

Utilisoft Limited

Annual Report and Financial Statements

Registered number 02931236

Year ended 31 December 2018



Directors

A Green
M C Hirst
S Gosling
P Galati

Secretary

Brodies Secretarial Services Limited

Independent Auditors

PricewaterhouseCoopers LLP
1 Hardman Square
Manchester M3 3EB

Registered Office

Utilihouse
East Terrace
Euxton Lane
Chorley
Lancashire PR7 6TE

Contents

Page No.

Strategic report	1
Directors' report	4
Statement of directors' responsibilities	6
Independent auditors' report	7
Profit and loss account and other comprehensive income	10
Balance sheet	11
Statement of changes in equity	12
Notes to the financial statements	13

Strategic report

The directors present their strategic report for the year ended 31 December 2018. The net current assets of the company as at 31 December 2018 are £15,661,230 (31 December 2017 net current assets: £4,465,439).

Principal activities and review of the business

The principal activities of the company during the period was the provision of software and managed services for participants in the energy and utility markets and the sale of pre-accredited energy supply companies.

The past 12 months have been very successful for the company. With significant progress in both profit and turnover growth, we have continued to invest heavily in our market leading SaaS software platform and data analytics applications which prepare us for the roll out of the UK smart grid program and impending technology enablement. We have continued to acquire a number of new clients; in fact, a further 8 new Energy suppliers in the period have been contracted to enter the UK Energy market. At the same time our focus has remained on preparing our clients and building our teams in readiness for the mandated smart meter roll out. The Board and management teams are continually improving our software services and delivery methodologies ensuring we drive improved service levels and innovation for both our clients and their end customers.

The business growth has led to further office expansion which allows us to provide a suitable vibrant and creative workplace for our development and technical teams to work within. With increasing headcount, we are now exploring further office options to allow consolidation of the smaller offices into one larger office which will improve the working environment further. We have also taken steps to further future proof the business by continuing to invest in our CRM and Billing solution into the UK market. This will ensure we remain the market leader and have continue to access new markets as the business continues to grow. Importantly we continue to successfully invest in new and existing applications within our SaaS software platform, primarily to address the impending UK Smart Grid roll out and Data Analytics market opportunities.

Finally, following the acquisition of the Aprose entities on 22nd May 2018 management took the decision to hive up the net assets into Utilisoft Ltd from 01st July 2018 to consolidate all trading into a single entity. This was a strategic acquisition for the group as it further enhanced our offering of Smart Grid solutions and increased the company's market coverage.

Key performance indicators (KPIs)

Management monitors the following KPIs across the group to ensure the business performs in line with expectations and that issues are identified promptly and efficiency measures can be quantified. The key KPIs are as follows:

- Revenue growth – +78.56% (2017: +5.94%)
- Gross profit ÷ +79.72% (2017: +7.68%)
- EBITDA – +118.37% (2017: +4.33%)

The rate of growth has been secured by the increase in recurring revenues and the number of new contract wins. We have successfully extended many major partnership contracts and continued to develop the bandwidth of services and benefits that we provide to our clients.

The financial performance in the period was excellent with sales revenue of £32.3m up 78.56% on the prior year. Aprose accounted for £2.39m of the sales in the year.

Strategic report *(continued)*

Market

The positive financial performance was further underpinned by strong independent sector market growth and we expect this to remain positive in the coming year. This will be further strengthened by government legislation and policy, the continued development of our CRM and Billing system, the start of the eagerly anticipated mass smart meter rollout and business expansion expectations for 2019.

We have seen a slight slowdown in the number of new independent energy suppliers entering the UK market this year, however, we continue to see an improvement in the potential scale of new entrants as many of our growing pipeline are large corporate entities with ambitious growth plans.

The UK Government's target through DECC (Department of Energy and Climate Change) still remains for energy suppliers to install some 53 million smart meters by 2020 which is driving significant investment and opportunity to the business. The move to a digital smart grid infrastructure will drive significant future revenues and data opportunities for the business and further strengthen our market position in both our core software platforms and services.

We believe present and future UK legislation and policies will further support the expansion and development of the independent energy market within the UK, which despite the impressive growth of the independents in the past year, they still only control a combined 25% market share. We are fully engaged with DECC (Department of Energy and Climate Change), Elexon, Ofgem and Ofwat initiatives to significantly improve the energy and utilities markets through technology change, such as new faster switching principles for consumers and Half Hourly settlements. In the coming years these initiatives will of course require further software development and analytics capabilities which will allow us to further develop revenue possibilities.

Looking ahead, we believe that the growth in the energy market will be supportive of our business. We also have strong strategic levers that will enable us to deliver future years of expansion and profitable growth. In addition, our new smart grid and analytics innovations provide the potential to internationalise our operations. The transformation of the UK energy market from "analogue to digital" is a one off event and will drive innovation along with opportunity and I firmly believe our people expertise, passion and the bond we have with our clients will continue to drive our business to be best in class and deliver mutual success.

Risk management objectives and policies

Risk management is an important element of the management process throughout the Group, of which Utilisoft Limited was a part during the financial period, and is considered on a Group basis. Internal controls have been developed to address the main business risks which are considered to be:

Strategic:

The company operates in a new market and seeks to ensure that it delivers effective solutions to its existing and potential clients.

Operational:

The company's most important assets are its employees, clients and Intellectual Property Rights (IPR).

Employees are recruited carefully to address the needs of the business. Appropriate training is provided to support the development of employees.

The needs of the company's clients are addressed to ensure that they are appropriate and a dedicated dispute resolution manager is employed to resolve any issues which may arise.

Strategic report (*continued*)

Risk management objectives and policies (*continued*)

The company also recognises the importance of its IT infrastructure and back office systems to deliver its services. The company has the appropriate controls in place to secure its data and maximise the operational efficiency of its systems. The company also has controls in place to safeguard the IPR that it owns. The company also has established procedures to maintain its appropriate accreditations.

Controls exist to ensure information is made available to enable management to monitor the performance of the company.

Liquidity risk

The Company manages its cash in a manner designed to ensure maximum benefit is gained whilst ensuring security of investment sources. The Group's policy on investment of surplus funds is to place deposits at institutions with strong credit ratings to manage the Company's credit risk exposure.

Currency risk

The Company have overseas trade receivables which are paid in Euros directly into a Euro bank account. As the company has no overseas liabilities these monies are from time to time exchanged to sterling at spot rate.

Credit risk

The Company's credit risk is primarily attributable to trade receivables and cash.

Credit risk with respect to trade receivables is due to the Company's trading with a limited number of companies who are generally large utility companies or financial institutions though there a number of small new entrants who are a greater risk. The Company has reviewed these and does not expect in the normal course of events that these debts are at significant risk apart from the ones already provided for.

The Company is constantly concentrating on recovering certain debts which are overdue.

The directors are satisfied that the appropriate processes are in place to monitor the risks facing the group.

Approved by the Board on 25th April 2019 and signed on its behalf by:



S Gosling
Director

Directors' report

The directors present their report and audited financial statements for Utilisoft Limited for the year ended 31 December 2018.

Results and dividends

The profit before taxation amounted to £12,437,351 (31 December 2017: £5,755,679). Profit for the financial period after taxation amounted to £10,939,362 (31 December 2017: £5,382,161). The directors do not recommend payment of a dividend (31 December 2017: £nil).

Future developments

We have seen a continued strategic investment within the business throughout the period in response to the expanding market and the movement to a "digital utility" market creating numerous opportunities for growth and innovation. We believe present and future UK legislation and policies will further support the expansion of our business. We are fully engaged with DECC (Department of Energy and Climate Change), Elexon, Ofgem and Ofwat initiatives to significantly improve the energy and utilities markets through technology change, such as new faster switching principles for consumers, water competition and Half Hourly settlements. In the coming years these initiatives will of course require further software development and analytics capabilities which will allow us to further develop revenue possibilities.

Risk management objectives and policies

These have been disclosed on pages 1 to 3 of the strategic report.

Research and development

The company continues to invest in research and development principally in respect of the development of software solutions to manage the industry process, dataflow and automation of core processes for energy market participants. During the current period, the company has recognised grant income of £357,575 under the Research and Development Expenditure Credit in respect of expenditure on qualifying development projects.

Going concern

The directors believe that the use of the going concern basis of accounting is appropriate. The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

Directors

The directors of the company who were in office during the period and up to the date of signing the financial statements were:

A Green
M C Hirst
S Gosling
P Galati

Employee involvement

Continued people development is at the core of our business philosophy. We have continued to invest in our people with further revisions to our training and mentoring academy to ensure the future talent within the business is cultivated with care. We have also invested in further office space and are looking at constructing a new larger office to consolidate the recent headcount expansion.

The Company recognises and seeks to encourage the involvement of its employees, with the aim being the recruitment, motivation and retention of quality employees throughout the Company.

Directors' report (*continued*)

Employee involvement (*continued*)

The Company's employment policies, including the commitment to equal opportunity, are designed to attract, retain and motivate employees regardless of sex, race, religion or disability. Equality of treatment includes full and fair assessment of applications and extends to training and continuing career development.

The Company is committed to ensuring and communicating the requirements for a safe and healthy working environment for all employees, consistent with health and safety legislation and, wherever practicable, gives full consideration to applications for employment from disabled persons.

Charitable and political donations

Charitable cash donations of £4,113 were made in the year ending 31 December 2018 (31 December 2017: £2,340). In addition, staff gave their time and contributed to Christmas gifts for local charities. No political donations were made by the Company in either period.

Disclosure of information to the auditors

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

Independent auditors

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be re-appointed and PricewaterhouseCoopers LLP will therefore continue in office.

On behalf of the Board



S Gosling
Director
25th April 2019

Registered No. 2931236

Statement of directors' responsibilities

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

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 FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", 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 United Kingdom 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.

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.

Independent auditors' report to the members of Utilisoft Limited

Report on the audit of the financial statements

Opinion

In our opinion, Utilisoft Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its profit 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 2018; the profit and loss account and other comprehensive income, the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

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

Independence

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

Conclusions relating to going concern

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.

We have nothing to report in respect of the above matters.

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. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the company's trade, customers, suppliers and the wider economy.

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

Independent auditors' report to the members of Utilisoft Limited (continued)

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 Directors' report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' report for the year ended 31 December 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of directors' responsibilities set out on page 6, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' responsibilities for the audit of the financial statements

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

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

Use of this report

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

Independent auditors' report to the members of Utilisoft Limited (continued)

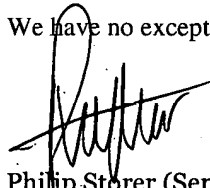
Other required reporting

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.



Philip Storer (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Manchester
25th April 2019

Profit and loss account and other comprehensive income

for the year ended 31 December 2018

		<i>Year ended 31 December 2018</i>	<i>9 Months Period ended 31 December 2017</i>
	<i>Note</i>	<i>£</i>	<i>£</i>
Turnover	2	32,303,223	18,090,748
Cost of sales		(273,953)	(269,144)
Gross profit		32,029,270	17,821,604
Administrative expenses		(19,945,118)	(12,357,960)
Other operating income		357,575	299,113
Operating profit	3	12,441,727	5,762,757
Interest receivable and similar income		345	671
Interest payable and similar expenses		(4,721)	(7,749)
Profit before taxation		12,437,351	5,755,679
Tax on profit	6	(1,497,989)	(373,518)
Profit for the financial period/year		10,939,362	5,382,161
Other comprehensive income		-	-
Total comprehensive income for the period/year		10,939,362	5,382,161

All amounts relate to continuing activities.

Balance sheet

as at 31 December 2018

		As at 31 December 2018 £	As at 31 December 2017 £
	Note		
Non-Current Assets			
Tangible assets	7	1,712,713	1,848,620
Deferred Tax Asset	8	55,833	85,412
		<u>1,768,546</u>	<u>1,934,032</u>
Current assets			
Stocks	9	85,675	81,324
Debtors	10	14,773,035	6,749,159
Cash at bank and in hand		5,759,533	2,228,898
		<u>20,618,243</u>	<u>9,059,381</u>
Creditors: amounts falling due within one year	11	<u>(5,047,956)</u>	<u>(4,593,942)</u>
Net current assets		<u>15,570,287</u>	<u>4,465,439</u>
Total assets less current liabilities		<u>17,338,833</u>	<u>6,399,471</u>
Net assets		<u>17,338,833</u>	<u>6,399,471</u>
Capital and reserves			
Called up share capital	15	5,000	5,000
Profit and loss account		17,333,833	6,394,471
Total Shareholders' funds		<u>17,338,833</u>	<u>6,399,471</u>

The notes on pages 13 to 24 are an integral part of these financial statements.

The financial statements on pages 10 to 24 were approved by the Board of Directors on 25th April 2019 and are signed on their behalf by:



S Gosling
Director
Registered number 02931236

Statement of changes in equity

for the year ended 31 December 2018

	<i>Called up share capital</i> £	<i>Profit and loss account</i> £	<i>Shareholders' funds</i> £
At 1 April 2017	5,000	1,012,310	1,017,310
Total comprehensive income for the period	-	5,382,161	5,382,161
As at 31 December 2017 and 1 January 2018	5,000	6,394,471	6,399,471
Total comprehensive income for the year	-	10,939,362	10,939,362
At 31 December 2018	<u>5,000</u>	<u>17,333,833</u>	<u>17,338,833</u>

Notes to the financial statements

for the year ended 31 December 2018

Utilisoft Limited (Company number 02931236) is a private company limited by guarantee incorporated and domiciled in England and Wales. The registered office and principal place of business is: Utilihouse, East Terrace, Euxton Lane, Chorley, Lancashire, England, PR7 6TE.

1. Accounting policies

Basis of preparation

Utilisoft Limited (the "Company") is a company limited by guarantee and incorporated and domiciled in the UK.

The financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards, also in accordance with Companies Act 2006.

These 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*"). The presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £1.

The Company's ultimate parent undertaking includes the Company in its consolidated financial statements. The consolidated financial statements of ESG-Utiligroup Holdings LLC are available to the public and may be obtained from Companies House, Crown Way, Maindy, Cardiff, CF14 3UZ. In these financial statements, the Company is considered to be a qualifying entity (for the purposes of the FRS) and has applied for the exemptions available under the FRS 102 in respect of the following disclosures:

- Cash flow statement and related notes.

As the consolidated financial statements of ESG-Utiligroup Holdings LLC include the equivalent disclosures, the Company has also taken the exemptions under FRS 102 available in respect of the following disclosures:

- The disclosures required by FRS 102.11 Basic Financial Instruments and FRS 102.12 Other Financial Instrument Issues in respect of financial instruments not falling within the fair value accounting rules of Paragraph 36(4) of Schedule 1.

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

Going concern

The directors believe that the use of the going concern basis of accounting is appropriate. The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

Revenue

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts and other sales related taxes.

The supply of managed services are invoiced and the income is recognised when the contractual terms are met.

Group financial statements

Under the provision of section 401 of the Companies Act 2006, the Company is exempt from preparing group financial statements as it is consolidated within the financial statements of its parent undertaking and controlling party, ESG-Utiligroup Holdings, LLC.

Notes to the financial statements *(continued)*

for the year ended 31 December 2018

1. Accounting policies (continued)

Investments

Investments held at cost less accumulated impairment losses.

The carrying values of investments are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and any recognised impairment loss. Cost comprises purchase price and other directly attributable costs. Depreciation is charged so as to write off the cost of assets to their residual values over their estimated useful lives, using the straight-line method, on the following bases:

Leasehold improvements	–	over the lease term
Fixtures and fittings	–	5 years
Equipment	–	3 years

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the profit and loss account.

The asset residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Research and development

Expenditure undertaken by the Company on research activities is recognised in the profit and loss account as incurred.

Expenditure on development costs which relates to the application of research to the development of new products or processes are now also recognised in the profit and loss account as incurred.

The company makes an annual claim under the Research and Development Expenditure Credit scheme and these costs are recognised as deferred income on the Balance Sheet. These credits are treated as grant income and are released to the Profit and Loss account in line with the applicable fixed asset depreciation policy.

Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date.

Taxation

Tax on the profit or loss for the period 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.

Notes to the financial statements *(continued)*

for the year ended 31 December 2018

1. Accounting policies *(continued)*

Taxation (continued)

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 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.

Leasing commitments

Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease.

Basic 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.

Other financial instruments

Financial instruments not considered to be Basic financial instruments (Other financial instruments)

Other financial instruments not meeting the definition of Basic Financial Instruments, which include derivative assets and liabilities, are recognised initially at fair value. Subsequent to initial recognition other financial instruments are measured at fair value with changes recognised in profit.

Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks and bank overdrafts.

Critical accounting judgements and key source of estimation uncertainty

Notes to the financial statements *(continued)*

for the year ended 31 December 2018

1. Accounting policies *(continued)*

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the application of the accounting policies and the reported amounts of assets and liabilities, revenue and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are reasonable under the circumstances. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

i) Useful economic lives of tangible assets

The annual depreciation charge for tangible fixed assets is sensitive to changes in the estimated useful economic lives and residual values of assets. The useful economic lives and residual values are assessed annually. They are amended when necessary to reflect current estimates, based on technological advancements, future investments, economic utilisation and the physical condition of the assets. See note 7 for the carrying amount of tangible fixed assets and note 1 for the useful economic lives for each class of asset.

ii) Taxation

Management estimation is required to determine the amount of deferred tax assets that can be recognised, based upon likely timing and level of future taxable profits together with an assessment of the effect of future tax planning strategies.

Notes to the financial statements *(continued)*

for the year ended 31 December 2018

2. Turnover

Turnover, which is stated net of value added tax, represents amounts invoiced to third parties and is attributable to one continuing activity, as stated in the directors' report.

All turnover is generated for operations solely within the UK.

Turnover analysed by category was as follows:

	31 December 2018	9 months period ended 31 December 2017
	£	£
Licence and managed services	26,069,482	13,422,210
Professional services	6,233,741	4,668,538
	<u>32,303,223</u>	<u>18,090,748</u>

3. Operating profit

Operating profit is stated after charging / (crediting):

	31 December 2018	9 months period ended 31 December 2017
	£	£
Depreciation of owned fixed assets (note 7)	7 955,817	496,681
Operating lease rentals – buildings	400,550	268,318
Research and development expenditure credit claim	(357,575)	(299,113)
Auditors' remuneration:		
Statutory Audit Services	65,644	71,000
Tax and related services	24,620	30,005

Notes to the financial statements *(continued)*

for the year ended 31 December 2018

4. Staff costs

	31 December 2018	9 Months Period ended 31 December 2017
	£	£
Wages and salaries	12,133,294	7,178,336
Social security costs	1,302,896	777,599
Other pension costs	570,778	339,234
	<u>14,006,968</u>	<u>8,295,169</u>

The average monthly number of employees during the year was made up as follows:

	31 December 2018 No.	31 December 2017 No.
Administration	<u>330</u>	<u>263</u>

5. Directors' emoluments

	31 December 2018 £	9 months period ended 31 December 2017 £
Total emoluments (excluding pension contributions)	647,500	485,625
Pension contributions	16,859	12,188
Other benefits	2,328	2,596
Total	<u>666,687</u>	<u>500,409</u>
Emoluments of the highest paid director		
Total emoluments (excluding pension contributions)	237,500	178,125
Pension contributions	9,078	6,563
Other benefits	657	713
Total	<u>247,234</u>	<u>185,401</u>

The Directors remuneration is in relation to their services to the Utiligroup Group as a whole. These costs were borne by Utilisoft Limited, and no recharge was made. The directors of the company are also directors of the holding company and fellow subsidiaries. The directors do not believe that it is practicable to apportion this amount between their services as directors of the company and their services as directors of the holding and fellow subsidiary companies.

Other than the directors disclosed on within these financials, the company has 367 employees as at 31 December 2018 (period ended 31 December 2017: 284).

Notes to the financial statements *(continued)*

for the year ended 31 December 2018

6. Tax on profit

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

	31 December 2018 £	31 December 2017 £
Current tax:		
UK corporation tax at 19% (31 December 2017: 19%)	1,437,253	317,274
Adjustments in respect of prior periods	103,933	(33,340)
Total current tax	<u>1,541,186</u>	<u>283,934</u>
Deferred tax:		
Origination and reversal of timing differences	(3,839)	94,549
Effect of decreased tax rate on opening balance	-	-
Adjustments in respect of prior periods	33,418	(4,965)
Total deferred tax	<u>29,579</u>	<u>89,584</u>
Total tax	<u>1,570,765</u>	<u>373,518</u>

All tax is recognised within the profit and loss account for the current year and prior period.

(b) Factors affecting total tax for the year

The tax assessed for the year differs from (2017: differs from) the standard rate of corporation tax in the UK of 19% (31 December 2017: 19%). The differences are explained below:

	31 December 2018 £	31 December 2017 £
Profit before taxation	<u>12,437,351</u>	<u>5,755,679</u>
Profit before taxation multiplied by standard rate of corporation tax in the UK of 19% (31 December 2017: 19%)	2,363,097	1,093,579
<i>Effects of:</i>		
Expenses not deductible for tax purposes	3,603	1,710
Effect of change in tax rate	452	(11,276)
Additional adjustment for R&D expenditure	-	(105,595)
Group relief claimed	(976,754)	(568,327)
Capital allowances in excess of depreciation	2,167	1,732
Adjustments in respect of prior periods	137,351	(38,305)
Other tax adjustments, reliefs and transfers	40,849	-
Total tax expense included in the profit and loss account	<u>1,570,765</u>	<u>373,518</u>

Notes to the financial statements *(continued)*

for the year ended 31 December 2018

6. Tax on profit *(continued)*

(c) Deferred tax

	£
At 1 January 2018 (note 8)	(85,412)
Provided during the year	(3,839)
Adjustment in respect of prior years	33,418
At 31 December 2018 (note 8)	<u>(55,833)</u>

(d) Factors that may affect future tax charges

The rate of UK corporation tax that was enacted at the balance sheet date was 19%. The UK government has previously announced that the UK corporation tax rate will reduce further to 18% (effective 1 April 2020), these reductions were substantively enacted on 26 October 2015. An additional reduction to 17% (effective from 1 April 2020) was confirmed again in the Budget on 8 March 2017.

Deferred tax assets and liabilities on all timing differences have been calculated at 18% being the rate of UK corporation tax enacted at the balance sheet date/at which they are expected to reverse. The impact of the above changes will reduce the company's future current tax charge and deferred tax liability accordingly, the impact of which is not considered to be material

7. Tangible assets

	<i>Leasehold improvements</i>	<i>Fixtures and fittings</i>	<i>Equipment</i>	<i>Total</i>
	£	£	£	£
Cost:				
At 1 January 2018	32,837	398,769	2,694,382	3,125,988
Additions	-	57,338	762,572	819,910
At 31 December 2018	<u>32,837</u>	<u>456,107</u>	<u>3,456,954</u>	<u>3,945,898</u>
Accumulated Depreciation				
At 1 January 2018	14,911	163,431	1,099,026	1,277,368
Charge for the period	6,768	80,875	868,174	955,817
At 31 December 2018	<u>21,679</u>	<u>244,306</u>	<u>1,967,200</u>	<u>2,233,185</u>
Net book value:				
At 31 December 2018	<u>11,158</u>	<u>211,801</u>	<u>1,489,754</u>	<u>1,712,713</u>
At 31 December 2017	<u>17,926</u>	<u>235,338</u>	<u>1,595,356</u>	<u>1,848,620</u>

Notes to the financial statements *(continued)*

for the year ended 31 December 2018

8. Deferred Tax Asset

Deferred taxation provided in the financial statements are as follows:

	31 December 2018	31 December 2017
	£	£
Fixed asset timing differences	26,856	74,136
Other timing differences	28,977	11,276
	<u>55,833</u>	<u>85,412</u>

There are no unrecognised deferred tax assets or liabilities.

	£
At 1 January 2018	85,412
Adjusted in respect of prior periods	(29,579)
At 31 December 2018	<u>55,833</u>

9. Stocks

	31 December 2018	31 December 2017
	£	£
Companies held for resale	<u>85,675</u>	<u>81,324</u>

Companies held for resale represent costs incurred in achieving accredited energy supplier status for Limited companies held for sale.

10. Debtors

	31 December 2018	31 December 2017
	£	£
Trade debtors	6,238,492	5,389,423
Amounts owed by group undertakings	7,703,171	886,629
Corporation tax receivable	-	139,360
Prepayments and accrued income	831,372	333,747
	<u>14,773,035</u>	<u>6,749,159</u>

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

Notes to the financial statements *(continued)*

for the year ended 31 December 2018

11. Creditors: amounts falling due within one year

	31 December 2018	31 December 2017
	£	£
Trade creditors	493,490	437,711
Corporation tax payable	389,829	-
Other taxation and social security	2,049,704	1,356,310
Accruals	303,605	816,493
Deferred income	1,811,328	1,983,428
	<u>5,047,956</u>	<u>4,593,942</u>

Included within other creditors is £96,088 relating to outstanding contributions payable to the pension scheme (2017: £74,425).

12. Commitments under operating leases

Future minimum rentals payable under non-cancellable operating leases are as follows:

	31 December 2018	31 December 2017
	Land and buildings £	£
Within one year	267,116	266,386
In two to five years	1,066,274	1,066,274
Over five years	372,016	639,131
	<u>1,705,406</u>	<u>1,971,791</u>

Notes to the financial statements (continued)

for the year ended 31 December 2018

13. Share based payment transactions

The profit interest units are those operated by the ultimate parent company, they were granted on a discretionary basis to existing or new executives pursuant to executive investment agreement approved by the board. These grants of options are accounted for under section 26 of FRS 102- Share Based Payments.

The exercise price is the fair value of the award at the date of grant. The cost is recognised on a straight-line basis over the vesting period of the underlying award. The fair value of the profit interest unit awards was determined using a Black-Scholes pricing model. The assumptions used in calculating the fair value of profit interest unit awards represent management's best estimate.

The following are the weighted averages of the variables used to estimate the profit interest units' fair value:

- Exercise price – Each award contains a distribution threshold, as defined in the award, which establishes a price level at which the share will begin to participate in the event of a liquidity event
- Term – Management estimates the term to be 3 years for shares granted in 2017.
- Volatility – Management has determined the volatility for awards based on analysis of reported data for a group of peer guideline companies over a period that matches the term assumption for these units. Management has determined the volatility for awards to be 35% for shares granted in 2017
- Risk Free Rate – A risk-free rate for a security with a 5 year maturity was used based on an interpolation of the US Treasury bond rates for securities with 5 year maturities for shares granted in 2017
- Dividend Rate – The Company does not anticipate paying regular dividends, other than dividends to members for tax obligations, in the foreseeable future; therefore the expected dividend yield is expected to be zero.

A reconciliation of option movements over the period to 31 December 2018 and year to 31 December 2017 is shown below:

	31 December 2018	Weighted average exercise price	31 December 2017	Weighted average exercise price
	Number		Number	
Outstanding at 1 January	4,096,793	0.16	-	-
Granted during the period	-	-	4,096,793	0.14
Forfeited in the period	(12,939)	0.16	-	-
Exercised in the period	-	-	-	-
Outstanding at 31 December	<u>4,083,854</u>	<u>0.16</u>	<u>4,096,793</u>	<u>0.14</u>
Exercisable at 31 December	-	-	-	-

The total charge for the year relating to employee share based payment plans was £90,943 (2017 - £69,099) all of which related to equity settled share based payment transactions.

14. Related party transactions

The company has taken advantage of the exemption available under FRS 102 not to disclose transactions with other group companies which meet the criteria that all subsidiary undertakings which are party to the transactions are wholly owned by the ultimate controlling parent.

Notes to the financial statements *(continued)*

for the year ended 31 December 2018

15. Called up share capital

	31 December 2018 £	31 December 2017 £
Authorised:		
250,000 (2017: 250,000) Ordinary 'A' shares of £0.01	250,000	250,000
250,000 (2017: 250,000) Ordinary 'B' shares of £0.01	250,000	250,000
	<u>500,000</u>	<u>500,000</u>
	31 December 2018 £	31 December 2017 £
Allotted, called up and fully paid:		
250,000 (2017: 250,000) Ordinary 'A' shares of £0.01	2,500	2,500
250,000 (2017: 250,000) Ordinary 'B' shares of £0.01	2,500	2,500
	<u>5,000</u>	<u>5,000</u>

A and B class shares have equal voting rights of 1 vote per share.

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

16. Ultimate parent company

The company is a wholly owned subsidiary of Utiligroup Holdings Limited, a company incorporated in England & Wales. Following the company sale by its owners on 14 April 2017, the Ultimate parent is Accel-KKR by virtue of its controlling holding in ESG-Holdings LLC. ESG-Utiligroup Holdings LLC is both the smallest and largest group for which group financial statement are prepared and in which the company is included. The consolidated financial statements of ESG-Utiligroup Holdings LLC are available to the public and may be obtained from Companies House, Crown Way, Maindy, Cardiff, CF14 3UZ.