

Flow Energy Limited
Annual Report and Financial Statements
For the year ended 31 December 2017



Company No. 7489062

Company Information

Company Registration number:	7489062
Registered office:	Cooperative House Warwick Technology Park Gallows Hill Warwick CV34 6DA
Directors:	D A Bird P M Dubois E G Parker
Company secretary:	E G Parker
Bankers:	HSBC Bank plc Vitrum St Johns Innovation Park Cowley Road Cambridge CB4 0DS
Independent auditors:	PricewaterhouseCoopers LLP Chartered Accountants & Statutory Auditors The Atrium 1 Harefield Road Uxbridge UB8 1EX

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Strategic report

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

Business review, future developments and post balance sheet events

The Company made significant progress during 2017, improving the operational efficiency of the business and delivering cost savings.

Over the same period, the Company maintained outstanding levels of customer service (the Company was ranked in the top 2 per Which? energy supplier rankings at January 2018) and improved the quality of Flow Energy's customer base, improving underlying gross margins and routes to market. However, the headwinds facing challenger suppliers, in particular the impact of the Government's price cap, increasing industry costs and the significant number of new entrants to the market pursuing aggressive pricing strategies, have continued to strengthen.

The response of the "big six" energy suppliers to Government policy developments is likely to lead to an erosion of the differential between the prices challenger suppliers are able to offer and the tariffs being offered by the big six.

Accordingly the management of Flowgroup plc recognised that the business needed the support of a larger energy business and following a sale process on 1 May 2018 Flow Energy Limited was acquired by Co-operative Energy Limited. The process of integrating Flow with Co-operative Energy is now ongoing bringing synergy gains from the sharing of resources.

Financial Review and KPIs

Set out below is an extract of the Financial Statements for the years ended 31 December 2017 and 2016 together with an analysis of the key performance indicators.

	2017	2016
	£000	£000
Turnover	137,549	98,400
Gross profit	7,743	7,229
Operating loss	(15,375)	(9,031)
Fixed assets	1,500	2,373
Cash at 31 December	139	1,372
Gross profit %	5.6%	7.3%

Strategic report

Results

Turnover during the year ended 31 December 2017 was £137,549,498 and compares to £98,399,589 during 2016.

Gross margin during the year was 5.6% (2016: 7.3%) with a fall in margins arising from weather variations and energy market conditions during the year.

Operating losses increased to £15,374,928 from £9,030,831 reflecting challenging collection conditions, customer acquisition costs and an increased investment in staffing and infrastructure.

Working capital

Growth of the energy services business has seen the level of trade debtors increase to £20,629,918 (2016: £12,586,261).

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.

SIGNED ON BEHALF OF THE BOARD



Edward Parker

Secretary

27 September 2018

Report of the directors

The directors present their report and the audited financial statements of the company for the year ended 31 December 2017.

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 £137,549,498 (2016: £98,399,589). The loss for the financial year amounted to £16,739,522 (2016: £9,159,694).

The directors do not recommend the payment of a dividend (2016: £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 J Beasley (resigned 1 May 2018)
N P Canham (resigned 1 May 2018)
M J Gibson (resigned 1 May 2018)
A D Stiff (resigned 30 November 2017)
D A Bird (appointed 1 May 2018)
P M Dubois (appointed 1 May 2018)
E G Parker (appointed 1 May 2018)

Statement of Directors' responsibilities

The directors are responsible for preparing Annual Report and 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 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.

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.

Directors' indemnities

As permitted by the Articles of Association, the Directors had the benefit of an indemnity which was 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. 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

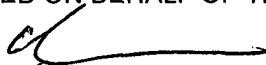
In so far as each of the directors is aware:

- 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



Edward Parker

Secretary

27 September 2018

Independent auditors' report to the members of Flow Energy Limited

Report on the financial statements

Opinion

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

- give a true and fair view of the state of the company's affairs as at 31 December 2017 and of its loss and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the balance sheet as at 31 December 2017; the profit and loss account, the statement of cash flows, the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Independent auditors' report to the members of Flow Energy Limited

Conclusions relating to going concern

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

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

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Report of the Directors, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Independent auditors' report to the members of Flow Energy Limited

Strategic Report and Report of the Directors

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Report of the Directors for the year ended 31 December 2017 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Report of the Directors.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

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

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

Auditors responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Independent auditors' report to the members of Flow Energy Limited

Use of this report

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

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.



Matthew Mullins (Senior Statutory Auditor)

For and on behalf of PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

Uxbridge

27 September 2018

Profit and loss account

for the year ended 31 December 2017

	Note	2017 £	2016 £
Turnover	3	137,549,498	98,399,589
Cost of sales		(129,806,416)	(91,170,663)
Gross profit		7,743,082	7,228,926
Administrative expenses		(23,118,010)	(16,259,757)
Operating loss		(15,374,928)	(9,030,831)
Interest payable and similar expenses		(1,364,594)	(128,863)
Loss before taxation	3	(16,739,522)	(9,159,694)
Tax on loss	7	-	-
Loss for the financial year		(16,739,522)	(9,159,694)

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 16 to 29 are an integral part of these financial statements.

Balance sheet

as at 31 December 2017

		2017	2016
	Note	£	£
Fixed assets			
Intangible assets	8	1,097,234	1,871,005
Tangible assets	9	402,552	501,749
		1,499,786	2,372,754
Current assets			
Debtors	10	26,746,560	19,822,715
Cash at bank and in hand		138,667	1,372,395
		26,885,227	21,195,110
Creditors: amounts falling due within one year	11	(66,210,038)	(45,288,736)
Net current liabilities		(39,324,811)	(24,093,626)
Total assets less current liabilities		(37,825,025)	(21,720,872)
Provision for liabilities and charges	13	(480,000)	-
Net liabilities		(38,305,025)	(21,720,872)
Capital and reserves			
Called up share capital	14	1,000	1,000
Other reserves		487,292	331,923
Accumulated losses		(38,793,317)	(22,053,795)
Total shareholders' deficit		(38,305,025)	(21,720,872)

The notes on pages 16 to 29 are an integral part of these financial statements.

These financial statements on pages 12 to 29 were approved by the board of directors and authorised for issue on 27 September 2018 and are signed on its behalf by:



Peter Dubois
Director

Flow Energy Limited
Company No: 7489062

Statement of changes in equity

for the year ended 31 December 2017

	Called up share capital £	Other reserves £	Accumulated losses £	Total shareholders' deficit £
Balance at 1 January 2016	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)
Share-based payments	-	155,369	-	155,369
Loss for the financial year and total comprehensive loss	-	-	(16,739,522)	(16,739,522)
Balance at 31 December 2017	1,000	487,292	(38,793,317)	(38,305,025)

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.

Statement of cash flows

for the year ended 31 December 2017

		2017	2016
	Note	£	£
Cash flows (used in) / generated from operating activities			
Cash (consumed by) / generated from operations	16	(16,985,945)	3,530,670
Cash flows used in investing activities			
Expenditure on intangible assets		(2,870,282)	(4,735,736)
Purchase of tangible fixed assets		(183,605)	(512,679)
		(3,053,887)	(5,248,215)
Cash flows from financing activities			
Increase in amounts due to Flowgroup plc		18,806,104	1,431,626
Net decrease in cash and cash equivalents		(1,233,728)	(285,919)
Cash and cash equivalents at the beginning of the year		1,372,395	1,658,314
Cash and cash equivalents at the end of the year		138,667	1,372,395

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.

Going concern

The directors of The Midcounties Co-operative Limited 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. Industry settlement data is the estimated quantity that the relevant system operator deems individual suppliers to have supplied to their customers within its area.

Notes to the financial statements

2 Principal accounting policies (continued)

Key accounting estimates and assumptions (continued)

(ii) Impairment of trade debtors

Impairments against trade debtors are recognised where a loss is probable either from being unable to bill all consumed energy or any non payment following billing. Management have based their assessment of the level of non payment and unbillable 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 impairment 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 industry settlement data and contractual tariff rates.

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.

Notes to the financial statements

2 Principal accounting policies (continued)

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
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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.

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.

Notes to the financial statements

2 Principal accounting policies (continued)

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.

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.

Notes to the financial statements

2 Principal accounting policies (continued)

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.

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.

Notes to the financial statements

2 Principal accounting policies (continued)

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.

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:

	2017	2016
	£	£
Impairment allowance on trade debtors	6,503,446	2,992,966
Depreciation of owned fixed assets	282,802	173,620
Amortisation of intangible assets	2,871,605	3,201,723
Operating lease payments	702,939	403,290
Exceptional write off of intangible assets	772,448	-
Exceptional reorganisation costs	480,000	-

Exceptional items relate to the write off of software and reorganisation costs to drive operational efficiency.

Auditors' remuneration of £20,000 (2016: £20,000) has been borne without recharge by the ultimate parent undertaking.

Fees for non audit services paid to the Company's auditors in the year were £7,500 (2016:£7,500).

4 Employee information

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

	2017	2016
	£	£
Wages and salaries	6,107,763	4,664,858
Social security costs	452,256	336,225
Other pension costs	151,152	53,843
	<u>6,711,171</u>	<u>5,054,926</u>

The monthly average number of employees of the Company during the year was 255 (2016: 212) all of which were engaged in sales and administrative activities.

The cost of share options granted to employees during the year was £155,369 (2016: £97,839).

Notes to the financial statements

5 Share based payments

Employees of the Company participated in the Flowgroup plc SAYE Share Option Scheme and senior management were members of the executive share option schemes. Under all Schemes options were granted over the ordinary shares of Flowgroup plc with an exercise value of not less than the market value on grant except that SAYE options carry a discount of 20% to the market price on grant.

The movement in the number of share options is set out below:

	2017 Number	Weighted average exercise price (pence)	2016 Number	Weighted average exercise price (pence)
Number of outstanding share options at 1 January	4,037,329	12.9	3,590,498	13.6
Granted during the year	28,497,600	1.0	1,046,274	11.0
Lapsed during the year	(9,119,632)	4.2	(599,893)	13.5
Number of outstanding share options at 31 December	23,415,297	1.8	4,036,879	12.9

The cost of share options is based on the total cost attributed for all options given to employees of Flowgroup plc and subsidiary companies with the cost being allocated on the basis of the number of participating employees. The charge for the year ended 31 December 2017 was £155,369 (2016: £97,839).

6 Directors emoluments

	2017 £	2016 £
Aggregate emoluments	98,961	101,716

Three directors (2016: 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 received was borne by another group company.

Notes to the financial statements

7 Tax on loss

	2017	2016
	£	£
Current tax charge	-	-

Factors affecting the tax charge for the year

The tax assessed for the year is higher than (2016: higher) the standard rate of corporation tax in the United Kingdom of 19.25% (2016 20.00%). The differences are explained as follows:

	2017	2016
	£	£
Loss before taxation	(16,739,522)	(9,159,694)
Loss before taxation multiplied by standard rate of corporation tax in the United Kingdom of 19.25% (2016: 20%)	(3,222,358)	(1,831,939)
Effect of:		
Expenses not deductible for tax purposes	98,337	99,497
Tax rate differences	305,857	416,458
Movement in deferred tax not provided	2,818,164	1,315,984
Tax charge for financial year	-	-

Unrelieved tax losses of £24,377,463 (2016: £14,557,518) 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 12).

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.

Notes to the financial statements

8 Intangible assets

	Customer acquisition costs £	Software £	Total £
Cost			
At 1 January 2017	3,928,719	1,683,613	5,612,332
Additions	1,953,312	916,970	2,870,282
Disposals	-	(1,006,260)	(1,006,260)
At 31 December 2017	5,882,031	1,594,323	7,476,354
Accumulated amortisation			
At 1 January 2017	2,568,211	1,173,116	3,741,327
Charge for the year	2,492,558	379,047	2,871,605
Disposals	-	(233,812)	(233,812)
At 31 December 2017	5,060,769	1,318,351	6,379,120
Net book value			
At 31 December 2017	821,262	275,972	1,097,234
At 31 December 2016	1,360,508	510,497	1,871,005

9 Tangible assets

	Property, plant & equipment £
Cost	
At 1 January 2017	944,340
Additions	183,605
At 31 December 2017	1,127,945
Accumulated depreciation	
At 1 January 2017	442,591
Charge for the year	282,802
At 31 December 2017	725,393
Net book value	
At 31 December 2017	402,552
At 31 December 2016	501,749

Notes to the financial statements

10 Debtors

	2017 £	2016 £
Trade debtors	20,629,918	12,586,261
Amounts owed by group undertakings	175,400	172,227
Other debtors	4,555,104	4,384,348
Prepayments and accrued income	1,386,138	2,679,879
	26,746,560	19,822,715

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

Trade debtors are stated after provisions for impairment of £11,978,149 (2016: £5,513,186)

11 Creditors: amounts falling due within one year

	2017 £	2016 £
Trade creditors	3,139,610	1,790,455
Amounts owed to holding company	30,435,106	11,629,002
Accruals and deferred income	32,635,322	31,869,279
	66,210,038	45,288,736

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

12 Deferred taxation

The unprovided deferred tax asset at 17% (2016: 17%) comprises:

	2017 £	2016 £
Short term timing differences	(2,036,285)	(937,242)
Accelerated capital allowances	(196,073)	(146,343)
Trade losses	(4,144,169)	(2,474,778)
	(6,376,527)	(3,558,363)

Notes to the financial statements

13 Provision for liabilities and charges

	2017	2016
	£	£
Due within one year	174,747	-
Due after more than one year	305,253	-
	<u>480,000</u>	<u>-</u>
Charged to the profit and loss account and carried forward at 31 December 2017	<u>480,000</u>	<u>-</u>

The provisions comprise empty property and redundancy costs.

14 Called up share capital

Allotted and fully paid.

	2017	2016
	£	£
1,000 (2016: 1,000) Ordinary shares of £1 each	1,000	1,000
	<u>1,000</u>	<u>1,000</u>

15 Lease commitments

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

	2017	2016
	£	£
Within one year	-	-
Within 2-5 years	-	-
	<u>-</u>	<u>-</u>

Following renegotiation of the Company's principal property leases during 2016 there are no longer any lease commitments with the obligation now being that of Flowgroup plc.

Notes to the financial statements

16 Cash (consumed by) / generated from operations

	2017 £	2016 £
Loss before taxation	(16,739,522)	(9,159,694)
Adjustments for		
Exceptional items	1,252,448	-
Depreciation	282,802	173,620
Amortisation	2,871,605	3,201,723
Share based payments	155,369	97,839
Movements in working capital		
Increase in debtors	(6,923,845)	(13,072,187)
Increase in creditors	2,115,198	22,289,369
Cash (consumed by) / generated from operations	<u>(16,985,945)</u>	<u>3,530,670</u>

17 Financial instruments

Capital risk management

The Company manages its capital in line with Group policy. The overall strategy remains unchanged and seeks to minimise costs and liquidity risk giving priority to security then to liquidity and then to yield.

The capital structure of the Company consists of amounts owed to the holding company of £30,435,106 (2016: £11,629,002) and cash and cash equivalents of £138,667 (2016: £1,372,395).

The Company manages the capital structure, and makes adjustments to it, in the light of changes in economic conditions and the risk characteristics of the underlying assets.

Categories of financial instruments

	2017 £	2016 £
Financial assets		
Loans and receivables (including cash and cash equivalents)	19,302,858	13,958,656
Financial liabilities		
Amortised cost	<u>66,210,038</u>	<u>45,288,736</u>

Notes to the financial statements

17 Financial instruments (continued)

Commodity risk

Management monitors energy prices and will initiate instruments to manage exposure when it is deemed appropriate. The overall strategy remains unchanged and seeks to minimise costs and liquidity risk giving priority to security then to liquidity and then to yield.

As an energy supplier the Company has risk both in terms of customer volumes and energy pricing. Forward fixed price energy purchase contracts are used to manage the risks. As at 31 December 2017 the Company had forward contracts for energy delivery within one year of £38,811,000 (2016: £21,093,000) and in one to two years of £3,073,000 (2016: £Nil).

18 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 2017 was £8,474,000 (2016: £7,218,538).

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 charge recognised during the year ended 31 December 2016 of £680,535 was fully reversed during 2017 as recent transactions within the energy sector indicate that there is no value to be accounted for.

19 Related party transactions

	2017 £	2016 £
Management charges from Flowgroup plc	1,350,000	1,350,000
Funding received from Flowgroup plc	18,806,104	1,431,626
Key management compensation	98,961	101,716

20 Post balance sheet events

On 1 May 2018 the Company's issued share capital was acquired by Co-operative Energy Limited.

Notes to the financial statements

21 Ultimate parent company and controlling related party

From 1 May 2018 the immediate parent undertaking is Co-operative Energy Limited which itself is a wholly owned subsidiary of The Midcounties Co-operative Limited.

Prior to this date the ultimate and immediate parent undertaking was Flowgroup plc.

The directors regard The Midcounties Co-operative Limited as the ultimate controlling entity.