have expressed their willingness to continue in office. A resolution to appoint auditors for the next term will be proposed at the next Annual General Meeting in accordance with Section 487 of the Companies Act 2006.

By order of the board



SBS Soin
Director

12 March 2019

Unit 2 Edward VII Quay
Navigation Way
Preston
PR2 2YF

Statement of directors' responsibilities in respect of the Annual Report and the financial statements

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the group and parent company financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

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 group and parent company and of their profit or loss for that period. In preparing each of the group and parent company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are 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, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.



KPMG LLP
One St Peter's Square
Manchester
M2 3AE
United Kingdom

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

Opinion

We have audited the financial statements of PFP Energy Limited ("the company") for the year ended 31st March 2018 which comprise the Consolidated Profit and Loss Account and Other Comprehensive Income, Consolidated Balance Sheet, Company Balance Sheet, Consolidated Statement of Changes in Equity, Company Statement of Changes in Equity, the Consolidated Cashflow Statement and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31st March 2018 and of the group's loss for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the group in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

The impact of uncertainties due to Britain exiting the European Union on our audit

Uncertainties related to the effects of Brexit are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by the directors, such as the carrying value of assets and liabilities, and related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the group's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. We applied a standardised firm-wide approach in response to that uncertainty when assessing the group's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the group or the company or to cease their operations, and as they have concluded that the group and the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

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

Going concern *(continued)*

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the group's business model, including the impact of Brexit, and analysed how those risks might affect the group and company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the group or the company will continue in operation.

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company 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; or

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 3 the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; 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; assessing the group and parent 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 they either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

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

Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

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.



Liam Finnigan (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
1 St Peter's Square
Manchester

13th March 2019

Consolidated Profit and Loss Account and Other Comprehensive Income
for the year ended 31 March 2018

	<i>Note</i>	2018 £000	2017 £000
Turnover	2	76,303	29,747
Cost of sales		(72,353)	(29,464)
		<hr/>	<hr/>
Gross profit		3,950	283
Operating costs		(8,184)	(4,660)
		<hr/>	<hr/>
Group operating loss	3	(4,234)	(4,377)
Interest receivable and similar income		2	-
Interest payable and similar expenses	6	(468)	(92)
		<hr/>	<hr/>
Loss before taxation		(4,700)	(4,469)
Tax on loss	7	(82)	82
		<hr/>	<hr/>
Loss for the financial year		<u>(4,782)</u>	<u>(4,387)</u>

The notes on pages 13 to 21 form an integral part of the financial statements.

There is no other comprehensive income for the current or prior periods.

All activities relate to continuing operations.

Consolidated Balance Sheet
at 31 March 2018

	<i>Note</i>	2018 £000	£000	2017 £000	£000
Fixed assets					
Tangible assets	<i>10</i>		1,206		1,122
Intangible assets	<i>8</i>		100		100
			<u>1,306</u>		<u>1,222</u>
Current assets					
Debtors	<i>11</i>	14,262		7,048	
Cash at bank and in hand	<i>12</i>	1,740		2,200	
			<u>16,002</u>		<u>9,248</u>
Creditors: amounts falling due within one year	<i>13</i>	(28,004)		(16,384)	
Net current liabilities			<u>(12,002)</u>		<u>(7,136)</u>
Total assets less current liabilities			<u>(10,696)</u>		<u>(5,914)</u>
Creditors: amounts falling due after more than one year	<i>14</i>		-		-
Net liabilities			<u>(10,696)</u>		<u>(5,914)</u>
Capital and reserves					
Called up share capital	<i>16</i>		-		-
Profit and loss account			(10,696)		(5,914)
Shareholders' funds			<u>(10,696)</u>		<u>(5,914)</u>

The notes on pages 13 to 21 form an integral part of the financial statements.

These financial statements were approved by the board of directors on 12 March 2019 and were signed on its behalf by:

SBS Soin
 Director



Company registered number: 08994981

Company Balance Sheet
At 31 March 2018

	Note	2018 £000	£000	2017 £000	£000
Fixed assets					
Tangible assets	10		1,206		1,122
Investments	9		100		100
			<u>1,306</u>		<u>1,222</u>
Current assets					
Debtors	11	14,262		7,048	
Cash at bank and in hand	12	1,740		2,200	
		<u>16,002</u>		<u>9,248</u>	
Creditors: amounts falling due within one year	13	(28,004)		(16,384)	
Net current liabilities		<u>(12,002)</u>		<u>(7,136)</u>	
Total assets less current liabilities			<u>(10,696)</u>		<u>(5,914)</u>
Creditors: amounts falling due after more than one year	14	-		-	
Net liabilities			<u>(10,696)</u>		<u>(5,914)</u>
Capital and reserves					
Called up share capital	16		-		
Profit and loss account			(10,696)		(5,914)
Shareholders' funds			<u>(10,696)</u>		<u>(5,914)</u>

The notes on pages 13 to 21 form an integral part of the financial statements.

These financial statements were approved by the board of directors on 12 March 2019 and were signed on its behalf by:

SBS Soin
Director



Company registered number: 08994981

Consolidated Statement of Changes in Equity

	Share capital	Profit & loss account	Total
	£000	£000	£000
Balance as 1 April 2016	-	(1,527)	(1,527)
Total comprehensive income			
Loss for the period	-	(4,387)	(4,387)
	<hr/>	<hr/>	<hr/>
Total comprehensive income	-	(4,387)	(4,387)
	<hr/>	<hr/>	<hr/>
Balance at 31 March 2017	-	(5,914)	(5,914)
	<hr/>	<hr/>	<hr/>
Balance at 1 April 2017	-	(5,914)	(5,914)
Total comprehensive income			
Loss for the period	-	(4,782)	(4,782)
	<hr/>	<hr/>	<hr/>
Total comprehensive income	-	(4,782)	(4,782)
	<hr/>	<hr/>	<hr/>
Balance at 31 March 2018	-	(10,696)	(10,696)
	<hr/>	<hr/>	<hr/>

The notes on pages 13 to 21 form an integral part of the financial statements.

Company Statement of Changes in Equity

	Share capital	Profit & loss account	Total
	£000	£000	£000
Balance as 1 April 2016	-	(1,527)	(1,527)
Total comprehensive income			
Loss for the period	-	(4,387)	(4,387)
	<hr/>	<hr/>	<hr/>
Total comprehensive income	-	(4,387)	(4,387)
	<hr/>	<hr/>	<hr/>
Balance at 31 March 2017	-	(5,914)	(5,914)
	<hr/>	<hr/>	<hr/>
Balance at 1 April 2017	-	(5,914)	(5,914)
Total comprehensive income			
Loss for the period	-	(4,782)	(4,782)
	<hr/>	<hr/>	<hr/>
Total comprehensive income	-	(4,782)	(4,782)
	<hr/>	<hr/>	<hr/>
Balance at 31 March 2018	-	(10,696)	(10,696)
	<hr/>	<hr/>	<hr/>

The notes on pages 13 to 21 form an integral part of the financial statements.

Consolidated Cash Flow Statement
for year ended 31 March 2018

	<i>Note</i>	2018 £000	2017 £000
Cash flows from operating activities			
Loss after tax		(4,782)	(4,387)
<i>Add back:</i>			
Tax (credit)		82	(82)
Interest expense	6	468	92
		<hr/>	<hr/>
Operating (loss) for the year		(4,232)	(4,377)
<i>Adjustments for:</i>			
Depreciation, amortisation and impairment	10	313	105
(Increase) in trade and other debtors		(7,296)	(6,582)
Increase in trade and other creditors		11,620	12,170
		<hr/>	<hr/>
Interest paid	6	405	1,316
Tax paid		(468)	(92)
		<hr/>	<hr/>
Net cash from operating activities		(63)	1,224
		<hr/>	<hr/>
Cash flows from investing activities			
Acquisition of tangible fixed assets	10	(397)	(894)
Acquisition of intangible fixed assets		-	-
		<hr/>	<hr/>
Net cash from investing activities		(397)	(894)
		<hr/>	<hr/>
Cash flows from financing activities			
Proceeds from new loan		-	1,750
		<hr/>	<hr/>
Net cash from financing activities		-	1,750
		<hr/>	<hr/>
Net (decrease)/increase in cash and cash equivalents		(460)	2,080
Cash and cash equivalents at beginning of the period	12	2,200	120
		<hr/>	<hr/>
Cash and cash equivalents at the end of the period	12	1,740	2,200
		<hr/> <hr/>	<hr/> <hr/>

The notes on pages 13 to 21 form an integral part of the financial statements.

Notes (forming part of the financial statements)

1 Accounting policies

PFP Energy Limited (the "Company") is a private company incorporated, domiciled and registered in England in the UK. The registered number is 08994981 and the registered address is Unit 2 Edward VII Quay, Navigation Way, Preston PR2 2YF.

These Group and parent company financial statements were prepared in accordance with Financial Reporting Standard 102 *The Financial Reporting Standard* applicable in the UK and Republic of Ireland ("*FRS 102*") as issued in August 2014. The amendments to FRS 102 issued in July 2015 have been applied. The presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £1,000.

The parent company is included in the consolidated financial statements, and is considered to be a qualifying entity under FRS 102 paragraphs 1.8 to 1.12. The following exemptions available under FRS 102 in respect of certain disclosures for the parent company financial statements have been applied:

- The reconciliation of the number of shares outstanding from the beginning to the end of the period has not been included a second time;
- No separate parent company Cash Flow Statement with related notes is included; and
- Key Management Personnel compensation has not been included a second time;

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

1.1 Measurement convention

The financial statements are prepared on the historical cost basis.

1.2 Going concern

Whilst the Group and Company have made a loss for the year ended 31 March 2018 of £4,782,000, operating cash outflow of £63,000 and have net current liabilities of £12,002,000, the financial statements have been prepared on a going concern basis.

During the period the Company met its working capital requirements with a loan of £3,000,000 and a supplier agreement with Petroineos Trading Limited (*Petroineos*). Post balance sheet date the £3,000,000 loan from Petroineos has been replaced with a loan from a related party Sands Investments Limited of £3,000,000 and in November 2018 Petroineos extended their long term supplier agreement. The supplier agreement term runs to November 2020 and includes a provision to be extended beyond that date, subject to agreement with Petroineos. This agreement enables the Company to purchase commodity in advance in the forward markets, providing a commercial hedge against its commitments to customers. The agreement includes a credit limit and covenants over controllable costs, customer contribution and the delivery date of monthly management accounts and audited financial statements.

The directors have prepared cash flow forecasts for a period of 24 months from the date of approval of these financial statements which indicate that, taking account of reasonably possible downsides, the company will have sufficient funds, through loan from Sands Investments Limited and its supplier financing arrangement with Petroineos in downside cases to meet its liabilities as they fall due for that period. The Company has net current liabilities due to the effect of the current working capital management. The company does not expect any fundamental changes to the working capital position to be needed in next 12 months from approval of the financial statements. The Directors forecasts do not anticipate that the Petroineos credit limit or covenants will be breached by the Company during the term of the agreement. Should Petroineos renege on the agreement despite no breaches being made by the Company, the Company would consider alternative suppliers, sources of funding and hedging strategies. The directors do not believe that this is a realistic possibility.

The Company's forecasts and projections take account of current portfolio size, industry conditions and ongoing strategic developments, show that the Company should be operate within the level of its current facilities.

Notes (continued)

1 Accounting policies (continued)

1.2 Going concern (continued)

The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence and meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements. The Company therefore continues to adopt the going concern basis in preparing its financial statements.

1.3 Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiary undertakings made up to 31 March 2018. A subsidiary is an entity that is controlled by the parent. The results of subsidiary undertakings are included in the consolidated profit and loss account from the date that control commences until the date that control ceases. Control is established when the Company has the power to govern the operating and financial policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that are currently exercisable.

Under Section 408 of the Companies Act 2006 the Company is exempt from the requirement to present its own profit and loss account.

In the parent financial statements, investments in subsidiaries are carried at cost less impairment.

1.4 Financial instruments

Trade and other debtors / creditors

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument.

Interest-bearing borrowings classified as basic financial instruments

Interest-bearing borrowings are recognised initially at the present value of future payments discounted at a market rate of interest. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

Application of the "own use" exemption

The Company uses commodity purchase contracts to hedge its exposure to fluctuations in electricity and gas commodity prices. When commodity purchase contracts have been entered into as part of the Company's normal business activity, the Company classifies them as 'own use' contracts and therefore outside the scope of FRS 102 Sections 11 and 12. This is achieved when:

- A physical delivery takes place under such contracts
- The volumes purchased or sold under the contracts corresponds to the Company's operating requirements

1.5 Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. The estimated useful lives are as follows:

- Buildings 10 years
- Fixtures and fittings 5 years
- Computer hardware, software and infrastructure 5 years

Notes (continued)

1 Accounting policies (continued)

1.6 Intangible assets

Intangible assets are tested for impairment in accordance with Section 27 Impairment of assets when there is an indication that goodwill or an intangible asset may be impaired.

1.7 Employee benefits

Defined contribution plans and other long term employee benefits

A defined contribution plan is a post-employment benefit plan under which the company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss account in the periods during which services are rendered by employees.

1.8 Expenses

Operating lease

Payments (excluding costs for services and insurance) made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease unless the payments to the lessor are structured to increase in line with expected general inflation; in which case the payments related to the structured increases are recognised as incurred. Lease incentives received are recognised in profit and loss over the term of the lease as an integral part of the total lease expense.

Finance lease

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability using the rate implicit in the lease. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Interest receivable and Interest payable

Interest payable and similar expenses include interest payable, finance expenses on shares classified as liabilities and finance leases recognised in profit or loss using the effective interest method, unwinding of the discount on provisions, and net foreign exchange losses that are recognised in the profit and loss account (see foreign currency accounting policy).

Other interest receivable and similar income include interest receivable on funds invested and net foreign exchange gains.

Interest income and interest payable are recognised in profit or loss as they accrue, using the effective interest method. Dividend income is recognised in the profit and loss account on the date the entity's right to receive payments is established. Foreign currency gains and losses are reported on a net basis.

1.9 Revenue recognition

Revenue arises from the supply of electricity and gas and related services as these costs are incurred, amounts are derived from provision of goods and services that fall within the ordinary activities of the Group. Revenue is recognised net of value added tax (VAT).

Revenue from the supply of electricity and gas is a function of end user consumption, according to meter read data and tariff rates, net of supplies which are not billable. Revenue is recognised net of sales discounts.

Accrued revenue, representing electricity and gas supplies since the last billing date, is recognised in the balance sheet and is netted off against deferred income to the extent that it can be matched against specific customer payments.

All revenue arose from within the United Kingdom.

Notes (continued)

1 Accounting policies (continued)

1.10 Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. The following timing differences are not provided for: differences between accumulated depreciation and tax allowances for the cost of a fixed asset if and when all conditions for retaining the tax allowances have been met; and differences relating to investments in subsidiaries, to the extent that it is not probable that they will reverse in the foreseeable future and the reporting entity is able to control the reversal of the timing difference. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is provided in respect of the additional tax that will be paid or avoided on differences between the amount at which an asset (other than goodwill) or liability is recognised in a business combination and the corresponding amount that can be deducted or assessed for tax. Goodwill is adjusted by the amount of such deferred tax.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax balances are not discounted.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

1.11 Critical accounting estimates and judgements

The key estimates and judgements made by the directors in the preparation of the financial statement are in respect of revenue recognition, and the impairment of trade receivable.

Revenue recognition – estimation of usage at year end

Revenue for the supply of electricity and gas is recognised using customer tariff rates and industry usage data for each meter point. There is an inherent risk of estimation involved as not all customer meters have a reading at the year end date, and therefore an element of each customer's revenue is based upon an estimate. Following the year end, management review updated revenue estimations which are increasingly accurate as meters readings are obtained. Revenue for the year is corrected to take account of any significant variations identified post year end.

Impairment of trade receivables

Impairment against trade receivables are recognised where the loss is probable. The Directors have based their assessment of the level of impairment on collection rates experienced by the Company to date. The estimates and assumptions used to determine the level of provision will continue to be reviewed periodically and could lead to changes in the impairment provisioning methodology which would impact the income statement in future years.

Notes (continued)

2 Turnover

All turnover relates to the principal activity of the business and arises within the United Kingdom.

3 Expenses and auditors remuneration

Auditor's remuneration

	2018	2017
	£000	£000
Auditor's remuneration – audit of the group and company financial statements	60	45
	60	45

4 Staff numbers and costs

The average number of persons employed by the Group (including directors) during the year, analysed by category, was as follows:

	Number of employees	
	2018	2017
Operational	76	48
Support	18	12
	94	60

The aggregate payroll costs of these persons were as follows:

	2018	2017
	£000	£000
Wages and salaries	2,893	1,716
Social security costs	298	14
Pension costs	170	149
	3,361	1,879

5 Directors' remuneration

	2018	2017
	£000	£000
Remuneration for qualifying services	328	-
Company pension contributions	10	-
	338	-

The aggregate of remuneration of the highest paid director was £193k (2017: £nil). Pensions are accruing to three directors under the pension scheme (2017: none).

Notes (continued)

6 Interest payable and similar expenses

	2018 £000	2017 £000
Interest expenses	468	92
Total other interest payable and similar expenses	468	92

7 Taxation

(a) Total tax expense recognised in the profit and loss account, other comprehensive income and equity

	2018 £000	2017 £000
<i>Current tax</i>		
Group relief	-	-
Total current tax	-	-
<i>Deferred tax</i>		
Origination and reversal of timing differences	82	(82)
Total deferred tax	82	(82)
Total tax	82	(82)

Reconciliation of effective tax rate

	2018 £000	2017 £000
(Loss) before tax for the year	(4,700)	(4,469)
Tax (credit) using the UK corporation tax rate of 19% (2017: 20%)	(893)	(893)
Non-deductible expenses	33	20
Adjustments to brought forward values	46	-
Movement on deferred tax not recognised	810	795
Effect of change in tax rate	86	(4)
Total tax charge/(credit) included in profit or loss	82	(82)

Please note that from 1 April 2015, the main rate of corporation tax was reduced to 20%. Further reductions to 19% (effective from 1 April 2018) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015, and an additional reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2017. This will reduce the company's future current tax charge accordingly. Any deferred tax at 31 March 2018 has been calculated based on the rate of 17% being the rate substantively enacted at the balance sheet date.

Deferred tax has not been recognised in respect of carried forward trading losses of £9,639k (2017: £5,715k).

Notes (continued)

8 Intangible assets

Group and company

	Licenses £000
Cost and NBV as at 1 April 2017 and 31 March 2018	100

9 Fixed asset investments

PFP Energy Limited has one subsidiary being PFP Energy Supplies Limited (Company Number: 09135694). This is a wholly owned subsidiary which is incorporated in the UK. It is a dormant company with the same registered office as PFP Energy Limited.

10 Tangible fixed assets

Group and Company

	Buildings £000	Fixtures and fittings £000	Computer equipment £000	Total £000
Cost				
Balance at 1 April 2017	253	96	889	1,238
Additions	25	3	369	397
	278	99	1,258	1,635
Depreciation				
Balance at 1 April 2017	5	3	108	116
Depreciation charge for the year	26	20	267	313
	31	23	375	429
Net book value				
At 1 April 2017	248	93	781	1,122
At 31 March 2018	247	76	883	1,206

11 Debtors

	Group 2018 £000	2017 £000	Company 2018 £000	2017 £000
Trade debtors	1,291	1,052	1,291	1,052
Other debtors and accrued income	12,414	5,428	12,414	5,428
VAT	557	486	537	486
Deferred tax asset	-	82	-	82
	14,262	7,048	14,262	7,048

Notes (continued)

12 Cash and cash equivalents

Group and Company	2018 £000	2017 £000
Cash at bank and in hand	1,740	2,200
Cash and cash equivalents per cash flow statements	<u>1,740</u>	<u>2,200</u>

13 Creditors: amounts falling due within one year

	Group 2018 £000	2017 £000	Company 2018 £000	2017 £000
Trade creditors	9,233	4,487	9,233	4,487
Amounts owed to group undertakings	-	-	-	-
Other creditors and accruals	15,771	8,888	15,771	8,888
Derivative liability	-	9	-	9
Other loans	3,000	3,000	3,000	3,000
	<u>28,004</u>	<u>16,384</u>	<u>28,004</u>	<u>16,384</u>

Included within trade creditors is a balance due to the Company's supplier Petroineos Trading Limited. The supplier payment terms to Petroineos is on deferred payment terms of up to 60 days after the due date, and comprises part of the financing of the operations of the Company. Interest was charged on this balance at an average rate of 4.5%.

14 Creditors: amounts falling after more than one year

	Group 2018 £000	2017 £000	Company 2018 £000	2017 £000
Other loans	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

15 Operating leases

Non-cancellable operating lease rentals are payable as follows:

	Group 2018 £000	2017 £000	Company 2018 £000	2017 £000
Less than one year	97	97	97	97
Between one and five years	192	289	192	289
More than five years	-	-	-	-
	<u>289</u>	<u>386</u>	<u>289</u>	<u>386</u>

Notes (continued)

16 Share capital

	2017	2016
	£	£
<i>Allotted, called up and fully paid</i> 100 ordinary shares of £1 each	100	100

17 Ultimate parent company and parent company of larger group

The Company is a subsidiary undertaking of PFP Energy Holdings Limited, an entity incorporated in Cyprus. The group has no ultimate controlling party.

The largest and group in which the results of the Company and its group are consolidated is that headed PFP Energy Limited. No other group financial statements include the results of the Company.