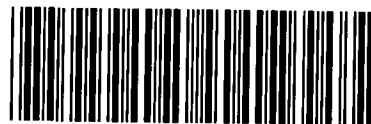


Utilita Energy Limited
Financial Statements
For the year ended
31 March 2022



Utilita Energy Limited

Financial Statements

Year ended 31 March 2022

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Utilita Energy Limited

Officers and Professional Advisers

The board of directors

W.N. Bullen
M.D.E. Smith

Company secretary

M.D.E. Smith

Registered office

Hutwood Court
Bournemouth Road
Chandler's Ford
Eastleigh
SO53 3QB

Auditor

CLA Evelyn Partners Limited
Chartered accountants & statutory auditor
4th Floor Cumberland House
15-17 Cumberland Place
Southampton
SO15 2BG

Utilita Energy Limited

Strategic Report

Year ended 31 March 2022

Principal activity

The principal activity of the company during the year was the supply of electricity and gas. We specialise in supplying gas and electricity to residential customers in GB.

Business review

The year has seen the most dramatic events the energy industry has seen in a generation, over 30 energy supply companies have exited the market (usually at considerable cost to customers via the Supplier of Last Resort (SoLR) levy), energy wholesale spot prices have increased by over 300%, (for electricity the increase was around 250% and for gas around 450%) between March 2021 and March 2022, and retail prices, governed under the Default Tariff Cap (Ofgem's price controls) increased by 13% over the same period.

Since March 2022 energy wholesale prices have risen further and the expected annual price to be paid by our customers at medium consumption levels exceeded £3,500 per annum from 01 October 2022, up from £1,277 per annum up to 31 March 2022, however, this is now being capped by HM Government at £2,500 for the average consumption dual fuel customer.

Customer switching virtually ceased from September 2021, and the company experienced a small fall in customer numbers since that date. Utilita Energy Limited has a policy of hedging for all of its customer energy requirements in advance, so that when the very high wholesale energy spot prices were encountered over the winter 2021-22 very little of the energy required had to be purchased at these high prices. In fact, mainly due to lower than expected customer numbers and a mild March, our hedge position was long and we were therefore able to sell excess energy into the market at a significant profit.

Included in turnover, as part of sales of energy back to the market, is an amount of £60.6m and included in cost of sales is an amount of £21.0m, being the cost of buying that energy.

This net £39.6m represents an exceptional gain from hedging energy. Energy was hedged for the winter 2021-22 based on expected customer numbers at expected consumption. When energy delivered to customers was less than had been forward purchased Utilita Energy Limited sold the excess back to the market at a price significantly higher than the price agreed at the time of agreeing to purchase that energy.

This exceptional gain was a result of following the company's prudent hedging policy and was not a result of speculative trading, nor did it result from additional charges to customers.

The energy supply business to retail customers incurred a loss of £11.7m. The Default Tariff Cap and customers inability to pay were significant factors in this retail loss.

The directors report that the turnover of the company has increased by 26% to over £1bn (2021 4% decrease to £813m). The number of supply points that energy is supplied to has increased by 3% (2021 2%). An increase in turnover is predicted for the year 2022-23, however, due to market conditions (lack of switching in the market) it is expected that customer numbers and supply points will remain static. The company has, however, still grown with the net addition of 27k (2021 18k) customers, and 47k (2021 32k) energy supply points, during the year bringing the total customer base to 820k (2021 793k) and 1,453k (2021 1,406k) energy supply points. The company remains in the top 10 largest energy suppliers in GB and one of the largest prepayment meter energy suppliers. Some 89% of Utilita's customers are prepayment, 89% smart installed, and over 60% of our customers have regularly used the My Utilita app.

The turmoil in the energy sector has led to extra demands being placed on the resources of the group. The wholesale energy purchasing agreement with our major supplier has enabled the company to hedge all of its future energy requirements and has provided support in these turbulent times.

The company has made a profit before tax in the current year of £27.9m (2021 £1.2m). However, as mentioned above this was made up of a £39.6m profit on the sale of excess energy hedges and a loss of £11.7m in the core energy retail business. The onerous safeguard tariff cap and bad debt continue to be the main reasons for the losses of the retail business. Due to the way the Default Tariff Cap is calculated it is expected that the company will be profitable in 2022/23.

Utilita Energy Limited

Strategic Report *(continued)*

Year ended 31 March 2022

The company is operating in a regulated market with price caps imposed by the regulator, Ofgem. The cap set for prepayment customers remains at a level that makes it difficult for even an efficient energy supplier such as Utilita to be profitable. There is a significant amount of cross subsidisation inherent in the cap where DD customers subsidise PPM customers, due to the low level of DD customers Utilita Energy Limited is negatively impacted by this. The methodology of the prepayment meter cap is being continually changed by the regulator, further revisions to the methodology are planned by Ofgem, the impact of which is difficult to determine at this time.

The group has continued to install smart prepayment meters at its customers' homes, 89% (2021 88%) of our customers now have such a meter. This is the highest penetration of smart meters of all suppliers. The percentage is affected by new customers having to have an installation and customers leaving after their meter has been installed. Prepayment customers have a relatively high cost to serve compared to a Direct Debit (DD) customer, this is mitigated by installing a smart meter. We also continue to drive efficiencies in the business operations and cash collection through the use of technology, self-service and process improvements.

Utilita Energy Limited successfully bid for the energy supplies of Omni Energy (one of the many retail energy supply companies to fail in the winter of 2021-22) and transitioned those supplies in December 2021, a claim for the excess costs of taking on these customers has been made to the SoLR levy.

Principal risks and uncertainties

Market risk:

The GB retail energy market remains dominated by a small number of large suppliers, although independent suppliers now make up a larger proportion of the total than historically. Utilita has based its strategy on being a niche supplier to the prepayment segment of the market. This segment is poorly served by the large energy suppliers mainly due to a high cost to serve. During the year there has been some enforced consolidation with over 30 retail energy suppliers exiting the market, with their customers being picked up by other energy supply companies via the SoLR process.

The company operates under a Default Tariff Cap (or 'price cap') set by Ofgem. This price cap is reviewed by Ofgem bi-annually (this is quarterly from October 2022). However, the base assumptions on costs do not reflect the reality of the actual costs incurred. Separate price caps were introduced on both Direct-Debit (DD) and Standard Variable tariffs (SVT), and cross subsidisation from Credit to PPM means that Credit only suppliers receive a significant benefit that Utilita Energy Limited does not. Further changes to the methodology of the caps are planned by Ofgem. Switching rates in the prepayment sector have fallen since the introduction of the safeguard tariff cap.

Industry databases enable competitors to target Smart Meter Installed customers and the activity of these competitors has a large impact on the churn of customers and the costs of that churn.

Since the energy price increases seen in autumn 2021 switching rates across the industry have fallen to almost none.

Utilita Energy Limited

Strategic Report *(continued)*

Year ended 31 March 2022

Technical risk:

As the company operates in an industry using sophisticated technology, there is a risk of technical issues related to utility meters used in the field, and from increased risk of regulatory intervention, which the company faces. New demands from the regulator placed on the company continue to need to be incorporated into systems and procedures. The ongoing introduction of SMETS2 meters will require further system changes. With SMETS2 prepayment functionality currently inferior to that available and in use in SMETS1 we continue to seek improvements in this respect. The business requires appropriate planning horizons and timescales to make major change in order to keep costs to customers down. HM Government's apparent strategy of drip-feeding delays adds costs to the programme.

The company has had to invest in its technology platform, to cover such industry initiatives as SMETS2, Faster Switching and Enrolment and Adoption. Capability for these has been delivered both during the year and after the year end.

Currency risk:

The company is not significantly exposed to foreign currencies. All transactions are incurred in the functional currency, Sterling. However, GB energy prices have a link to the world price of oil, which is denominated in US Dollars.

Industry risk:

The company is exposed to many industry related risks that are outside its control. The GB retail energy market is dominated by the large energy suppliers and many industry practices are weighted in their favour. It is very difficult for a small independent supplier to influence practices and procedures where such practices benefit the larger suppliers. Over 30 energy supply companies have ceased trading over the year. The mutualisation of certain costs of failed suppliers means that Utilita has to meet more than its fair share of these costs.

Wholesale energy market risk:

The company operates in the GB energy retail market and purchases its energy in the GB wholesale markets. The company fixes the prices to its customers until notifying a change and sources the energy from the wholesale market at the prevailing prices. This price change is usually linked to changes in the price cap, which from 01 October 2022 is quarterly. Due to the volatility in the market, there remains a price risk in the energy retailing market. However, the group forward purchases wholesale energy, in accordance with a board level agreed hedging policy, to reduce the price risk. This hedging strategy aims to reduce risk but can not mitigate risk entirely.

Liquidity risk:

The company is continually looking for growth, its market share and its addressable market are expanding, levels of liquidity requirements in the energy supply industry are constantly being squeezed and hence the company faces liquidity risk. Future initiatives by Ofgem include the early payment of renewables obligation and ring-fencing of customer credit balances. Both of these will require capital to be retained in the business. However, cash flows are strong, and these risks are being efficiently managed. Industry regulations require us to have substantial levels of credit cover in place to cover future purchases but daily fluctuations in liabilities can still result in significant cash calls having to be paid out or cash deposits having to be placed. The wholesale energy purchasing agreement has reduced the company's exposure to liquidity risk by removing the requirement to place collateral for energy purchases.

Utilita Energy Limited

Strategic Report *(continued)*

Year ended 31 March 2022

Political and regulatory risk:

Energy remains an important political issue and this exposes the business to higher regulatory risk than would be the normal for any other retail market. The price cap methodologies are changed regularly. These interventions reduce the competitiveness of the market. It is expected that political intervention risk will continue for the foreseeable future.

Ofgem and BEIS are continually reviewing the energy supply industry and rules change regularly. Licence conditions are amended and added to every year. Some of these changes will impact profitability and compliance costs are rising. All aspects of the industry and in particular supplier resilience are being investigated which may lead to further requirements on capital and operating procedures.

The Russian war with Ukraine is adding further uncertainty and risk to the business. Europe is heavily dependent on Russian gas and controls on the quantity of gas flowing into western Europe could have large impacts on price paid for energy.

Credit risk:

The company's credit customers are a credit risk to the business, i.e. the risk that a customer does not pay for the energy used. System changes and smart meter installation are reducing the impact of this risk.

Section 172

In performing their duties, the directors have a duty to promote the success of the company for the benefit of shareholders as a whole, having regard to a number of broader matters which are detailed in section 172 of the UK Companies Act 2006 and which can be summarised as follows:

A director of a company must act in the way they consider, in good faith, would be the most likely to promote the success of the company for the benefit of its shareholders as a whole and, in doing so, have regard (amongst other matters) to:

- the likely consequences of any decisions in the long term;
- the interests of the company's employees;
- the need to foster the company's business relationships with suppliers, customers and others;
- the impact of the company's operations on the community and the environment;
- the desirability of the company maintaining a reputation for high standards of business conduct;
- and
- the need to act fairly between shareholders of the company.

The Board seeks to understand the respective interests of such stakeholder groups so that these may be properly considered in the Board's decisions. We do this through various methods, including: direct engagement by Board members; receiving reports and updates from members of management who engage with such groups; and coverage in our Board papers of relevant stakeholder interests with regard to proposed courses of action.

Utilita has redefined its mission statement and the three core values that it operates under, these underlie our approach to all dealings with stakeholders.

Our Mission is **empowering everyone with fair and flexible services that are good for the pocket and planet.**

We've weathered many storms over the last few years and we're still here, standing strong. The challenges we've faced have inspired us to transform our business for the better - and we're not stopping now!

Our Mission statement expresses the company we are today and our ambitions for the future.

Utilita Energy Limited

Strategic Report *(continued)*

Year ended 31 March 2022

Our company Values not only shape our company culture, helping us to make decisions, they're also a part of how we develop and reward people too.

When deciding on our Values, it was important that we remember where we've come from. That's why we've selected Values that we believe represent the foundations of our brand and reinforce our sustainability goals. The Values are:

We put **Fairness** first:

We set out to do things differently, support those who need it most and treat everyone equally - and that hasn't changed. In every decision, we ask ourselves 'what's the right thing to do?'.

Whether it's our customers or business, we listen to what people need, respect what they have to say and make sure we deliver on our promises.

By taking care of everyone, we aim to earn their trust, and keep it.

We believe in **Smart**:

Being smart is in our DNA. As one of the first companies to kick start Britain's smart meter revolution, we understand the value that technology can bring to people's lives.

Our passion for tech means we're always evolving and searching for ways to improve our services through innovation.

We're not afraid to be bold either. Our technology (and smart roots) are helping us transform the world around us for the better.

We strive for **Sustainability**:

Sustainability has more than one meaning for our business.

We will be a Net Zero business by 2030. We recognise this is an ambitious target, but one we'll achieve by continuing to drive transformational changes to make a significant dent in global carbon emissions.

Our unique approach includes educating everyone on how small changes can have a big impact.

It also means making decisions that ensure our stability and resilience.

Our stakeholders

The directors consider that the following are the Company's key stakeholders.

- Our employees - the company aims to treat all its employees fairly. Utilita Energy Limited is a Living Wage Foundation Employer and we follow the principles of that across all Group companies. Our staff recognition scheme - Super6 - is our opportunity to acknowledge the effort and hard work that our colleagues from every corner of the business put in.
- Our shareholders - Utilita Energy Limited is a wholly owned subsidiary of Utilita Group Limited and consequently there is considerable dialogue with that company. Utilita Group Limited prepares a quarterly statement for its shareholders and copies them in on the circulation of the in-house magazine U-Mag. An annual face-to-face meeting is held.
- Our customers - we maintain our prices as low as we are able while having consideration of the various price caps in place. Customer engagement is maintained throughout the year with email, text and letter communications. We aim to offer the best customer features for prepayment supplies, including Power-up, Jackpot and our award-winning app.

Utilita Energy Limited

Strategic Report *(continued)*

Year ended 31 March 2022

- Our suppliers - we aim to treat suppliers fairly and always aim to always pay our liabilities within agreed payment terms, on time and in full.
- Our regulator - Utilita Energy Limited is regulated by Ofgem as a supplier of energy in GB. We aim to respond to all queries from the regulator in the specified time scales. Any regulatory compliance discussions are carried out as openly as possible. Fortnightly meetings are held with our Ofgem Account Manager.
- Our community and the environment we operate in - we aim to respect our local communities and the environment. We have opened a number of local Hubs where communities are able to interact with our staff and have use of a community room. Our Hub staff are also involved with their local community in terms of charity activities and other community involvement. All employees are encouraged to donate work time to voluntary activities. In January 2021 Utilita announced that it would be carbon net-zero by 2030. In January 2022 Utilita Giving was formed, this is currently registering with the Charity Commission and is aimed to be a repository for the group's charitable activities.

Business relationships

The Board engages with a variety of stakeholders, including customers, regulators, and suppliers, to inform and enable balanced decisions that incorporate multiple viewpoints, whilst maintaining the Company's Strategy. In making decisions the Board considers outcomes from engagements with stakeholders as well as the importance of maintaining the Company's integrity, brand and reputation.

Examples of the engagement with stakeholders during 2021-22 include:

- Quarterly statements to shareholders and annual face to face meeting
- Regular communications with employees including monthly U-Mag, weekly "Ask the Bosses" sessions, weekly "Bill Bulletin". Since Covid-19 lockdown measures almost all interactions have been on-line. MS Teams has been rolled out to all staff, "Coffee Morning" sessions and regular Team meetings are held
- Key suppliers have regular "catch-up" sessions
- Fortnightly meeting with Ofgem Account Manager

Covid-19

The coronavirus, Covid-19, has been with us since March 2020. Utilita Energy Limited's response has been to bring it's policies and procedures in relation to Covid-19 into as much "business as usual" as possible. There is reduced occupancy of our offices and a continued hybrid working model across all teams.

Utilita Energy Limited

Strategic Report *(continued)*

Year ended 31 March 2022

Events since the balance sheet date

The continued increase in the spot and forward prices of energy, and the potential for retail energy suppliers to fail and enter the Supplier of Last Resort (SoLR) process is still leading to uncertainty.

Utilita Energy Limited has forward hedged 100% of its energy requirements for the price cap periods October 2022 to March 2023 and locked in costs for that period at a level consistent with the price cap. Utilita Energy Limited is still exposed to balancing and shaping costs and to weather related changes in demand. The increase to the costs of wholesale energy is causing annual energy costs to be at significantly higher levels than ever seen before. These high prices will see customer self-disconnection and default on payments.

From 01 October 2022 HM Government has provided additional support to retail energy customers via three schemes:

- Energy Bills Support Scheme (EBSS) where all domestic customers will receive £400 over the period October 2022 to March 2023;
- Energy Price Guarantee (EPG) where the average consumption domestic customer will see their annual cost limited to £2,500 from October 2022 and £3,000 from April 2023, this support is due to end in March 2024; and
- Energy Bills Relief Scheme (EBRS) where commercial customers receive support against their ongoing consumption.

Both EBSS and EPG will cushion our customers from the high prices that they would otherwise have experienced.

Key performance indicators

Turnover:

Turnover as compared to last year has increased by 26%.

Customer acquisition:

The number of energy supply points at 31 March 2022 as compared to last year has increased by 3%.

In addition, management consider a wide range of commercially sensitive measures of performance in a weekly Management Information Pack, these include, churn, gross sales, customer experience, etc.

This report was approved by the board of directors on 20/12/2022 and signed on behalf of the board by:



Mike Smith (Dec 20, 2022 12:52 GMT)

M.D.E. Smith
Company Secretary

Registered office:
Hutwood Court
Bournemouth Road
Chandler's Ford
Eastleigh
SO53 3QB

Utilita Energy Limited

Directors' Report

Year ended 31 March 2022

The directors present their report and the financial statements of the company for the year ended 31 March 2022.

Directors

The directors who served the company during the year were as follows:

W.N. Bullen
M.D.E. Smith

Dividends

The directors do not recommend the payment of a dividend.

Greenhouse gas emissions and energy consumption

	Unit	2022	2021
Emissions resulting from activities for which the company is responsible	tCO ₂ e	36	133
Emissions resulting from the purchase of energy by the company for its own use	tCO ₂ e	495	455
Emissions resulting from the purchase of energy by the company for use by its customers	tCO ₂ e	2,288,777	1,932,390
Total emissions	tCO ₂ e	2,289,308	1,932,978
Total energy consumption	MWh	9,396,296	9,454,071
Intensity metric	tCO ₂ e/MWh	0.24	0.20

Methodologies for energy and emissions calculations

The figures quoted are for the Utilita Group as a whole, separate calculations for Utilita Energy Limited have not been prepared.

The emissions reported in this SECR statement are calculated as part of Utilita's annual carbon footprint reporting procedures. All emissions reported were calculated by multiplying activity data by the relevant emission factor, sourced from BEIS Greenhouse Gas Reporting Conversion Factors 2021, Full Set. Where possible actual activity data was used. In the case of emissions from scope 3 electricity, all activity data was actual due to Utilita having a large proportion of customers with smart meters installed which take an energy consumption reading once every thirty minutes. Where actual activity data was not available estimations were made. Estimations only occurred in a minority proportion of scope 1 gas and scope 2 electricity.

The estimation methodology was as follows. The average staff occupancy over the course of the year (hence forth referred to as full time employee (FTE)), for each building with actual activity data was divided by the emissions resulting from the actual activity data to obtain a tCO₂e/FTE. These building with actual activity data were then categorised by purpose, consisting of one of the following: office, call centre, warehouse, hub. Then a weighted average of tCO₂e/FTE for each building purpose was calculated, weighted by FTE. The buildings requiring estimations were also categorised by purpose and then the average tCO₂e/FTE per building purpose type was multiplied by the FTE.

For diesel consumption only the litres of diesel used were known. For SECR reporting this needed to be converted into kWh. The conversion calculation was as follows. tCO₂e from diesel consumption was divided by the relevant emission factor and further multiplied by one thousand to derive litres of diesel consumed, this was then verified against the original activity data. This litre figure was then multiplied by 10.579 to convert into kWh.

Overall Utilita's net carbon intensity increased by 5.88% in 2021-22, compared to 2020-21 levels.

Utilita Energy Limited

Directors' Report *(continued)*

Year ended 31 March 2022

Principal measures taken to increase energy efficiency

Utilita retired 264,380 tCO₂e of carbon offsets, applying them to the tCO₂e emitted between April 2021 and March 2022. These were split across four international projects verified by the Clean Development Mechanism and Gold Standard. This represents a 12.5 times increase of expenditure on green certificates (REGOs or offsets) in 2020-21 compared to 2019-20. This increase conveys the continued commitment to our net zero carbon target. Nevertheless, the £/tCO₂e of certificates in 2020-21 increased 17.6 times compared to 2019-20, resulting in a reduction of 99,884 tCO₂e being offset in 2020-21 compared to 2019-20.

More qualitative, throughout this year Utilita's focus has been to increase awareness and action on the climate crisis across two of its stakeholders, staff, and consumers. Award winning energy efficiency consumer education campaigns have been executed and three separate staff training programmes have been launched to increase knowledge and skills across the workforce, with 100's of staff members participating. This will advance in successive years to ensure all stakeholders have the opportunity to participate in delivering Utilita's net zero carbon strategy.

Works completed include, cleaning out of all ventilation ducting in Hutwood Court to improve efficiency of ventilation systems and refurbishment work on the air handling units at Hutwood Court. Large projects in the year included closure of three sites to reduce the property and carbon footprint.

For 2022/23 EV charging points at three key sites and PV charging at Hutwood Court are being looked at. A similar consideration will be undertaken for the warehouses and for battery storage of spare energy at Hutwood Court and with wind turbine energy production opportunities being considered.

Energy Policy Statement

Utilita recognises the need to go further than the regulations. We annually report a companywide carbon footprint of our Scope 1, 2 and 3 greenhouse gas emissions. This footprint adheres to the Greenhouse Gas protocol Standard and is externally verified to a limited assurance standard using the relevant requirements of ISO 14064-3:2019. This reporting cycle enables us to monitor progress towards our target to be net zero carbon by 2030.

Employment of disabled persons

Utilita Energy Limited is committed to providing equal opportunities for all employees and job applicants. We aim to create a working environment in which all individuals are able to make best use of their skills, free from discrimination or harassment, and in which all decisions are based on merit.

All of Utilita's policies and procedures are produced, followed and executed without bias of any kind. They are written neutrally and have recently been audited by a disability confident assessor partner. The company's ethos is based on employing people that display attitudes and behaviours akin to our values, with the level of required skill. The company has a wide range of assistive technology and will make reasonable adjustments where required.

Employee involvement

Utilita Energy Limited is committed to involving, consulting and collaborating with employees in all aspects of the company's business. Utilita has a culture of inclusivity, diversity and high engagement. Staff are regularly updated on the business performance, future strategies and information on other areas of the business and industry. This is done via the CEO's weekly bulletin, weekly "Ask The Bosses" sessions and "U Mag" (our internal staff magazine). Utilita have partnered with Great Places to Work for the past two years and were partnered with The Sunday Times Best Companies survey in the preceding three years. This is an annual engagement survey run in September of each year. Employee focus groups are set up to discuss the findings and develop action plans for improvements and celebrations.

The group's statement on Modern Slavery and its Gender Pay Gap report is available on the website, utilita.co.uk

Events after the end of the reporting period

Particulars of events after the reporting date are detailed in note 25 to the financial statements.

Utilita Energy Limited

Directors' Report *(continued)*

Year ended 31 March 2022

Research and development

The company is involved in research and development activities around its core technology platform, Matrix.

Qualifying indemnity provision

Directors' and officers' insurance cover has been established for all directors and key employees to provide appropriate cover for their reasonable actions on behalf of the company and the group.

Disclosure of information in the strategic report

Certain information required by schedule 7 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 has been included in the strategic report.

Directors' responsibilities statement

The directors are responsible for preparing the strategic report, directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and the profit or loss of the company for that period.

In preparing these financial statements, the directors are required to:

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditor

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as they are aware, there is no relevant audit information of which the company's auditor is unaware; and
- they have taken all steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.


CLA Evelyn Partners Limited (formerly known as Nexia Smith & Williamson) are deemed to have been re-appointed in accordance with section 487 of the Companies Act 2006.

Utilita Energy Limited

Directors' Report *(continued)*

Year ended 31 March 2022

This report was approved by the board of directors on 20/12/2022 and signed on behalf of the board by:


Mike Smith (Dec 20, 2022 12:52 GMT)

M.D.E. Smith
Company Secretary

Registered office:
Hutwood Court
Bournemouth Road
Chandler's Ford
Eastleigh
SO53 3QB

Utilita Energy Limited

Independent Auditor's Report to the Member of Utilita Energy Limited

Year ended 31 March 2022



Opinion

We have audited the financial statements of Utilita Energy Limited (the 'company') for the year ended 31 March 2022 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity and the notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern

We draw attention to note 3 in the financial statements. The directors have reviewed their cashflow forecasts which indicate that the company's ability to continue as a going concern is dependent on the availability of additional financial support being made available by a major supplier. If the additional support was not available, then alternative sources of finance would be required.

As stated in note 3, these factors indicate that a material uncertainty exists that may cast significant doubt on the company's ability to continue as a going concern.

Our opinion is not modified in respect of this matter.

Notwithstanding the above, in auditing the financial statements we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Utilita Energy Limited

Independent Auditor's Report to the Member of Utilita Energy Limited

Year ended 31 March 2022

Other information

The other information comprises the information included in Financial Statements, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the Financial Statements. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. 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 course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. 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 in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

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

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 11, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors 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.

Utilita Energy Limited

Independent Auditor's Report to the Member of Utilita Energy Limited

Year ended 31 March 2022

Auditor's 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 auditor's 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below:

We obtained a general understanding of the company's legal and regulatory framework through enquiry of management concerning their understanding of relevant laws and regulations, the entity's policies and procedures regarding compliance, and how they identify, evaluate and account for litigation claims. We also drew on our existing understanding of the company's industry and regulation.

We understand that the company complies with the framework through:

- Outsourcing tax compliance to external experts.
- Subscribing to relevant updates from external experts, and making changes to internal procedures and controls as necessary.
- Updating operating procedures, manuals, internal controls, systems and reporting as legal and regulatory requirements change such as changes to OFGEM rules
- Regular reporting to both the directors and senior management meaning that any instances of non-compliance with laws and regulations, litigation or claims would come to their attention directly.
- Regular visits and reporting by an accredited third party to review the controls and processes in place around the storage and security of data as well as perform penetration testing of IT systems to assess any weaknesses.

In the context of the audit, we considered those laws and regulations which determine the form and content of the financial statements, which are central to the company's ability to conduct its business, and/or where there is a risk that failure to comply could result in material penalties. We identified the following laws and regulations as being of significance in the context of the company:

- The Companies Act 2006 and FRS 102 in respect of the preparation and presentation of the financial statements.
- Compliance with the licence conditions as a supplier of gas and electricity as regulated by the Office of Gas and Electricity Markets ("OFGEM") and in particular the requirements of the default tariff cap for the company's prepayment meter customers.
- General Data Protection Regulation (GDPR) relating to data protection and privacy for all individuals within the UK.

Utilita Energy Limited

Independent Auditor's Report to the Member of Utilita Energy Limited

Year ended 31 March 2022

We performed the following specific procedures to gain evidence about compliance with the significant laws and regulations identified above:

- Held discussions with individuals outside the finance function pertaining to matters of laws and regulations and compliance.
- Performed a review of the OFGEM website for any investigations during the year or post year end.
- Communication with the company's external legal counsel regarding existing litigation.
- Reviewed the results of any compliance audit reports during the year from regulators or third parties where available.

The senior statutory auditor led a discussion with senior members of the engagement team regarding the susceptibility of the entity's financial statements to material misstatement, including how fraud might occur. The areas identified in this discussion were:

- Manipulation of the financial statements, especially revenue, via fraudulent journal entries particularly focussing on the correct revenue recognition at the year end.
- Payment of bonuses based on performance to budget, which creates an incentive for management to manipulate results.
- Bad debt provision, accruals and useful economic life of intangibles as these are estimates made by management.

These areas were communicated to the other members of the engagement team not present at the discussion.

The procedures we carried out to gain evidence in the above areas included:

- Substantive testing around the recognition of revenue during the year and around the year end;
- Substantive work on material areas affecting profits.
- Challenging management regarding the assumptions used in the estimates identified above, and comparison to historical data, market data and post-year-end data as appropriate.
- Testing journal entries, focusing particularly on postings to unexpected or unusual accounts.

A further description of our responsibilities is available on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Utilita Energy Limited

Independent Auditor's Report to the Member of Utilita Energy Limited

Year ended 31 March 2022

Use of our report

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

Andrew Edmonds

Andrew Edmonds (Dec 21, 2022 10:35 GMT)

Andrew Edmonds

Senior Statutory Auditor, for and on behalf of
CLA Evelyn Partners Limited
Statutory Auditor
Chartered Accountants
4th Floor Cumberland House
15-17 Cumberland Place
Southampton
SO15 2BG

Date: 21/12/2022

Utilita Energy Limited

Statement of Comprehensive Income

Year ended 31 March 2022

	Note	2022 £000	2021 £000
Turnover	4	1,026,025	812,941
Cost of sales		911,230	732,033
Gross profit		<u>114,795</u>	<u>80,908</u>
Administrative expenses		89,204	81,176
Other operating income	5	1,725	1,812
Operating profit	6	<u>27,316</u>	<u>1,544</u>
Other interest receivable and similar income	9	829	656
Interest payable and similar expenses	10	235	1,009
Profit before taxation		<u>27,910</u>	<u>1,191</u>
Tax on profit	11	4,100	378
Profit for the financial year and total comprehensive income		<u><u>23,810</u></u>	<u><u>813</u></u>

All the activities of the company are from continuing operations.

The notes on pages 21 to 35 form part of these financial statements.

Utilita Energy Limited

Statement of Financial Position

31 March 2022

	Note	£000	2022 £000	£000	2021 £000
Fixed assets					
Intangible assets	12		54,914		54,329
Tangible assets	13		3,563		4,385
			58,477		58,714
Current assets					
Stocks	15	21,406		17,545	
Debtors	16	112,041		91,926	
Cash at bank and in hand		1,300		3,546	
		134,747		113,017	
Creditors: amounts falling due within one year	17	185,271		187,737	
Net current liabilities			50,524		74,720
Total assets less current liabilities			7,953		(16,006)
Provisions					
Other provisions	18		650		501
Net assets/(liabilities)			7,303		(16,507)
Capital and reserves					
Called up share capital	21		4,000		4,000
Capital contribution	22		300		450
Profit and loss account	22		3,003		(20,957)
Shareholder funds/(deficit)			7,303		(16,507)

These financial statements were approved by the board of directors and authorised for issue on 20/12/2022....., and are signed on behalf of the board by:

W Bullen
W Bullen (Dec 20, 2022 13:35 GMT)

W.N. Bullen
Director

Company registration number: 04849181

The notes on pages 21 to 35 form part of these financial statements.

Utilita Energy Limited

Statement of Changes in Equity

Year ended 31 March 2022

	Called up share capital £000	Capital contribution £000	Profit and loss account £000	Total £000
At 1 April 2020	4,000	600	(21,920)	(17,320)
Profit for the year	—	—	813	813
Total comprehensive income for the year	—	—	813	813
Realisation of capital contribution	—	(150)	150	—
Total investments by and distributions to owners	—	(150)	150	—
At 31 March 2021	4,000	450	(20,957)	(16,507)
Profit for the year	—	—	23,810	23,810
Total comprehensive income for the year	—	—	23,810	23,810
Realisation of capital contribution	—	(150)	150	—
Total investments by and distributions to owners	—	(150)	150	—
At 31 March 2022	<u>4,000</u>	<u>300</u>	<u>3,003</u>	<u>7,303</u>

The notes on pages 21 to 35 form part of these financial statements.

Utilita Energy Limited

Notes to the Financial Statements

Year ended 31 March 2022

1. General information

The company is a private company limited by shares, registered in England and Wales. The address of the registered office is Hutwood Court, Bournemouth Road, Chandler's Ford, Eastleigh, SO53 3QB.

2. Statement of compliance

These financial statements have been prepared in compliance with FRS 102, 'The Financial Reporting Standard applicable in the UK and the Republic of Ireland'.

3. Accounting policies

Basis of preparation

The financial statements have been prepared on the historical cost basis.

The financial statements are prepared in sterling, which is the functional currency of the entity.

Going concern

The company has made a profit after tax of £23,810k (2021 £813k) but has net current liabilities of £50,524k (2021 £74,720k). The financial statements are prepared on a going concern basis which the directors believe to be appropriate for the following reasons.

The Group, of which the company is the main trading subsidiary, meets its day to day working capital requirements through its own cash resources and support from a major supplier ("the Supplier") of Utilita Energy Limited. The nature of the Group's business is such that there can be considerable variation in the timing of cash inflows throughout the year. The directors have prepared detailed projected cash flow information for the Group for the period to 31 March 2024, which includes cashflows for the company and the going concern position is dependent on the group covering those cashflows.

Those forecasts are dependent on the Supplier providing additional ongoing financial support to Utilita Energy Limited. The directors believe that delayed payment terms with the Supplier will be made available as are needed by the Group for the period covered by the forecasts. The directors have been given no indication that the Supplier will not continue to provide this support, and the directors are reasonably confident that it is unlikely that this support would cease in the foreseeable future. However, as with any company placing reliance on other entities for financial support, the directors acknowledge that there can be no certainty that this support will continue. In the unlikely event that this support was not to continue, then the Group would need to secure alternative finance.

The group is also in technical breach of the preferred supplier agreement's Tangible Net Worth covenant. The supplier is aware of this breach, however, no notice of breach has been received nor is expected.

The directors believe that it remains appropriate to prepare the financial statements on a going concern basis. However, these circumstances represent a material uncertainty that may cast significant doubt on the company's ability to continue as a going concern and, therefore, to continue realising its assets and discharging its liabilities in the normal course of business. The financial statements do not include any adjustments that would result from the basis of preparation being inappropriate.

Utilita Energy Limited

Notes to the Financial Statements *(continued)*

Year ended 31 March 2022

3. Accounting policies *(continued)*

Disclosure exemptions

The entity satisfies the criteria of being a qualifying entity as defined in FRS 102. Its financial statements are consolidated into the financial statements of Utilita Group Limited which can be obtained from the registered office. As such, advantage has been taken of the following disclosure exemptions available under paragraph 1.12 of FRS 102:

- (a) No cash flow statement has been presented for the company;
- (b) Disclosures in respect of financial instruments have not been presented; and
- (c) No disclosure has been given for the aggregate remuneration of key management personnel.

Consolidation

The entity has taken advantage of the exemption from preparing consolidated financial statements contained in Section 400 of the Companies Act 2006 on the basis that it is a subsidiary undertaking and its immediate parent undertaking is established under the law of an EEA State.

Judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported. These estimates and judgements are continually reviewed and are based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Significant judgements

The judgements (apart from those involving estimations) that management has made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognised in the financial statements are as follows:

- Forward purchases of energy - The company has entered into contracts for the purchase of energy for periods up to 24 months in the future. The directors have determined that the classification of such contracts represents commodity purchases for use within the business accounted for at cost at date of delivery and not as derivative instruments accounted for at fair value;
- Deferred tax assets - These are only recognised when it is considered more likely than not that the company will make future taxable profits against which the deferred tax asset can be utilised. The directors have assessed the future trading performance of the company and believe it is probable that the company will generate profits and therefore a deferred tax asset has been recognised; and
- Operating lease commitments - The company has entered into meter rental transactions and obtains use of plant and equipment as lessee. The classification of such leases as operating or finance lease requires the company to determine, based on an evaluation of the terms and conditions of the arrangements, whether it retains or acquires the significant risks and rewards of ownership of these assets and accordingly whether the lease requires an asset and liability to be recognised in the statement of financial position.
- Capitalisation of acquisition costs and installation costs - The company considers that customer acquisition costs and installation costs that relate to the direct cost of acquiring a customer, or installing a smart meter for a customer, are of benefit to the company for the period that the customer is on supply.
- Going concern - The directors have considered the period to 31 March 2024 in detail and have formed the view that the company and the group is a going concern.

Utilita Energy Limited

Notes to the Financial Statements *(continued)*

Year ended 31 March 2022

3. Accounting policies *(continued)*

Judgements and key sources of estimation uncertainty *(continued)*

Key sources of estimation uncertainty

Accounting estimates and assumptions are made concerning the future and, by their nature, will rarely equal the related actual outcome. The key assumptions and other sources of estimation uncertainty that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

- **Taxation** - The company establishes provisions based on reasonable estimates. The amount of such provisions is based on various factors, such as experience and the interpretation of tax regulations. 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;
- **Revenue recognition** - An estimate is made of the value of energy supplied to customers based on company specific industry settlement data and estimates of customer usage since last meter read data. The industry settlement data is the estimated quantity the industry system operator deems the individual suppliers, including the company, to have supplied;
- **Accruals and prepayments** - The company estimates the costs of goods and services received in the period where the actual liability for the period is not fully known at the year end;
- **Depreciation and amortisation** - The company has determined the estimated useful lives of its tangible and intangible assets. The life of an individual asset is based on various, technological, practical and legislative information, including the economic life of the customer; and
- **Impairment of trade receivables and balances with customers** - Impairments against trade receivables and balances with customers are recognised where the loss is probable. The directors have based their assessment of the level of impairment on collection rates experienced to date. The estimates and assumptions used to determine the level of provision will continue to be reviewed periodically and could lead to changes in the impairment provision methodology which would impact the income statement in future years.

Revenue recognition

Turnover is measured at the fair value of the consideration received or receivable for sales of energy and the value of services and facilities provided during the year, net of discounts and value added tax.

Revenue includes an estimate of the value of energy supplied to customers based on company specific industry settlement data and estimates of customer usage since last meter read data. The industry settlement data is the estimated quantity the industry system operator deems the individual suppliers, including the company, to have supplied.

Exceptional items

Exceptional items are disclosed separately in the financial statements in order to provide further understanding of the financial performance of the entity. They are material items of income or expense that have been shown separately because of their nature or amount.

Utilita Energy Limited

Notes to the Financial Statements *(continued)*

Year ended 31 March 2022

3. Accounting policies *(continued)*

Balances with customers

Amounts recoverable from and/or repayable to customers and/or other supply companies are calculated on the basis of best expectation of amounts due to be received or repaid. This expectation is based on historic patterns of behaviour for such amounts.

Receivables, which are included in trade debtors, are made up of amounts in transit from customers plus an estimate of the balances expected to be recoverable from advances made to customers, the recoverable amount of unpaid invoices rendered and other similar amounts. Vend transactions are recorded on meters at date of vend, receipts passing through collection partners are treated as debtors from vend date to receipt in bank.

Liabilities are based on balances owed to customers for amounts received in advance of consumption, amounts due to be repaid to other supply companies or customers for amounts received in error and other refunds due to customers.

Income tax

The taxation expense represents the aggregate amount of current and deferred tax recognised in the reporting period. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, tax is recognised in other comprehensive income or directly in equity, respectively.

Current tax is recognised on taxable profit for the current and past periods. Current tax is measured at the amounts of tax expected to pay or recover using the tax rates and laws that have been enacted or substantively enacted at the reporting date.

Deferred tax is recognised in respect of all timing differences at the reporting date. Unrelieved tax losses and other deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the reporting date that are expected to apply to the reversal of the timing difference.

Operating leases

Lease payments are recognised as an expense over the lease term on a straight-line basis. The aggregate benefit of lease incentives is recognised as a reduction to expense over the lease term, on a straight-line basis.

Lease income is recognised in profit or loss on a straight line basis over the lease term. The aggregate cost of lease incentives are recognised as a reduction to income over the lease term on a straight-line basis. Costs, including depreciation, incurred in earning the lease income are recognised as an expense. Any initial direct costs incurred in negotiating and arranging the operating lease are added to the carrying amount of the lease and recognised as an expense over the lease term on the same basis as the lease income.

Utilita Energy Limited

Notes to the Financial Statements *(continued)*

Year ended 31 March 2022

3. Accounting policies *(continued)*

Intangible assets

Acquisition costs

Acquisition costs relate to the direct cost of acquiring a customer through the different acquisition channels used. They are initially recorded at cost, and are subsequently stated at cost less any accumulated amortisation and impairment losses. Cost is determined as costs incurred on acquiring and establishing a customer. The cost is amortised over the estimated length of time that the customer remains with the company, and is written off on loss of supply.

Installation costs

Installation costs relate to the direct cost of installing a smart utility meter at a customer's premises. They are initially recorded at cost, and are subsequently stated at cost less any accumulated amortisation and impairment losses. Cost is determined as net costs incurred on installing a smart utility meter. The cost is amortised over the estimated length of time that the customer remains with the company, and is written off on loss of supply.

Development costs

Internally developed software costs are included at cost where the future derived benefit is greater than the cost. They are initially recorded at cost, and are subsequently stated at cost less any accumulated amortisation and impairment losses. Cost includes both internal and external costs.

Amortisation

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

Acquisition costs	-	5 years
Installation costs	-	5 years
Development costs	-	5 years

If there is an indication that there has been a significant change in amortisation rate, useful life or residual value of an intangible asset, the amortisation is revised prospectively to reflect the new estimates. Where a supply to a customer is lost the net book value of Acquisition and Installation costs at date of loss is treated as a loss on disposal.

Tangible assets

Tangible assets are initially recorded at cost, and subsequently stated at cost less any accumulated depreciation and impairment losses. Any tangible assets carried at revalued amounts are recorded at the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Depreciation

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

Land and buildings - Leasehold property	-	life of the lease
Equipment	-	2 - 12.5 years

Investments

Fixed asset investments are initially recorded at cost, and subsequently stated at cost less any accumulated impairment losses.

Utilita Energy Limited

Notes to the Financial Statements *(continued)*

Year ended 31 March 2022

3. Accounting policies *(continued)*

Impairment of fixed assets

A review for indicators of impairment is carried out at each reporting date, with the recoverable amount being estimated where such indicators exist. Where the carrying value exceeds the recoverable amount, the asset is impaired accordingly. Prior impairments are also reviewed for possible reversal at each reporting date.

Stocks

Stocks are measured at the lower of cost and estimated selling price less costs to complete and sell. Cost includes all costs of purchase, costs of conversion and other costs incurred in bringing the stock to its present location and condition. Renewable obligation certificates are measured at the lower of cost and net realisable value and are recognised when contract to purchase is made.

Government grants

Grants are accounted under the accruals model as permitted by FRS 102. Grants of a revenue nature are recognised in the profit or loss in the same period as the related expenditure.

Provisions

Provisions are recognised when the entity has an obligation at the reporting date as a result of a past event, it is probable that the entity will be required to transfer economic benefits in settlement and the amount of the obligation can be estimated reliably. Provisions are recognised as a liability in the statement of financial position and the amount of the provision as an expense.

Provisions are initially measured at the best estimate of the amount required to settle the obligation at the reporting date and subsequently reviewed at each reporting date and adjusted to reflect the current best estimate of the amount that would be required to settle the obligation. Any adjustments to the amounts previously recognised are recognised in profit or loss unless the provision was originally recognised as part of the cost of an asset. When a provision is measured at the present value of the amount expected to be required to settle the obligation, the unwinding of the discount is recognised as a finance cost in profit or loss in the period it arises.

Financial instruments

Financial assets and financial liabilities are recognised in the balance sheet when the company becomes a party to the contractual provisions of the instrument.

Trade and other debtors and creditors are classified as basic financial instruments and measured at initial recognition at transaction price. Debtors and creditors are subsequently measured at amortised cost using the effective interest rate method. A provision is established when there is objective evidence that the company will not be able to collect all amounts due.

Cash and cash equivalents are classified as basic financial instruments and comprise cash in hand and at bank, short-term bank deposits with an original maturity of three months or less and bank overdrafts which are an integral part of the company's cash management.

Financial liabilities and equity instruments issued by the company are classified in accordance with the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities. Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs.

Interest bearing bank loans, overdrafts and other loans which meet the criteria to be classified as basic financial instruments are initially recorded at the present value of cash payable to the bank, which is ordinarily equal to the proceeds received net of direct issue costs. These liabilities are subsequently measured at amortised cost, using the effective interest rate method.

Utilita Energy Limited

Notes to the Financial Statements *(continued)*

Year ended 31 March 2022

3. Accounting policies *(continued)*

Defined contribution plans

Contributions to defined contribution plans are recognised as an expense in the period in which the related service is provided.

Forward energy purchases

Forward purchases of energy are classified as commodity purchases for use within the group's business and as such are accounted for at cost on day of delivery.

4. Turnover

Turnover arises from:

	2022 £000	2021 £000
Supply of energy	1,025,604	812,371
Other charges	421	570
	<u>1,026,025</u>	<u>812,941</u>

The whole of the turnover is attributable to the principal activity of the company wholly undertaken in the United Kingdom.

5. Other operating income

	2022 £000	2021 £000
Job retention scheme	–	350
Other operating income	1,725	1,462
	<u>1,725</u>	<u>1,812</u>

6. Operating profit

Operating profit is stated after charging/crediting:

	2022 £000	2021 £000
Amortisation of intangible assets	19,838	18,729
Depreciation of tangible assets	1,821	1,764
Loss on disposal of tangible assets	138	–
Loss on disposal of intangible assets	5,986	10,685
Impairment of trade debtors	32,350	38,138
Foreign exchange differences	(10)	(12)
Operating leases	<u>1,706</u>	<u>1,987</u>

Auditor's remuneration is incurred by Utilita Group Limited and no apportionment is made to this company.

Utilita Energy Limited

Notes to the Financial Statements *(continued)*

Year ended 31 March 2022

7. Staff costs

The average number of persons employed by the company during the year, including the directors, amounted to:

	2022	2021
	No.	No.
Administrative staff	<u>994</u>	<u>823</u>

The aggregate payroll costs incurred during the year, relating to the above, were:

	2022	2021
	£000	£000
Wages and salaries	30,102	24,805
Social security costs	2,383	1,894
Other pension costs	<u>698</u>	<u>521</u>
	<u>33,183</u>	<u>27,220</u>

All directors' remuneration for the group is incurred by Utilita Group Limited and it is not practicable to apportion between group companies.

8. Exceptional items

	2022	2021
	£000	£000
Gain on sales of excess energy	<u>39,600</u>	<u>—</u>

Included in turnover, as part of sales of energy back to the market, is an amount of £60.6m and included in cost of sales is an amount of £21.0m, being the cost of buying that energy.

This net £39.6m represents an exceptional gain from hedging energy. Energy was hedged for the winter 2021-22 based on expected customer numbers at expected consumption. When energy delivered to customers was less than had been forward purchased Utilita Energy Limited sold the excess back to the market at a price significantly higher than the price agreed at the time of agreeing to purchase that energy.

This exceptional gain was a result of following the company's prudent hedging policy and was not a result of speculative trading, nor did it result from additional charges to customers.

9. Other interest receivable and similar income

	2022	2021
	£000	£000
Interest on cash and cash equivalents	2	42
Interest from group undertakings	356	9
Gain on settlement of renewables obligation certificates	<u>471</u>	<u>605</u>
	<u>829</u>	<u>656</u>

Utilita Energy Limited

Notes to the Financial Statements *(continued)*

Year ended 31 March 2022

10. Interest payable and similar expenses

	2022 £000	2021 £000
Interest due to group undertakings	—	47
Other interest payable	85	812
Other financing costs	150	150
	<u>235</u>	<u>1,009</u>

11. Tax on profit

Major components of tax expense

	2022 £000	2021 £000
Current tax:		
UK current tax expense	1,927	—
Adjustments in respect of prior periods	121	—
Payment for group relief	1,510	—
Total current tax	<u>3,558</u>	<u>—</u>
Deferred tax:		
Origination and reversal of timing differences	542	378
Tax on profit	<u>4,100</u>	<u>378</u>

Reconciliation of tax expense

The tax assessed on the profit on ordinary activities for the year is lower than (2021: higher than) the standard rate of corporation tax in the UK of 19% (2021: 19%).

	2022 £000	2021 £000
Profit on ordinary activities before taxation	27,910	1,191
Profit on ordinary activities by rate of tax	5,300	206
Adjustment to tax charge in respect of prior periods	121	—
Effect of expenses not deductible for tax purposes	621	76
Fixed asset differences	(75)	96
Effect of changes in tax rate	(1,867)	—
Tax on profit	<u>4,100</u>	<u>378</u>

Utilita Energy Limited

Notes to the Financial Statements *(continued)*

Year ended 31 March 2022

12. Intangible assets

	Acquisition costs £000	Installation costs £000	Development costs £000	Total £000
Cost				
At 1 April 2021	74,980	20,066	4,531	99,577
Additions	13,027	3,762	9,620	26,409
Disposals	(8,458)	(1,885)	–	(10,343)
At 31 March 2022	79,549	21,943	14,151	115,643
Amortisation				
At 1 April 2021	37,076	7,481	691	45,248
Charge for the year	14,052	4,358	1,428	19,838
Disposals	(3,501)	(856)	–	(4,357)
At 31 March 2022	47,627	10,983	2,119	60,729
Carrying amount				
At 31 March 2022	31,922	10,960	12,032	54,914
At 31 March 2021	37,904	12,585	3,840	54,329

Amortisation in the year for Acquisition Costs and Installation Costs is charged to Cost of Sales and that for Development Cost is charged to Administrative Expenses.

13. Tangible assets

	Short leasehold property £000	Equipment £000	Assets under construction £000	Total £000
Cost				
At 1 April 2021	2,146	10,314	48	12,508
Additions	79	1,045	13	1,137
Disposals	(115)	(247)	–	(362)
Transfers	–	48	(48)	–
At 31 March 2022	2,110	11,160	13	13,283
Depreciation				
At 1 April 2021	667	7,456	–	8,123
Charge for the year	182	1,639	–	1,821
Disposals	(55)	(169)	–	(224)
At 31 March 2022	794	8,926	–	9,720
Carrying amount				
At 31 March 2022	1,316	2,234	13	3,563
At 31 March 2021	1,479	2,858	48	4,385

Utilita Energy Limited

Notes to the Financial Statements *(continued)*

Year ended 31 March 2022

14. Investments

Utilita Energy Limited owns 100% of the issued share capital of Utilita Gas Limited and Hooga Limited. Both companies are incorporated in England and Wales. Utilita Gas Limited is dormant and has capital and reserves of £1.

Hooga Limited has a principal activity of the installation of energy efficiency products and services. It's loss for the year was £41k (2021 £106k) and had net liabilities of £148k (2021 £106k).

15. Stocks

	2022 £000	2021 £000
Finished goods and goods for resale	21,406	17,545

Finished goods and goods for resale comprise Renewable Obligation Certificates.

16. Debtors

	2022 £000	2021 £000
Trade debtors	62,674	58,205
Amounts owed by group undertakings	8,709	7,525
Deferred tax asset	8,120	8,662
Prepayments and accrued income	4,947	4,896
Other debtors	27,591	12,638
	<u>112,041</u>	<u>91,926</u>

The debtors above include the following amounts falling due after more than one year:

	2022 £000	2021 £000
Deferred tax asset	8,120	8,662
Prepayments and accrued income	231	442
	<u>8,351</u>	<u>9,104</u>

The company has placed cash collateral of £12,780k (2021 £8,498k) in respect of the purchase of energy and other services, which are included in other debtors.

Utilita Energy Limited

Notes to the Financial Statements *(continued)*

Year ended 31 March 2022

17. Creditors: amounts falling due within one year

	2022 £000	2021 £000
Trade creditors	16,159	17,493
Accruals and deferred income	131,155	138,787
Corporation tax	1,484	–
Social security and other taxes	619	529
Balances with customers	35,576	30,307
Other creditors	278	621
	<u>185,271</u>	<u>187,737</u>

18. Provisions

	Dilapidations £000
At 1 April 2021	501
Additions	149
At 31 March 2022	<u>650</u>

The provision for property dilapidations represents management's best estimate of the expected cost that will be incurred when the company vacates and returns to the respective landlords, each of the properties, it occupies under leases, where those leases obligate the company to return the property in a specified condition.

19. Deferred tax

The deferred tax included in the statement of financial position is as follows:

	2022 £000	2021 £000
Included in debtors (note 16)	<u>8,120</u>	<u>8,662</u>

The deferred tax account consists of the tax effect of timing differences in respect of:

	2022 £000	2021 £000
Accelerated capital allowances	479	388
Unused tax losses	7,628	8,264
Pension plan obligations	13	10
	<u>8,120</u>	<u>8,662</u>

20. Employee benefits

Defined contribution plans

The amount recognised in profit or loss as an expense in relation to defined contribution plans was £698,929 (2021: £520,211).

The liability at the year end for pension contributions was £121,475 (2021 £125,477).

Utilita Energy Limited

Notes to the Financial Statements *(continued)*

Year ended 31 March 2022

21. Called up share capital

Issued, called up and fully paid

	2022		2021	
	No.	£	No.	£
Ordinary shares of £1 each	<u>4,000,000</u>	<u>4,000,000</u>	<u>4,000,000</u>	<u>4,000,000</u>

22. Reserves

Profit and loss account - This reserve records retained earnings and accumulated losses.

Capital contribution - This reserve represents the capital contribution made by Utilita Group Limited as a result of a change to the preferred supplier agreement, a release of the reserve is made as the costs are taken to profit and loss account. Share options comprising 63% (2021 63%) of the ordinary share capital of the parent company, on a fully diluted basis, have been granted. These options were granted in lieu of an amendment to the preferred supplier agreement ("PSA") and the value of these options is amortised over the life of the PSA as a finance cost. During the year, the related financing charge was £150,000 (2021 £150,000).

23. Operating leases

The total future minimum lease payments under non-cancellable operating leases are as follows:

	2022 £000	2021 £000
Not later than 1 year	1,969	2,238
Later than 1 year and not later than 5 years	7,026	7,275
Later than 5 years	<u>1,419</u>	<u>3,017</u>
	<u>10,414</u>	<u>12,530</u>

The company has a commitment to pay utility meter owners rentals for utility meters used by our customers. These arrangements are on a pence per day basis and are only payable while Utilita Energy Limited supplies energy to that customer. The amount paid in respect of this commitment was £46,350k (2021 £45,674k), a proportion of these rentals was paid to Utilita Field Services Limited, a fellow subsidiary.

Utilita Energy Limited

Notes to the Financial Statements *(continued)*

Year ended 31 March 2022

24. Contingencies

The company's hedging strategy aims to provide the company with protection against sudden and significant increases in energy prices while ensuring that the company is not competitively disadvantaged in a serious way in the event of a substantial fall in the price of energy. The strategy operates within limits set by the Board. The company's policy is not to trade in derivatives but to use these instruments to hedge anticipated expenses.

At 31 March 2022 the company has entered into a portfolio of forward contracts for the purchase of energy. These contracts are capable of being bought and sold in an arm's length transaction. At 31 March 2022 the price to which the company is committed is below the market price for such contracts by £307m (2021 £23m). Most of these contracts are for a period of up to one year.

Utilita Energy Limited has guaranteed the banking facilities of Utilita Group Limited and its subsidiaries. At 31 March 2022 the balance outstanding under these guarantees was £nil (2021 £nil).

Utilita Energy Limited has entered into a Wholesale Energy Purchasing Agreement for the purchase of gas and power, the outstanding liability for the purchase of energy by the group to BP Gas Marketing Limited at 31 March 2022 was £1.7m (2021 £8.4m).

25. Events after the end of the reporting period

The continued increase in the spot and forward prices of energy, and the potential for retail energy suppliers to fail and enter the Supplier of Last Resort (SoLR) process is still leading to uncertainty.

Utilita Energy Limited has forward hedged 100% of its energy requirements for the price cap periods October 2022 to March 2023 and locked in costs for that period at a level consistent with the price cap. Utilita Energy Limited is still exposed to balancing and shaping costs and to weather related changes in demand. The increase to the costs of wholesale energy is causing annual energy costs to be at significantly higher levels than ever seen before. These high prices will see customer self-disconnection and default on payments.

From 01 October 2022 HM Government has provided additional support to retail energy customers via three schemes:

- Energy Bills Support Scheme (EBSS) where all domestic customers will receive £400 over the period October 2022 to March 2023;
- Energy Price Guarantee (EPG) where the average consumption domestic customer will see their annual cost limited to £2,500 from October 2022 and £3,000 from April 2023, this support is due to end in March 2024; and
- Energy Bills Relief Scheme (EBRS) where commercial customers receive support against their ongoing consumption.

Both EBSS and EPG will cushion our customers from the high prices that they would otherwise have experienced.

26. Related party transactions

In line with the requirements of Section 33 of FRS 102 the company has not disclosed transactions with other wholly owned entities within the group.

Utilita Energy Limited purchases the majority of the energy for resale under a preferred supplier agreement. The supplier of energy has the power to obtain control of Utilita Group Limited by exercising options (at certain vesting points) but they have not currently exercised these options.

Utilita Energy Limited

Notes to the Financial Statements *(continued)*

Year ended 31 March 2022

27. Controlling party

The company is controlled by Utilita Group Limited, the immediate parent company. W.N. Bullen, the majority shareholder of Utilita Group Limited, has day to day control of the Group, however a preferred supplier, of Utilita Energy Limited, has the power to obtain control by exercising options (at certain vesting points) but they have not currently exercised these options.

The ultimate parent company of Utilita Energy Limited at the balance sheet date was Utilita Group Limited. All members of the Utilita group have the same registered office.

The parent of the smallest and largest group for which group accounts including Utilita Energy Limited are drawn up is Utilita Group Limited. Copies of these accounts may be obtained from the registered office.