

Company Registration No. 06053905 (England and Wales)

## **I Supply Energy Limited**

Annual Report and Financial Statements

for the Year Ended 31 December 2019

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# **I Supply Energy Limited**

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# I Supply Energy Limited

## Company Information

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<b>Directors</b>	Mr B G Clark Mr M F Hagens Mr E A Hagland
<b>Company number</b>	06053905
<b>Registered office</b>	First Floor 1 Tudor Street London EC4Y0AH
<b>Auditor</b>	Ernst & Young LLP Grosvenor House Grosvenor Square Southampton Hampshire SO15 2BE

# **i Supply Energy Limited**

## **Strategic Report**

**For the year ended 31 December 2019**

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### **Introduction**

This report provides an overview of the business performance, business developments and main issues that have been considered by the directors during the period 1 January 2019 to 31 December 2019 (hereafter referred to as the period).

### **Business review**

The start of 2019 saw the business continue to invest in its capabilities and improve customer service levels in preparation for future growth. Considerable progress was made preparing for the installation of SMETS 2 (2nd generation) smart meters, improving customers' journeys and the introduction of a work force management platform to improve productivity levels and deliver a better customer service.

In March 2019, in order to support ongoing operating losses and allow the business to continue to invest, Vattenfall UK Sales purchased 25 million £1 ordinary shares in the Company.

A highlight of the year, and reflecting the improvements made to the business, took place in October 2019. iSupply was awarded the *Improvement Strategy of the Year* award at the UK Contact Centre Forum Awards and *Best Customer Insight and Feedback* award at the International Customer Experience Awards, a testament to the efforts of the iSupply team and reflecting the investments made across the business to ensure the best possible service for our customers.

Our People remained a key area of focus and several initiatives were launched to support a more engaged and skilled workforce. In July 2019, following a strategic review to step away from energy retail and to enable greater attention on developing other businesses in the UK, the Vattenfall Group took the decision to explore options for a sale. Despite this decision the business continued to receive the support from Vattenfall to allow the business to grow its customer base and deliver important improvements.

The overall financial result was a loss of £15.9m; the underlying business performance was in line with Directors' expectations at the start of 2019, however, the final result was impacted negatively by significant customer remediation payments and Ofgem fines in December 2019 as explained below.

Financial turnover was lower than in 2018 (£121.7m Vs £145.5m) primarily due to a lower average number of contracts across both commodities. During 2019 a number of loss making tariffs sold during 2016 ended. This was a significant driver behind the improvement in Gross Margin from £2.8m to £5.2m. Full year operational costs increased in 2019 primarily due to investment in the long-term future of the business; preparation for smart metering, customer centric process improvements, the introduction of a work force management system, an improved employee benefits package and growth in marketing and sales teams.

In December 2019, following a compliance engagement initiated by Ofgem in October 2019, the Company agreed to make a payment to the Voluntary Redress Fund of £1.5m in respect of charging customers above the default tariff price cap set by Ofgem. Subsequent redress packages of £2.0m were agreed with Ofgem for further legacy compliance issues related to tariff discrepancies following contract renewals, inaccurate additional charges and renewal communications, incorrect messaging on customer communications, incorrect blocking to customer switches and inadequate record keeping with respect to the Priority Services Register. All customers impacted by these issues have received refunds and goodwill payments either via cheques or as credits on accounts, totalling £1.9m and the remaining £0.1m will be paid to the Ofgem redress fund directly. Whilst some remediation actions were performed in 2020, the financial impact has been provided for in the 2019 financial statements.

### **COVID 19 Pandemic**

In January 2020, an outbreak of a new strain of coronavirus, COVID-19, was identified in Wuhan China. The virus has spread globally including to the UK and Europe and the World Health Organisation (WHO) declared COVID-19 as a pandemic on 11 March 2020. The priority for the Vattenfall group has been the health, safety and security of its employees as well as the continuity of its business. The group has implemented a series of prevention and protection measures and is constantly monitoring compliance with decisions and recommendations from local public authorities.

# **i Supply Energy Limited**

## **Strategic Report (Continued)**

### **For the year ended 31 December 2019**

One such measure was to mobilise the workforce for 100% remote working. The migration of customer accounts to EDF continued as planned and to the projected timescales with majority of customers being migrated between April and July 2020 and the last customer in September 2020.

At the beginning of Q2, the point at which COVID-19 impacts in the UK began to materialise, iSupply was preparing to migrate its customer portfolio and the eventual liquidation of the business. Given the situation of iSupply, the primary impact of business performance will be on the collection of customer debt from those customers not migrated to EDF. The Directors are monitoring debt recovery performance closely whilst remaining sensitive to the financial difficulties that former customers may find themselves in due to the economic uncertainties brought about by COVID-19. Debt recovery to date has been in line with historical performance. In the longer term we would expect the economic impact of COVID-19 to lead to higher bad debts, however the impact on iSupply will be limited given the market exit.

The long-term impact for the Vattenfall group is also difficult to assess and will depend on the magnitude, duration and geographic extent of this pandemic. However, on the basis that the financial statements of the Company have not been prepared on a going concern basis, the directors intend to liquidate the Company during 2021 and the fact the business has the necessary financial support from Vattenfall AB, the COVID-19 pandemic is not expected to represent a significant risk given the current objectives of the Directors with regards to iSupply.

#### **Principle risks and uncertainties**

##### **Commodity Price Risk**

Wholesale electricity and gas prices vary to reflect developments in demand and supply drivers such as temperature and power plant availability. To protect its margins from increases in wholesale prices iSupply buys its expected energy supply obligations on the forward market thereby securing the cost of this energy in advance.

##### **Bad Debt**

iSupply aims to minimise bad debt by collecting payments from its customers via direct debits paid in advance. A dedicated Collections team monitors customer balances and takes appropriate action to arrange for payment depending on the situation of the customer.

##### **Financial and Non-Financial Key Performance Indicators**

The directors of iSupply monitor a set of financial and non-financial KPIs on an ongoing basis. These KPIs encompass a range of customer contracts, customer service levels and employee engagement. Of note:

	December 2018	December 2019
Contract Numbers	182,234	194,034
Citizen Advice Bureau (CAB) score	1.95(Q4)	3.1(Q3)
Employee Absence (Rolling 12 months)	3.24%	3.0%

## **I Supply Energy Limited**

### **Strategic Report (Continued)**

**For the year ended 31 December 2019**

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#### **Outcome of Vattenfall Exit from UK Energy Retail market**

Following a comprehensive sale process the Directors were pleased to announce EDF Energy as the successful acquirer of iSupply's customer portfolio. The customer portfolio was migrated to EDF during Summer 2020. Thereafter the intention is to wind-up the remaining activities of iSupply during the remainder of 2020 and into 2021.

This report was approved by the board and signed on its behalf by:

DocuSigned by:

*Brendan Clark*

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Mr B G Clark

**Director**

Date 30 October 2020:

# **i Supply Energy Limited**

## **Directors' Report**

**For the year ended 31 December 2019**

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The directors present their annual report and financial statements for the year ended 31 December 2019.

### **Principal activities**

The Company's principle activity is the supply of electricity and gas to UK based consumers. The Company is a private limited company, domiciled in the United Kingdom and incorporated in England and Wales.

### **Going Concern**

In light of the agreed sale of the customer book to EDF Energy in February 2020, it is anticipated that the company will be liquidated during 2021. It is the intention of the Directors to conduct an orderly market exit, and the business has the necessary financial support from Vattenfall AB to support this.

Accordingly, the 2019 financial statements have been prepared on a basis other than going concern. We have evaluated whether adjustments are required to be made with regards to both the carrying value of all assets and liabilities as well as the classification of all assets and liabilities, between long term and short term.

Up until the point at which the customer book migrated (September 2020), iSupply continued to benefit from the customer revenues. iSupply will also benefit from the proceeds of the sales transaction to EDF Energy.

Throughout the year and subsequent to the sale of the customer book the business will continue to incur operational costs including employee salary costs, rental costs on lease premises and other operational costs such as the cost of IT infrastructure, consultancy and debt collection fees. In the case of longer-term contracts which extend beyond the operating horizon of iSupply, these costs will be booked in 2020 in line with the termination agreements reached with each supplier.

IT equipment purchased at the beginning of 2020 to support remote working following the COVID-19 pandemic has been offered to staff as a disposal route. These assets will be written down in full in the 2020 financial statements.

Future costs of liquidating the business, assets being written down and liabilities being settled in full are anticipated throughout January to December 2020. These costs have not been included in the 2019 statements given that the liquidation is likely to be entered into during January 2021 and is therefore considered as a non-adjusting post balance sheet event.

### **Section 172 Statement**

The directors of the Company perform their duties in accordance with s172 of the Companies Act 2006, acting in good faith to promote the success of the Company for the benefit of its members as a whole and having regard to the following matters:

Vattenfall's purpose is to enable fossil-free living within one generation, and this formed a cornerstone for decisions at iSupply. These decisions included our "Think Green" campaign making internal changes to operations to include 100% recycling on plastic packaging, encouraging paperless working practices and driving the Smart Meter project. The local community was never far from our thoughts and led to joint marketing campaigns, iSupply volunteers dedicating time to help protect Wildlife on Brownsea Island and partnerships with local schools to deliver our "Planet Heros" initiative to educate young people on renewable energy. We also worked with local homeless shelters providing food supplies and took part in Bournemouth beach cleans.

Maintaining a reputation for high standards of business conduct and focus on customer service excellence created returns in improved Trust Pilot reviews, fewer complaints and winning customer centric awards as described in the Business Review.

Following the decision to exit the UK market in mid-2019 the Directors focused on securing an outcome and acting with consideration of the interests of all members. Of particular concern was the impact to employees. There was full transparency throughout the process and, following the decision to sell the customer book, Vattenfall took steps to support staff in obtaining future jobs. This included engaging a specialist company to provide of tools and materials for job searching, mental health charities and offering an enhanced redundancy package. Following the closure of the EDF transaction iSupply acted with transparency and collaboratively with suppliers and the regulator to conduct an orderly exit from the market.

## **I Supply Energy Limited**

### **Directors' Report (Continued)**

**For the year ended 31 December 2019**

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As noted in the Going Concern Section above, the Company will cease trading. Therefore, during the year, the directors have also had regard to the best long-term interest of the Vattenfall Group as a whole when making decisions regarding the Company.

#### **Directors**

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

Mr B G Clark  
Mr M F Hagens  
Mr E A Hagland  
Mr Ian Cain

(Appointed 1 April 2019 and resigned 31 December 2019)

#### **Results and dividends**

**The results for the year are set out on page 12.**

The results for the year are set out on page 10. No ordinary dividends were paid. The Directors do not recommend payment of a final dividend.

#### **Qualifying third party indemnity provisions**

The company has made qualifying third party indemnity provisions for the benefit of its directors during the period. These provisions remain in force at the reporting date.

#### **Disabled persons**

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment within the company continues and that the appropriate training is arranged. It is the policy of the company that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

#### **Employee involvement**

The company's policy is to consult and discuss with employees, through unions and staff councils where appropriate, and at meetings any matters likely to affect employees' interests. Information relating to matters of concern to employees is given through information bulletins and reports which seek to achieve a common awareness on the part of all employees of the financial and economic factors affecting the company's performance.

## I Supply Energy Limited

### Directors' Report (Continued)

For the year ended 31 December 2019

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#### Auditor

If required, in accordance with the company's articles, a resolution proposing that Ernst & Young LLP be reappointed as auditor of the company will be put at a General Meeting.

#### Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

This report has been approved by the board and signed on its behalf by:

DocuSigned by:  
  
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Mr B G Clark  
Director

Date: 30 October 2020

## **I Supply Energy Limited**

### **Directors' Responsibilities Statement**

**For the year ended 31 December 2019**

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have 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 of 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 judgements 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.

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF iSupply Energy Limited

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### Opinion

We have audited the financial statements of iSupply Energy Limited for the year ended 31 December 2019 which comprise the Statement of comprehensive income, the Statement of Financial Position, the Statement of changes in equity and the related notes 1 to 22, including a summary of 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" (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 December 2019 and of its loss for the period 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 below. 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.

### Emphasis of matter - Basis other than going concern

We draw attention to note 1 to the financial statements which explains that the directors intend to liquidate the company and therefore do not consider it to be appropriate to adopt the going concern basis of accounting in preparing the financial statements. Accordingly the financial statements have been prepared on a basis other than going concern as described in note 1. Our opinion is not modified in respect of this matter.

### Other information

The other information comprises the information included in the annual report set out on pages 2 to 5, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion 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 such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the 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 our 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.

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF iSupply Energy Limited**

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### **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 and the Directors' Report.

We have nothing to report in respect of the following matters where 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 6, 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.

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF iSupply Energy Limited

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### 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.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <http://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

### 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.

*Ernst & Young LLP*

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**James Harris (Senior statutory auditor)**  
**for and on behalf of Ernst & Young LLP**

**Statutory Auditor**  
Southampton

Date: 2 November 2020

**I Supply Energy Limited****Statement of Comprehensive Income  
For the year ended 31 December 2019**


	<b>Notes</b>	<b>2019 £'000</b>	<b>2018 £'000</b>
<b>Turnover</b>	<b>3</b>	121,718	145,504
<b>Cost of sales</b>		(116,537)	(142,645)
<b>Gross profit</b>		5,181	2,859
<b>Administrative expenses</b>		(24,312)	(19,783)
<b>Operating loss</b>	<b>4</b>	(19,131)	(16,924)
<b>Interest receivable and similar income</b>	<b>8</b>	3	3
<b>Interest payable and similar expenses</b>	<b>9</b>	(96)	(172)
<b>Loss before taxation</b>		(19,224)	(17,093)
<b>Tax on loss</b>	<b>10</b>	3,344	3,239
<b>Loss for the financial year</b>		(15,880)	(13,854)

The Statement of Comprehensive Income has been prepared on the basis that all operations are continuing operations.

**I Supply Energy Limited****Statement of Financial Position****As at 31 December 2019**

		2019		2018 as restated	
	Notes	£'000	£'000	£'000	£'000
<b>Fixed assets</b>					
Intangible assets	11		2,315		1,732
Tangible assets	12		219		177
			<u>2,534</u>		<u>1,909</u>
<b>Current assets</b>					
Debtors	13	28,179		30,015	
Cash at bank and in hand		42		11,869	
		<u>28,221</u>		<u>41,884</u>	
<b>Creditors: amounts falling due within one year</b>	14	(47,734)		(69,892)	
<b>Net current liabilities</b>			(19,513)		(28,008)
<b>Total assets less current liabilities</b>			<u>(16,979)</u>		<u>(26,099)</u>
<b>Capital and reserves</b>					
Called up share capital	17		25,100		100
Profit and loss reserves			(42,079)		(26,199)
<b>Total equity</b>			<u>(16,979)</u>		<u>(26,099)</u>

The financial statements were approved by the board of directors and authorised for issue and are signed on its behalf by:

DocuSigned by:  
  
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 Mr B G Clark  
 Director

Date: 30 October 2020

Company Registration No. 06053905

The notes on pages 15 to 28 form part of these financial statements.

# I Supply Energy Limited

## Statement of Changes in Equity

For the year ended 31 December 2019

	Notes	Share capital £'000	Profit and loss reserves £'000	Total £'000
<b>Balance at 1 January 2018</b>		100	(12,345)	(12,245)
<b>Period ended 31 December 2018:</b>				
Loss and total comprehensive income for the period		-	(13,854)	(13,854)
<b>Balance at 31 December 2018</b>		100	(26,199)	(26,099)
<b>Year ended 31 December 2019:</b>				
Loss and total comprehensive loss for the year		-	(15,880)	(15,880)
Issue of share capital	17	25,000	-	25,000
<b>Balance at 31 December 2019</b>		25,100	(42,079)	(16,979)

# I Supply Energy Limited

## Notes to the Financial Statements

For the year ended 31 December 2019

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### 1 Accounting policies

#### Company information

I Supply Energy Limited is a private company limited by shares incorporated in England and Wales. The registered office is First Floor, 1 Tudor Street, London, EC4Y0AH.

#### 1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £'000.

In light of the agreed sale of the customer book to EDF Energy in February 2020, it is anticipated that the company will be liquidated during 2021. As described in the Directors' report on page 4, the financial statements for the current year have been prepared on a basis other than going concern as detailed in note 1.2. The COVID-19 pandemic is a non-adjusting post-balance sheet event as detailed in note 22.

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

This company is a qualifying entity for the purposes of FRS 102, being a member of a group where the parent of that group prepares publicly available consolidated financial statements, including this company, which are intended to give a true and fair view of the assets, liabilities, financial position and profit or loss of the group. The company has therefore taken advantage of exemptions from the following disclosure requirements:

- Section 4 'Statement of Financial Position' – Reconciliation of the opening and closing number of shares;
- Section 7 'Statement of Cash Flows' – Presentation of a statement of cash flow and related notes and disclosures;
- Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instrument Issues' – Carrying amounts, interest income/expense and net gains/losses for each category of financial instrument; basis of determining fair values; details of collateral, loan defaults or breaches, details of hedges, hedging fair value changes recognised in profit or loss and in other comprehensive income;
- Section 26 'Share based Payment' – Share-based payment expense charged to profit or loss, reconciliation of opening and closing number and weighted average exercise price of share options, how the fair value of options granted was measured, measurement and carrying amount of liabilities for cash-settled share-based payments, explanation of modifications to arrangements;
- Section 33 'Related Party Disclosures' – Compensation for key management personnel.

The financial statements of the company are consolidated in the financial statements of Vattenfall AB. These consolidated financial statements are available from its registered office, Evenemangsgatan 13, SE-169 79 Solna, Sweden.

# I Supply Energy Limited

## Notes to the Financial Statements (Continued)

For the year ended 31 December 2019

### 1 Accounting policies

(Continued)

#### 1.2 Going concern

In light of the agreed sale of the customer book to EDF Energy in February 2020, it is anticipated that the company will be liquidated during 2021. It is the intention of the Directors to conduct an orderly market exit, and the business has the necessary financial support from Vattenfall AB to support this.

Accordingly, the 2019 financial statements have been prepared on a basis other than going concern. We have evaluated whether adjustments are required to be made with regards to both the carrying value of all assets and liabilities as well as the classification of all assets and liabilities, between long term and short term.

Up until the point at which the customer book migrated (September 2020), iSupply continued to benefit from the customer revenues. iSupply will also benefit from the proceeds of the sales transaction to EDF Energy.

Throughout the year and subsequent to the sale of the customer book the business will continue to incur operational costs including employee salary costs, rental costs on lease premises and other operational costs such as the cost of IT infrastructure, consultancy and debt collection fees. In the case of longer-term contracts which extend beyond the operating horizon of iSupply, these costs will be booked in 2020 in line with the termination agreements reached with each supplier.

IT equipment purchased at the beginning of 2020 to support remote working following the COVID-19 pandemic has been offered to staff as a disposal route. These assets will be written down in full in the 2020 financial statements.

Future costs of liquidating the business, assets being written down and liabilities being settled in full are anticipated throughout January to December 2020. These costs have not been included in the 2019 statements given that the liquidation is likely to be entered into during January 2021 and is therefore considered as a non-adjusting post balance sheet event.

#### 1.3 Turnover

Revenue arises from the supply of gas and electricity and other related services to domestic consumers. This is recognised as the fair value of the consideration received or receivable for the energy which is supplied during the period and is net of VAT and discounts. Revenue is recognised as costs are incurred and this is based on SF Run (the first settlement run, performed by Elexon, which is used as a basis of monetary settlement between industry parties). An estimate is made for the supply of energy, in terms of sales value from the last bill date to the period end date.

#### 1.4 Intangible fixed assets other than goodwill

Intangible assets acquired separately from a business are recognised at cost and are subsequently measured at cost less accumulated amortisation and accumulated impairment losses.

Intangible assets acquired on business combinations are recognised separately from goodwill at the acquisition date where it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity and the fair value of the asset can be measured reliably; the intangible asset arises from contractual or other legal rights; and the intangible asset is separable from the entity.

Amortisation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Accounting software and HR package	5 years straight line
Website development	5 years straight line
Electricity licences and trademarks	5 years straight line
Commissions	Length of the contract plus 8 months

# I Supply Energy Limited

## Notes to the Financial Statements (Continued)

For the year ended 31 December 2019

### 1 Accounting policies

(Continued)

#### 1.5 Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Leasehold land and buildings	3 years straight line
Fixtures and fittings	25% reducing balance
Computer equipment	3 years straight line

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to profit or loss.

#### 1.6 Cash at bank and in hand

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

#### 1.7 Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the company's statement of financial position when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

#### Basic financial assets

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

#### Other financial assets

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

# I Supply Energy Limited

## Notes to the Financial Statements (Continued)

For the year ended 31 December 2019

### 1 Accounting policies

(Continued)

#### Impairment of financial assets

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

#### Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the company transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

#### Classification of financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

#### Basic financial liabilities

Basic financial liabilities, including creditors, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

#### Other financial liabilities

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or finance income as appropriate, unless hedge accounting is applied and the hedge is a cash flow hedge.

Debt instruments that do not meet the conditions in FRS 102 paragraph 11.9 are subsequently measured at fair value through profit or loss. Debt instruments may be designated as being measured at fair value through profit or loss to eliminate or reduce an accounting mismatch or if the instruments are measured and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

# I Supply Energy Limited

## Notes to the Financial Statements (Continued)

For the year ended 31 December 2019

### 1 Accounting policies

(Continued)

#### Derecognition of financial liabilities

Financial liabilities are derecognised when the company's contractual obligations expire or are discharged or cancelled.

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognised in profit or loss immediately, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

### 1.8 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

#### Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

#### Deferred tax

Deferred tax liabilities are generally recognised for all timing differences and 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. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

### 1.9 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

### 1.10 Retirement benefits

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

# I Supply Energy Limited

## Notes to the Financial Statements (Continued)

For the year ended 31 December 2019

### 1 Accounting policies

(Continued)

#### 1.11 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessees. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets at the lower of the assets fair value at the date of inception and the present value of the minimum lease payments. The related liability is included in the statement of financial position as a finance lease obligation. Lease payments are treated as consisting of capital and interest elements. The interest is charged to profit or loss so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Rentals paid under operating leases are charged to the Statement of Comprehensive Income on a straight line basis over the lease term.

#### 1.12 Own-use Exemptions

iSupply uses forward commodity contracts to protect itself from energy price volatility. When commodity contracts have been entered into as part of the Company's normal business activity, the Company seeks to classify them as "own use contracts" outside the scope of Section 12 of FRS 102. This is achieved when:

- a physical delivery takes place under all such contracts;
- the volumes purchased or sold corresponds to the Company's operating requirements; and
- the contracts are not considered as written options as defined by the standard.

In the case of iSupply, the energy procurement contracts entered into fulfil the above requirements.

#### 1.13 Prior period adjustment

A prior period adjustment has been made in respect of other debtors, other creditors and accrued income which had been incorrectly offset, see Note 21 for more details.

### 2 Judgements and key sources of estimation uncertainty

#### Critical judgements

The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements.

#### *Energy supplied and costs*

Energy supplied to residential homes and the associated costs are subject to estimation and revision over a period of 14 months in accordance with industry practice. Where validated meter readings are not available iSupply applies standardised industry models to forecast energy supplied and the associated costs.

Direct acquisition costs, such as commission paid to third parties, are amortised over the expected lifetime of the customer. This lifetime is based on historical analysis of customer retention levels.

#### *Bad debts*

The company makes allowances for doubtful debts based on an assessment of the recoverability of receivables. Allowances are applied against receivables where events or changes in circumstances indicate that the carrying amounts may not be recovered. Management specifically analysed historical bad debts and changes in customer payment terms when making a judgement to evaluate the adequacy of the allowance of doubtful debts of receivables. Where the expectation is different from the original estimate, such differences will impact the carrying value of receivables.

# I Supply Energy Limited

## Notes to the Financial Statements (Continued)

For the year ended 31 December 2019

### 3 Turnover and other revenue

An analysis of the company's turnover is as follows:

	2019 £'000	2018 £'000
<b>Turnover analysed by class of business</b>		
Electricity sales	82,992	105,316
Gas sales	38,725	40,159
Non-energy income	-	29
	<u>121,717</u>	<u>145,504</u>

	2019 £'000	2018 £'000
<b>Other significant revenue</b>		
Interest income	3	3
	<u>3</u>	<u>3</u>

	2019 £'000	2018 £'000
<b>Turnover analysed by geographical market</b>		
United Kingdom	<u>121,717</u>	<u>145,504</u>

### 4 Operating loss

	2019 £'000	2018 £'000
Operating loss for the year is stated after charging:		
Ofgem compliance engagements	3,506	-
IT infrastructure	3,203	3,171
Increase in bad debt provision	1,438	3,766
Operating lease charges	262	225
Depreciation of owned tangible fixed assets	139	126
Amortisation of intangible assets	<u>2,039</u>	<u>2,831</u>

### 5 Auditor's remuneration

	2019 £'000	2018 £'000
Fees payable to the company's auditor and associates:		
<b>For audit services</b>		
Audit of the financial statements of the company	<u>100</u>	<u>81</u>

# I Supply Energy Limited

## Notes to the Financial Statements (Continued)

For the year ended 31 December 2019

### 6 Employees

The average monthly number of persons (including directors) employed by the company during the year was:

	2019 Number	2018 Number
Directors	4	2
Other staff	252	208
	<u>256</u>	<u>210</u>

Their aggregate remuneration comprised:

	2019 £'000	2018 £'000
Wages and salaries	8,371	5,742
Social security costs	600	473
Pension costs	108	52
	<u>9,079</u>	<u>6,267</u>

### 7 Directors' remuneration

	2019 £'000	2018 £'000
Remuneration for qualifying services	<u>300</u>	<u>174</u>

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 0 (2018 - 2).

Remuneration disclosed above include the following amounts paid to the highest paid director:

	2019 £'000	2018 £'000
Remuneration for qualifying services	<u>300</u>	<u>-</u>

### 8 Interest receivable and similar income

	2019 £'000	2018 £'000
Interest income		
Interest on bank deposits	<u>3</u>	<u>3</u>

# I Supply Energy Limited

## Notes to the Financial Statements (Continued)

For the year ended 31 December 2019

### 9 Interest payable and similar expenses

	2019	2018
	£'000	£'000
Other interest on intergroup loans	96	172

### 10 Taxation

	2019	2018
	£'000	£'000
<b>Current tax</b>		
Group tax relief	(3,344)	(3,225)
<b>Deferred tax</b>		
Origination and reversal of timing differences	-	(14)
<b>Total tax credit</b>	<b>(3,344)</b>	<b>(3,239)</b>

The actual credit for the year can be reconciled to the expected credit for the year based on the profit or loss and the standard rate of tax as follows:

	2019	2018
	£'000	£'000
Loss before taxation	(19,224)	(17,093)
Expected tax credit based on the standard rate of corporation tax in the UK of 19.00% (2018: 19.00%)	(3,653)	(3,248)
Tax effect of expenses that are not deductible in determining taxable profit	293	-
Permanent capital allowances in excess of depreciation	16	23
Deferred tax	-	(14)
<b>Taxation credit for the year</b>	<b>(3,344)</b>	<b>(3,239)</b>

# I Supply Energy Limited

## Notes to the Financial Statements (Continued)

For the year ended 31 December 2019

### 11 Intangible fixed assets

	Accounting software and HR package £'000	Website development £'000	Electricity licences and trademarks £'000	Commissions £'000	Total £'000
<b>Cost</b>					
At 1 January 2019	40	92	15	7,402	7,549
Additions - separately acquired	-	-	-	2,622	2,622
At 31 December 2019	40	92	15	10,024	10,171
<b>Amortisation and impairment</b>					
At 1 January 2019	12	67	12	5,726	5,817
Amortisation charged for the year	6	25	1	2,007	2,039
At 31 December 2019	18	92	13	7,733	7,856
<b>Carrying amount</b>					
At 31 December 2019	22	-	2	2,291	2,315
At 31 December 2018	28	25	3	1,676	1,733

### 12 Tangible fixed assets

	Leasehold land and buildings £'000	Fixtures and fittings £'000	Computer equipment £'000	Total £'000
<b>Cost</b>				
At 1 January 2019	137	87	180	404
Additions	153	24	4	181
At 31 December 2019	290	111	184	585
<b>Depreciation and impairment</b>				
At 1 January 2019	40	88	100	228
Depreciation charged in the year	96	4	39	139
At 31 December 2019	136	92	139	367
<b>Carrying amount</b>				
At 31 December 2019	154	20	45	219
At 31 December 2018	97	-	80	177

# I Supply Energy Limited

## Notes to the Financial Statements (Continued)

For the year ended 31 December 2019

### 13 Debtors

	2019	2018
	£'000	As restated £'000
<b>Amounts falling due within one year:</b>		
Trade debtors	-	4
Amounts owed by group undertakings	-	6,455
Amounts owed by group undertakings (Tax asset)	6,569	4,275
Other debtors	16,012	13,944
Prepayments and accrued income	5,598	5,337
	<u>28,179</u>	<u>30,015</u>

### 14 Creditors: amounts falling due within one year

	Notes	2019	2018
		£'000	As restated £'000
Bank loans and overdrafts	15	11,067	-
Trade creditors		1,978	2,194
Amounts due to group undertakings		-	31,648
Other taxation and social security		169	159
Other creditors		9,299	10,917
Accruals - amounts due to group undertakings		6,382	9,896
Other accruals		18,839	15,078
		<u>47,734</u>	<u>69,892</u>

### 15 Loans and overdrafts

	2019	2018
	£'000	£'000
Bank overdrafts	<u>11,067</u>	<u>-</u>
Payable within one year	<u>11,067</u>	<u>-</u>

### 16 Retirement benefit schemes

	2019	2018
	£'000	£'000
<b>Defined contribution schemes</b>		
Charge to profit or loss in respect of defined contribution schemes	<u>108</u>	<u>52</u>

The company operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the company in an independently administered fund.

# I Supply Energy Limited

## Notes to the Financial Statements (Continued)

For the year ended 31 December 2019

### 17 Share capital

	2019 £'000	2018 £'000
<b>Ordinary share capital Issued and fully paid</b>		
25,100,002 (2018: 100,002) ordinary shares of £1 each	25,100	100

During the period an amount due to Vattenfall totalling £25,000,000 was converted to 25,000,000 £1 ordinary shares in the company.

### 18 Operating lease commitments

#### Lessee

At the reporting end date the company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2019 £'000	2018 £'000
Within one year	241	241
Between two and five years	759	964
In over five years	-	1,204
	<u>1,000</u>	<u>2,409</u>

### 19 Ultimate controlling party

The company is controlled by Vattenfall UK Sales Limited, a company registered in England and Wales, by virtue of its 100% holding in the company's issued share capital. The ultimate parent company is Vattenfall AB and its registered office is Evenemangsgatan 13, SE-169 79 Solna, Sweden. The ultimate controlling party is the Swedish government by virtue of its 100% shareholding in the ultimate parent company.

Consolidated financial statements are prepared by the ultimate parent company and copies are available at its registered office.

### 20 Related party transactions

The company has taken advantage of the exemption in FRS 102 Section 33 from the requirement to disclose transactions with group companies on the grounds that the company is a wholly owned subsidiary within the group.

### 21 Prior Period Adjustment

A prior period adjustment has been made in respect of other debtors, other creditors and accrued income which had been incorrectly offset. This impacts Notes 13 and 14, below is a table detailing the adjustment. This has had no effect on the profit or loss position.

# I Supply Energy Limited

## Notes to the Financial Statements (Continued)

For the year ended 31 December 2019

### 21 Prior Period Adjustment

(Continued)

#### Statement of Financial Position

	<b>Restated 31/12/2018 £000</b>	<b>Reclassification £000</b>	<b>31/12/2018 £000</b>
Debtors	30,015	10,219	19,796
Creditors: amounts falling due within one year	(69,892)	(10,219)	(59,673)

#### Notes to the Financial Position

		<b>Restated 31/12/2018 £000</b>	<b>Reclassification £000</b>	<b>31/12/2018 £000</b>
Other Debtors	Note 13	13,944	8,417	5,527
Prepayments and accrued income	Note 13	5,337	1,802	3,535
Other Creditors	Note 14	(10,917)	(10,219)	(698)

## **I Supply Energy Limited**

### **Notes to the Financial Statements (Continued)**

**For the year ended 31 December 2019**

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#### **22 Events after the balance sheet date**

##### **The sale of I Supply**

In February 2020, the Company signed the agreement for the sale of its customer portfolio to EDF Energy and this was migrated to EDF during the summer of 2020. See the Strategic Report for further information.

##### **Redress payments**

Since the year end, the company has agreed with Ofgem to make redress payments amounting to £2.02m. See the Strategic Report for further information.

##### **COVID 19 Pandemic**

In January 2020, an outbreak of a new strain of coronavirus, COVID-19, was identified in Wuhan China. The virus has spread globally including to the UK and Europe and the World Health Organisation (WHO) declared COVID-19 as a pandemic on 11 March 2020. The priority for the Vattenfall group has been the health, safety and security of its employees as well as the continuity of its business. The group has implemented a series of prevention and protection measures and is constantly monitoring compliance with decisions and recommendations from local public authorities.

One such measure was to mobilise the workforce for 100% remote working. The migration of customer accounts to EDF continued as planned and to the projected timescales with majority of customers being migrated between April and July 2020 and the last customer in September 2020.

At the beginning of Q2, the point at which COVID-19 impacts in the UK began to materialise, iSupply was preparing to migrate its customer portfolio and the eventual liquidation of the business. Given the situation of iSupply, the primary impact of business performance will be on the collection of customer debt from those customers not migrated to EDF. The Directors are monitoring debt recovery performance closely whilst remaining sensitive to the financial difficulties that former customers may find themselves in due to the economic uncertainties brought about by COVID-19. Debt recovery to date has been in line with historical performance. In the longer term we would expect the economic impact of COVID-19 to lead to higher bad debts, however the impact on iSupply will be limited given the market exit.

The long-term impact for the Vattenfall group is also difficult to assess and will depend on the magnitude, duration and geographic extent of this pandemic. However, on the basis that the financial statements of the Company have not been prepared on a going concern basis, the directors intend to liquidate the Company during 2021 and the fact the business has the necessary financial support from Vattenfall AB, the COVID-19 pandemic is not expected to represent a significant risk given the current objectives of the Directors with regards to iSupply.