Flow Energy Limited

Annual Report and Financial Statements

For the year ended 31 December 2016

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COMPANIES HOUSE

Company No. 7489062

Company Information

Company Registration number:	7489062
Registered office:	Felaw Maltings 48 Felaw Street Ipswich IP2 8PN
Directors:	A D Stiff A J Beasley N P Canham M J Gibson
Company secretary:	P M Barry
Bankers:	HSBC Bank plc 4 Hardman Square Spinningfields Manchester M3 3EB
Solicitors:	Atticus Legal LLP 3rd Floor Castlefield House Liverpool Road Castlefield Manchester M3 4SB
Independent auditors:	PricewaterhouseCoopers LLP Chartered Accountants & Statutory Auditors 101 Barbirolli Square, Lower Mosley Street, Manchester M2 3PW

Index to the financial statements

Strategic report

The directors present their strategic report for the year ended 31 December 2016.

Business review and future developments

Energy delivered 150% growth in customer fuel account numbers in 2016, rising from around 100,000 customer fuel accounts at the end of 2015 to around 250,000 at the end of 2016. We believe that we can continue to grow, having laid firm foundations for the business that set us apart from both the Big Six and other challenger suppliers.

Our wholesale energy partnership with Shell allows us access to collateral-free trading and provides hedging capability, which reduces the amount of cash required when onboarding a new customer and protects us against volatility in wholesale prices. Our reputation for outstanding customer service has been further strengthened as we have bedded down an internal culture focused on efficiency combined with customer focus. We believe that while the energy market is often described as commoditised, there are clear differences between the players in the energy market, and we believe we have already created a competitive, differentiated position for ourselves that will help us to drive growth.

Our focus for the business will be to acquire new customers at the lowest cost, retain our existing customers for longer and maintain good levels of service while reducing the cost of servicing customers. We are in the process of opening a range of acquisition channels outside of the price comparison sites which we believe have the potential to reduce our acquisition costs. We have strong engagement from our customers with our digital account management tools and continually drive operational efficiencies, both of which reduce our operational costs. We also invest significant resource in ensuring that we continue to develop the customer experience in a way that is appealing to customers and continues to differentiate us from our competition.

Financial Review and KPIs

Set out below is an extract of the Financial Statements for the years ended 31 December 2016 and 2015 together with an analysis of the key performance indicators.

	2016	2015
	£000	£000
Turnover	**98,400**	40,079
Gross profit	**7,229**	3,413
Gross profit %	**7.3%**	8.5%
Operating loss	**(9,031)**	(5,476)
Fixed assets	**2,373**	500
Cash at 31 December	**1,372**	1,658

Strategic report

Results

Turnover during the year ended 31 December 2016 was £98,399,589 and compares to £40,078,694 during 2015.

Gross margin during the year was 7.3% (2015: 8.5%) with a fall in margins arising from weather variations and energy market conditions during the year.

Operating losses increased to £9,030,831 from £5,476,461 reflecting customer acquisition costs and the increased investment in staffing and infrastructure as we prepare for further growth.

Working capital

Growth of the energy services business has seen the level of trade debtors increase to £12,586,261 (2015: £4,512,375).

The level of both trade debtors and trade creditors is closely monitored within the Company as it seeks to ensure a tight control of working capital requirements.

Principal risks and uncertainties

Flow Energy Limited is subject to a number of risks and uncertainties which include:

- Availability of adequate funding
- Failure of the suppliers of essential goods and services
- Political and other regulatory factors
- Market share
- Energy markets
- Data management

The directors have in place measures to monitor all business risks and to ensure that they are addressed in business plans and policies.

Future prospects

We believe that the UK energy market represents a significant opportunity. With our disruptive approach, strong partnerships in place and growing brand awareness, we believe that we can deliver growth in 2017 and beyond.

SIGNED ON BEHALF OF THE BOARD

NP Canham
Director
14 September 2017

Report of the directors

The directors present their report and the audited financial statements of the company for the year ended 31 December 2016.

Disclosures in respect of the Company's performance and position, future outlook and key performance indicators are included in the Strategic report of pages 3 and 4 and are included in this report by cross reference.

Principal activity

The principal activity of the Company during the year was energy supply.

Results and dividends

Turnover for the year was £98,399,589 (2015: £40,078,694). The loss for the financial year amounted to £9,159,694 (2015: £5,512,459). The directors do not recommend the payment of a dividend (2015: £nil).

Going concern

The Company manages its capital so as to maximise the return to its ultimate parent undertaking. The ultimate parent undertaking has given written assurances that it will continue to provide financial support to the Company for at least 12 months from the date of approval of the financial statements and accordingly the directors continue to adopt the going concern basis.

Financial risk management

The Company uses various financial instruments that include loans, cash and other items, including trade receivables, trade payables and forward energy purchase contracts arising directly from its operations. The main purpose of these financial instruments is to finance the Company's operations.

The main risks arising from the Company's financial instruments are credit risk and commodity risk.

Credit risk

The Company's principal financial assets are cash and trade receivables.

The credit risk associated with trade receivables is part mitigated by the policy to offer direct debit as the preferred customer payment method. The Company's policy is to provide for doubtful debts based on estimated irrecoverable amounts determined by reference to specific circumstances and past default experience.

Report of the directors

Commodity risk

As an energy supplier the Company has risk both in terms of the customer volumes and energy pricing. Volumes are taken from industry data with expected customer demand being derived from models taking account of seasonal variations. The resultant energy demand is then secured by forward fixed price energy purchase contracts. The Company does not take speculative positions on either price or volume, with all energy being purchased for anticipated customer requirements.

Other risk and uncertainties

The directors consider that the Company's other risk and uncertainties are: attraction and retention of key employees, energy pricing / procurement and the credit risk arising on trade debtors.

Directors

The directors who held office during the year and up to the date of signing the financial statements are given below:

A D Stiff

A J Beasley

N P Canham

M J Gibson

Statement of Directors' responsibilities

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

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

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

Report of the directors

Statement of Directors' responsibilities continued

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.

The directors 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.

Directors' indemnities

As permitted by the Articles of Association, the Directors have the benefit of an indemnity which is a qualifying third party indemnity provision as defined by Section 234 of the Companies Act 2006. The indemnity was in force throughout the last financial year and is currently in force. The Company also purchased and maintained throughout the financial year Directors' and Officers' liability insurance in respect of itself and its Directors

Statement of disclosure of information to auditors

In so far as each of the directors is aware:

- there is no relevant audit information of which the Company's auditors are unaware; and
- the directors have taken all steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Independent Auditors

PricewaterhouseCoopers LLP, having expressed their willingness to continue in office as independent auditors will be deemed reappointed for the next financial year in accordance with section 487(2) of the Companies Act 2006 unless the Company receives notice under section 488(1) of the Companies Act 2006.

SIGNED ON BEHALF OF THE BOARD

N P Canham
Director
14 September 2017

Independent auditors' report to the members of Flow Energy Limited

Report on the financial statements

Our opinion

In our opinion Flow Energy Limited's financial statements (the 'financial statements'):

- give a true and fair view of the state of the company's affairs as at 31 December 2016 and of its loss 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.

What we have audited

The financial statements, included within the Annual Report and Financial Statements (the 'Annual Report') comprise:

- the balance sheet as at 31 December 2016;
- the profit and loss account for the year then ended;
- the statement of changes in equity for the year then ended; and
- the notes to the financial statements, which include a summary of principal accounting policies and other explanatory information.

The financial reporting framework that has been applied in their preparation is United Kingdom Accounting Standards comprising FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland and applicable law. (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinion on other matter prescribed by the Companies Act 2006

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

- the information given in the Strategic Report and the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Report of the Directors have been prepared in accordance with applicable legal requirements.

In addition, in the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Strategic Report and the Report of the Directors. We have nothing to report in this respect.

Independent auditors' report to the members of Flow Energy Limited

Other matters on which we are required to report by exception.

Adequacy of accounting records and information and explanations received

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

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept, 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.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of Directors' Responsibilities set out on pages 6 and 7, 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 & Ireland) ('ISAs (UK & Ireland)'). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Independent auditors' report to the members of Flow Energy Limited

Our responsibilities and those of the directors (continued)

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

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK and Ireland). 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.

We primarily focus our work in these areas by assessing the director's judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

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. With respect to the Strategic Report and Report of the Directors, we consider whether those reports include the disclosures required by applicable legal requirements.

H. Mcnamara

Hazel Macnamara (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Manchester
14 September 2017

Profit and loss account

for the year ended 31 December 2016

	Note	2016 £	2015 £
Turnover	3	**98,399,589**	40,078,694
Cost of sales		**(91,170,663)**	(36,665,495)
Gross profit		**7,228,926**	3,413,199
Administrative expenses		**(16,259,757)**	(8,889,660)
Operating loss		**(9,030,831)**	(5,476,461)
Interest payable and similar expenses		**(128,863)**	(35,998)
Loss before taxation	3	**(9,159,694)**	(5,512,459)
Tax on loss	6	**-**	-
Loss for the financial year		**(9,159,694)**	(5,512,459)

All activities are derived from continuing operations.

The Company has no items of other comprehensive income in the current or prior year and consequently no statement of other comprehensive income has been presented.

The notes on pages 14 to 25 are an integral part of these financial statements.

Balance sheet

as at 31 December 2016

	Note	2016 £	2015 £
Fixed assets			
Intangible assets	7	**1,871,005**	337,192
Tangible assets	8	**501,749**	162,690
		2,372,754	499,882
Current assets			
Debtors	9	**19,822,715**	6,750,528
Cash at bank and in hand		**1,372,395**	1,658,314
		21,195,110	8,408,842
Creditors: amounts falling due within one year	10	**(45,288,736)**	(21,567,741)
Net current liabilities		**(24,093,626)**	(13,158,899)
Total assets less current liabilities		**(21,720,872)**	(12,659,017)
Net liabilities		**(21,720,872)**	(12,659,017)
Capital and reserves			
Called up share capital	12	**1,000**	1,000
Other reserves		**331,923**	234,084
Accumulated losses		**(22,053,795)**	(12,894,101)
Total shareholders' deficit		**(21,720,872)**	(12,659,017)

The notes on pages 14 to 25 are an integral part of these financial statements.

These financial statements on pages 11 to 25 were approved by the board of directors and authorised for issue on 14 September 2017 and are signed on its behalf by:

N P Canham

Director

Flow Energy Limited

Company No: 7489062

Statement of changes in equity

for the year ended 31 December 2016

	Called up share capital £	Other reserves £	Accumulated losses £	Total shareholders' deficit £
Balance at 1 January 2015	1	105,322	(7,381,642)	(7,276,319)
Proceeds from shares issued	999	-	-	999
Share-based payments	-	128,762	-	128,762
Loss for the financial year and total comprehensive loss	-	-	(5,512,459)	(5,512,459)
Balance at 31 December 2015	**1,000**	**234,084**	**(12,894,101)**	**(12,659,017)**
Share-based payments	-	97,839	-	97,839
Loss for the financial year and total comprehensive loss	-	-	(9,159,694)	(9,159,694)
Balance at 31 December 2016	**1,000**	**331,923**	**(22,053,795)**	**(21,720,872)**

Other Reserves

Other reserves relate to share based payment charges for share options granted in Flowgroup plc to employees of the company. Details of the share options are disclosed within the financial statements of Flowgroup plc.

Notes to the financial statements

1 General information

Flow Energy Limited is a private company limited by shares incorporated in England and Wales and a provider of energy services primarily to the domestic market. The address of its registered office is disclosed on page 1.

2 Principal accounting policies

Statement of compliance and basis of preparation

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

The Company Financial Statements are prepared on a going concern basis under the historical cost convention.

The accounting policies have been consistently applied to all financial years presented unless otherwise stated.

Exemptions taken

The entity satisfies the criteria of being a qualifying entity as defined in FRS 102. Its Financial Statements are consolidated into the Group Financial Statements of Flowgroup plc. The Company has taken advantage of the disclosure exemptions set out in FRS 102 specifically in relation to the Company not preparing its own cash flow statement, the disclosure of transactions between companies within the same group, certain financial instrument disclosures, share-based payment disclosures and the non disclosure of the compensation of key management personnel.

Notes to the financial statements

2 Principal accounting policies (continued)

Going concern

The directors of Flowgroup plc have given written assurances that the ultimate parent company will continue to support the Company for a period of at least 12 months from the date of approving these financial statements and accordingly the directors have adopted the going concern basis in preparing the Company's financial statements.

Key accounting estimates and assumptions

The preparation of Financial Statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise their judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Financial Statements are:

(i) Turnover recognition

Turnover from the supply of energy is recognised using customer tariff rates and industry settlement data specific to the energy business net of estimated supplies that are not billable based on historical patterns. Industry settlement data is the estimated quantity that the relevant system operator deems individual suppliers to have supplied. In determining the turnover recognised management have estimated the amounts likely to be billed following the reconciliation of industry settlement data to customer meter read data.

(ii) Impairment of trade debtors

Impairments against trade debtors are recognised where a loss is probable. Within the energy business management have based their assessment of the level of impairment applicable to trade debtors on prior industry experience as well as the collection rates being experienced. The estimates and assumptions used to determine the level of provision are regularly reviewed and such reviews could lead to changes in the assumptions, which may impact the profit and loss account in future periods.

Turnover

Turnover comprises of the fair value of the consideration received or receivable for the supply of energy in the ordinary course of the Company's activities excluding VAT and trade discounts and is recognised as the related costs are incurred. Such revenue is derived from end user consumption extracted from industry settlement data and contractual tariff rates net of any supplies that are not billable.

Notes to the financial statements

2 Principal accounting policies (continued)

Intangible assets

Computer software is stated at cost net of amortisation and any provision for impairment.

Amortisation is calculated so as to write off the cost, less estimated residual value, over the useful economic life of 3 years.

Annually, the directors consider whether any events or circumstances have occurred that could indicate that the carrying amount of fixed asset or intangible assets may not be recoverable. If such circumstances do exist, a full impairment review is undertaken to establish whether the carrying amount exceeds the higher of net realisable value or value in use. If this is the case, an impairment charge is recorded to reduce the carrying value of the assets.

Customer acquisition costs paid to third parties are included at cost and amortised over the first year of the customer contract.

Tangible assets

Tangible fixed assets are stated at cost net of depreciation and any provision for impairment.

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

Property, plant & equipment - 33 ⅓% on cost

Annually the directors consider whether any events or circumstances have occurred that could indicate that the carrying amount of fixed asset or intangible assets may not be recoverable. If such circumstances do exist, a full impairment review is undertaken to establish whether the carrying amount exceeds the higher of net realisable value or value in use. If this is the case, an impairment charge is recorded to reduce the carrying value of the assets.

Notes to the financial statements

2 Principal accounting policies (continued)

Share based payments

All goods and services received in exchange for the grant of any share-based payment are measured at their fair values. Where employees are rewarded using share-based payment, the fair values of employees' services are determined indirectly by reference to the fair value of the instrument granted to the employee. This fair value is appraised at the grant date and excludes the impact of non-market vesting conditions (for example, profitability and sales growth targets).

The share based payment charges for share options granted in Flowgroup plc shares have been recognised within these financial statements with a corresponding increase in equity, as the services provided by the employees were in respect of this Company.

Shell Energy Europe Limited holds a warrant to subscribe for shares (or the equivalent in cash at their call) in Flow Energy Limited. This arrangement is being accounted for as a cash settled share based payment arrangement with the estimated final value being accrued over the 5 year life of the energy supply arrangements.

Financial instruments

The company has chosen to adopt the Sections 11 and 12 of FRS 102 in respect of financial instruments.

Basic financial assets, including trade and other debtors and cash and bank balances are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Such assets are subsequently carried at amortised cost using the effective interest method.

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

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

Notes to the financial statements

2 Principal accounting policies (continued)

Financial instruments (continued)

Basic financial liabilities, including trade and other creditors and amounts owed to fellow group companies that are classified as debt, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest. Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade creditors 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. Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

Taxation

The tax currently payable is based on taxable profits for the financial year. The liability for current tax is calculated using tax rates that have been enacted or substantively enacted at the balance sheet date.

Deferred tax is recognised on all timing differences where the transactions or events that give the Company an obligation to pay more tax in the future, or a right to pay less tax in the future, have occurred by the balance sheet date. Deferred tax assets are recognised when it is more likely than not that they will be recovered. Deferred tax is measured on an undiscounted basis using rates of tax that have been enacted or substantively enacted by the balance sheet date.

Operating leases

Costs in respect of operating leases are charged to the profit and loss account on a straight line basis over the lease term.

Notes to the financial statements

2 Principal accounting policies (continued)

Employee benefits

The company provides a range of benefits to employees, including annual bonus arrangements, paid holiday arrangements and defined benefit pension plans.

Short term benefits, including holiday pay and other similar non-monetary benefits, are recognised as an expense in the period in which the service is received.

The company operates an annual bonus plan for employees. An expense is recognised in the profit and loss account when the company has a legal or constructive obligation to make payments under the plan as a result of past events and a reliable estimate of the obligation can be made.

The company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the company pays fixed contributions into a separate entity. Once the contributions have been paid the company has no further payment obligations. The contributions are recognised as an expense when they are due. Amounts not paid are shown in accruals in the balance sheet. The assets of the plan are held separately from the company in independently administered funds.

Cash

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

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Notes to the financial statements

3 **Turnover and loss before taxation**

Turnover and loss before taxation are attributable to the principal activity of the company and arose entirely within the United Kingdom.

The loss before taxation is stated after charging:

	2016	2015
	£	£
Impairment allowance on trade debtors	**2,992,966**	1,241,025
Depreciation of owned fixed assets	**173,620**	123,532
Amortisation of intangible assets	**3,201,723**	232,334
Operating lease payments	**403,290**	154,359

Auditors' remuneration of £20,000 (2015: £20,000) has been borne without recharge by the ultimate parent undertaking Flowgroup plc.

Fees for non audit services paid to the Company's auditors in the year were £7,500 (2015:£Nil).

4 **Employee information**

Staff costs, including directors, during the year were as follows:

	2016	2015
	£	£
Wages and salaries	**4,664,858**	2,813,290
Social security costs	**336,225**	274,012
Other pension costs	**53,843**	45,194
	5,054,926	3,132,496

The monthly average number of employees of the Company during the year was 212 (year ended 2015: 115) all of which were engaged in sales and administrative activities.

The cost of share options granted to employees during the year was £ 97,839 (2015: £128,762)

Notes to the financial statements

5 Directors emoluments

	2016	2015
	£	£
Aggregate emoluments	**101,716**	112,145

Three directors (2015: three) did not receive any remuneration in respect of their services to the company in respect of the current or the previous year. The remuneration they receive is borne by another group company.

6 Tax on loss

	2016	2015
	£	£
Current tax charge	**-**	-

Factors affecting the tax charge for the year

The tax assessed for the year is higher than (year ended 2015: higher) the standard rate of corporation tax in the United Kingdom of 20.00% (year ended 2015 20.25%). The differences are explained as follows:

	2016	2015
	£	£
Loss on ordinary activities before taxation	**(9,159,694)**	(5,512,459)
Loss on ordinary activities before taxation multiplied by standard rate of corporation tax in the United Kingdom of 20% (year ended 2015: 20.25%)	**(1,831,939)**	(1,116.273)
Effect of:		
Expenses not deductible for tax purposes	**99,497**	28,204
Tax rate differences	**416,458**	276,625
Movement in deferred tax not provided	**1,315,984**	811,444
Tax charge for financial year	**-**	-

Unrelieved tax losses of £14,557,518 (2015: £9,354,728) remain available to offset against future taxable trading profits. No deferred tax asset has been recognised in respect of the losses as the recoverability is uncertain (note 11).

Notes to the financial statements

6 Tax on loss continued

Factors affecting current and future tax charges

Reductions in the rate of UK Corporation tax from 20% to 19% with effect from 1 April 2017 and from 19% to 17% with effect from 1 April 2020 were substantively enacted on 26 October 2015 and 6 September 2016 respectively. As the Company currently has no recognised deferred tax assets the change in tax rates has had no impact on the Financial Statements.

7 Intangible assets

	Customer acquisition costs	Software	**Total**
	£	£	**£**
Cost			
At 1 January 2016	-	876,796	876,796
Additions	3,928,719	806,817	4,735,536
At 31 December 2016	**3,928,719**	**1,683,613**	**5,612,332**
Accumulated amortisation			
At 1 January 2016	-	539,604	539,604
Charge for the year	2,568,211	633,512	3,201,723
At 31 December 2016	**2,568,211**	**1,173,116**	**3,741,327**
Net book value			
At 31 December 2016	**1,360,508**	**510,497**	**1,871,005**
At 31 December 2015	-	**337,192**	337,192

8 Tangible assets

	Property, plant & equipment
	£
Cost	
At 1 January 2016	431,661
Additions	512,679
At 31 December 2016	**944,340**
Accumulated depreciation	
At 1 January 2016	268,971
Charge for the year	173,620
At 31 December 2016	**442,591**
Net book value	
At 31 December 2016	**501,749**
At 31 December 2015	162,690

Notes to the financial statements

9 Debtors

	2016 £	2015 £
Trade debtors	**12,586,261**	4,512,375
Amounts owed by group undertakings	**172,227**	193,135
Other debtors	**4,384,348**	1,406,173
Prepayments and accrued income	**2,679,879**	638,845
	19,822,715	6,750,528

Amounts owed by group undertakings are unsecured, interest free and repayable on demand.

Trade debtors are stated after provisions for impairment of £5,513,186 (2015: £2,651,346)

10 Creditors: amounts falling due within one year

	2016 £	2015 £
Trade creditors	**1,790,455**	387,967
Amounts owed to holding company	**11,629,002**	10,197,376
Accruals and deferred income	**31,869,279**	10,982,398
	45,288,736	21,567,741

Amounts owed to the holding company are unsecured, interest free and repayable on demand.

11 Deferred taxation

The unprovided deferred tax asset at 17% (2015: 18%) comprises:

	2016 £	2015 £
Short term timing differences	**(146,343)**	(477,242)
Accelerated capital allowances	**(937,242)**	(81,286)
Trade losses	**(2,474,778)**	(1,683,851)
	(3,558,363)	(2,242,379)

Notes to the financial statements

12 Called up share capital

Allotted and fully paid.

	2016	2015
	£	£
1,000 (2015: 1,000) Ordinary shares of £1 each	1,000	1,000
	1,000	1,000

13 Financial commitments

As at 31 December 2016 the Company had forward contracts for energy delivery through 2017 totalling £21,093,000 (2015: £15,089,000).

The future aggregate minimum lease payments under non-cancellable lease arrangements are:

	2016 £	2015 £
Within one year	-	86,964
Within 2-5 years	-	102,916
	-	189,880

Following renegotiation of the Company's principal property leases during the year there are no longer any lease commitments with the obligation now being that of Flowgroup plc.

14 Agreements with Shell Energy Europe Limited

The wholesale energy agreement with Shell Energy Europe Limited entered into during December 2015 contains a number of financial covenants, warranties and representations and in particular includes security over the business and assets of Flow Energy Limited and a charge over the shareholding in Flow Energy Limited held by Flowgroup plc. The indebtedness under these arrangements on 31 December 2016 was £7,218,538 (2015: £nil).

Additionally Shell Energy Europe Limited holds a warrant to subscribe for shares (or the equivalent in cash at their call) in Flow Energy Limited. The value is equivalent to 10% of the growth in value of Flow Energy Limited between the inception of the arrangements and the date of exercise. This arrangement is being accounted for as a cash settled share based payment arrangement with the estimated final value being accrued over the 5 year life of the energy supply arrangements. The cost charged during the year was £680,535 (2015-£Nil).

Notes to the financial statements

15 **Ultimate parent company and controlling related party**

The immediate and ultimate parent undertaking of this Company is Flowgroup plc, which is the only company to consolidate the company financial statements. Consolidated Financial Statements for Flowgroup plc are available from the Company Secretary, Flowgroup plc, 3rd Floor Castlefield House, Liverpool Road, Castlefield, Manchester, M3 4SB.

The directors do not consider there to be a controlling party of the ultimate parent company.