Extra Energy Supply Limited

Report and Financial statements

Year ended

31 December 2015

Company Number 08053154

Extra Energy Supply Limited

Report and financial statements
For the year ended 31 December 2015

Contents

Country of incorporation of Company

England and Wales

Legal form

Private Company limited by share capital

Director

M Ben-Moshe

Registered office

54 Hagley Road, Birmingham, England, B16 8PE

Company number

08053154

Auditors

BDO LLP, Two Snowhill, Birmingham, B4 6GA

Extra Energy Supply Limited

Strategic report
for the year ended 31 December 2015

The Director presents his strategic report for the year ended 31 December 2015.

Business review

The principal activity of the Company is the supply of gas and electricity to domestic customers and small and medium enterprises (SME).

It is observed that market conditions have continued to remain favourable throughout the fiscal year, with an increasing number of customers moving away from incumbent ("Big Six") suppliers to "independent" brands such as Extra Energy. This is coupled with a strong proposition from the Company, whereby the pricing strategy can benefit from cost efficient and agile use of proprietary technology, lean management and corporate overhead structures.

The Company has continued to make progress following market entry in 2014 and can report a strong development in performance, having delivered significant sales through on-line, broker and direct acquisition channels. The number of customer accounts on-supply has more than doubled from 189k to over 404k, representing an increase of 114%.

The significant increase in the customer base during the year, coupled with the full year effect of customers that were gained in the second half of 2014, has seen turnover increase to £253.7m (2014 - £36.2m) and profitability of £4.5m (2014 - £15.7m loss). In addition, the Company is now achieving a level of cash flow which has reduced its reliance on support from a related party in Germany (ExtraEnergie GmbH).

The Company has completed its move into new headquarters and has established internal functions responsible for direct sales, customer services, systems development and management support functions. In average there were 543 employees at the during 2015.

Concerning future developments, Extra Energy expects that market conditions will remain favourable for the foreseeable future - driven by both changes in customer behaviour and market stimulus arising from the recent market investigation by the Competition and Markets Authority.

Given the strong growth of the Company, the Director will continue with programmes to improve operational resilience and efficiency, coupled with general professionalisation of the organisation and ensuring that we are ready for the upcoming undertakings required to meet both the Energy Company Obligation (ECO) and deployment of smart meters.

We expect moderate growth in the customer base, building on the position as a challenger brand and as a low cost innovative, agile energy provider. Meters on supply will continue to grow from the utilisation of the pricing strategy to maintain an attractive position within the residential market. Within SME business growth will be underpinned by the application of technology and systems which will drive greater operational efficiency and enable significant differentiation in our customer proposition.

Principal risks and uncertainties

The principal risk and uncertainties affecting the Company are:

Competition
Due to a growing public awareness of energy prices led by the UK politicians and media, the UK market is experiencing one of its most competitive periods with more new-entrants coming to the market. Extra Energy has taken a leading price and competitive position, with a very agile strategy based upon its proprietary bespoke pricing, IT and billing systems. The Company monitors all the different channels to market, associated cost structures and attractiveness. Whilst operating within bounds of firm economic discipline, the Company can remain quick to react to price changes in the market to continue our growth strategy.

Legislative and regulatory change
The Company's operations are subject to extensive regulatory requirements, particularly in relation to the way it serves customers, the products and services it sells, its advertising, marketing and sales practices, its employment and environmental issues. Changes in laws and regulations and their enforcement may impact on the Company's business in terms of costs, changes to business practices and restrictions on activities.

It should be noted that the strong growth of the Company has created pressure on certain operational processes (such as billing and complaints handling) which lead to Ofgem announcing an investigation into the Company commencing on 1st July 2016. Company management are responding in full concerning both the formal investigation and also ensuring that an extensive Compliance and Assurance programme is delivered to ensure a high degree of resilience going forward. Whereas the exact timetable for the completion of the investigation is not confirmed at this time, the Director expects this will extend into 2017.

More generally, the Company operates a compliance regime which monitors legal and regulatory developments to ensure the appropriate training is provided and the necessary modification to trading practices and policies are made. Regular reviews are conducted to ensure compliance with the increasing number of legal and regulatory developments.

Volume and commodity price changes
The Company is exposed to volatile commodity market prices, whilst at the same time the Company is experiencing growing demand due to its growing customer base. At any point in time the Company will have energy purchases contracted for up to three years ahead and the Director has led a strategy to try to match customers fixed contracts to the forward purchase of commodities, whilst maintaining some flexibility to benefit from prevailing trends in commodity costs.

Given the relatively short history of the Company, a sister Company (ExtraEnergie GmbH) has supported the Company with access to the wholesale markets for the procurement of gas and electricity.

Bad debt risks
Bad debt risk is managed by credit checking new customers and encouraging customers to take up direct debit plans and performing a detailed review of all billed and unbilled revenue in the calculation of the debt provision.

Seasonality
The energy business is very seasonal with a strong profitability trend to the winter season, being the first and fourth quarters in the calendar year. This seasonality, coupled with the fact that customer acquisition exhibits a stronger trend of switching in the winter months, can have a material impact on revenue and cash flows.

Financing

The Director manages the business within the frame of a 12 month cash flow projection (within the Business Plan) with near term cash flows relating to the next two months being updated on a regular basis. Whereas a high take up of downpayment plans (monthly direct debits) gives a good level of confidence on receivables, the seasonality impacts on demand from the customer base can lead to some cash flow volatility, particularly during the winter months.

Finance to the Company is provided in the form of an interCompany loan from ExtraEnergie GmbH, a related Company that has been successfully active as an energy supplier in Germany for a number of years. This loan facility is for an amount up to €80 million and is available for the period to March 2019. At the year end the Company had utilised €62m (£45m) in 2015 versus €27.5m (£21.4m) in 2014. At the date of this report the Company had utilised €58m (£51m).

As a result of positive operational cash flow development, the balance remaining on this loan facility and further funding available from Extra Energie GmbH if required, the Director is satisfied that the Company has access to sufficient funding to continue trading and paying its creditors for at least 12 months following the date of signing of this report and accounts.

Financial key performance indicators (KPIs)

The Director has a number of key financial performance indicators that are produced and monitored on a regular basis. These can be seen in the financial statements. Generally, the Director is satisfied that KPIs show a positive trend for the Company.

	Unit	2015	2014
Customers	No'000	404	189
Revenue	£'000	253,696	36,225
Annualised gross profit	%	12.8	8.0

Employee engagement

The Company actively encourages employee involvement throughout the organisation. The Company holds regular Companywide briefings where the latest information is shared, including financial and operational factors that affect the performance of the Company.

Employee performance and development is reviewed on a semi-annual basis and ensured it is in line with the overall Company's objectives.

One of the Company's core values is treating people fairly, giving equal opportunities to all employees and applicants. The Company ensures all employees get the same chances for training, development and career progression depending on their performance, including any disabled employees. If an employee becomes disabled whilst in employment, the Company will make every effort to give the employee suitable responsibilities with reasonable adjustments in their current role.

On behalf of the board

M Ben-Moshe
Director

Date: 22 December 2016

Extra Energy Supply Limited

Report of the Director
for the year ended 31 December 2015

The Director presents his report together with the audited financial statements of the Company for the year ended 31 December 2015.

Principal activities

Principal activities are detailed in the Strategic Report on page 1.

Results

The profit for the year before tax amounted to £1.1m (2014 -£15.7m loss) from a turnover of £253.7m (2014 - £36.2m). Given the fact that profitability has been established after the first full year of trading and given the prospects for future growth the Director is confident that the Company will continue to operate profitably. During the year no dividends were paid to shareholders. The Director does not recommend the payment of a final dividend.

An overview of performance for the year and future developments are detailed in the Business Review section of the Strategic Report on page 1.

Director

M Ben-Moshe held office during the whole of the period from 1 January 2015 to the date of this report.

Director's responsibilities statement

The Director is responsible for preparing the strategic report, the report of the Director and the financial statements in accordance with applicable law and regulations.

Company law requires the Director to prepare financial statements for each financial year. Under that law the Director has elected to prepare the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union. Under Company law the Director must not approve the financial statements unless he is 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 Director is required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable 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 Director is 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 him to ensure that the financial statements comply with the Companies Act 2006. He is 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

Auditors

The Director has taken all the steps that he ought to have taken to make himself aware of any information needed by the Company's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The Director is not aware of any relevant audit information of which the auditors are unaware.

BDO LLP have expressed their willingness to continue in office.

Directors Indemnity

The Company has a qualifying third party indemnity policy in place for the benefit of the Director, which covered the reporting year and remains in place at the date of this report

On behalf of the board

M Ben-Moshe
Director

Date: 22 December 2016

Extra Energy Supply Limited

Independent auditor's report

To the member of Extra Energy Supply Limited

We have audited the financial statements of Extra Energy Supply Limited for the year ended 31 December 2015 which comprise the statement of profit or loss and comprehensive income, the statement of financial position, the statement of cash flows, the statement of changes in equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRS) as adopted by the European Union.

This report is made solely to the Company's member, 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 member those matters we are required to state to them in an Auditors' 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 member as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Director and Auditors

As explained more fully in the Director's Responsibilities Statement, the Director is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's (FRC) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the FRC's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2015 and of its profit for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Report of the Director for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

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 Director's remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

BDO LLP

Thomas Lawton (senior statutory auditor)
For and on behalf BDO LLP
Birmingham, United Kingdom

Date: 22 December 2016

BDO LLP is a limited liability partnership registered in England and Wales with registered number OC305127

Extra Energy Supply Limited

Statement of profit or loss and comprehensive income
for the year ended 31 December 2015

	Note	Year ended 31 December 2015 £'000	Year ended 31 December 2014 £'000
Revenue	3	**253,696**	36,226
Cost of sales		**(221,219)**	(33,315)
Gross profit		**32,477**	2,910
Administrative expenses		**(30,107)**	(18,192)
Profit/(Loss) from operations	4	**2,370**	(15,282)
Finance expense	6	**(1,325)**	(406)
Finance income	6	**41**	10
Profit/(Loss) on ordinary activities before taxation		**1,086**	(15,678)
Tax credit	7	**3,392**	-
Profit/(Loss) on ordinary activities after taxation and total comprehensive income		**4,478**	(15,678)

All amounts relate to continuing activities.
The Company has no other comprehensive income for the period.

The notes on pages 12 to 32 form part of these financial statements.

Extra Energy Supply Limited

Statement of financial position
at 31 December 2015

	Note	31 December 2015 £'000	31 December 2014 £'000	1 January 2014 £'000
Assets				
Non-current assets				
Property, plant and equipment	9	**1,391**	-	-
Intangible assets	8	**9,505**	1	-
Deferred tax assets	10	**3,400**	-	-
		14,296	1	-
Current assets				
Trade and other receivables	11	**62,272**	24,122	799
Cash at bank and in hand		**3,770**	147	4,123
		66,042	24,269	4,922
Total assets		**80,338**	24,270	4,922
Liabilities				
Current liabilities				
Trade and other payables	12	**33,761**	18,982	2,483
Provisions	14	**15,224**	2,142	-
		48,985	21,124	2,483
Non-current liabilities				
Related party loans	13	**45,114**	21,385	5,000
		45,114	21,385	5,000
Total liabilities		**94,099**	42,509	7,483
Net liabilities		**(13,761)**	(18,239)	(2,561)
Issued capital and reserves attributable to owners				
Share capital		**-**	-	-
Retained earnings		**(13,761)**	(18,239)	(2,561)
Total equity		**(13,761)**	(18,239)	(2,561)

The financial statements were approved and authorised for issue by the Director on 22 December 2016.

M Ben Moshe
Director

The notes on pages 12 to 32 form part of these financial statements.

Extra Energy Supply Limited

Statement of cash flows
For the year ended 31 December 2015

	Note	Year ended 31 December 2015 £'000	Year ended 31 December 2014 £'000
Cash flows from operating activities			
Profit/ (loss) after taxation		**4,478**	(15,678)
Adjustments for:			
Depreciation of property, plant and equipment	9	**44**	-
Amortisation of intangible fixed assets	8	**4,086**	-
Finance income	6	**(41)**	(10)
Finance expense	6	**1,325**	406
Income tax credit	7	**(3,392)**	-
		6,500	(15,282)
Increase in trade and other receivables		**(38,150)**	(22,323)
Increase in trade and other payables		**14,771**	16,499
Increase in provisions		**13,082**	2,142
Cash generated from operations		**(3,797)**	(19,964)
Interest received		**41**	10
Income tax paid		**-**	-
Net cash flows from operating activities		**(3,756)**	(19,954)
Investing activities			
Purchases of property, plant and equipment		**(1,435)**	-
Purchase of intangibles	8	**(13,590)**	(1)
Net cash used in investing activities		**(15,025)**	(1)
Financing activities			
Proceeds from related party borrowings		**22,404**	15,979
Net cash from financing activities		**22,404**	15,979
Net increase in cash and cash equivalents		**3,623**	(3,976)
Cash and cash equivalents at beginning of year		**147**	4,123
Cash and cash equivalents at end of year		**3,770**	147

The notes on pages 12 to 32 form part of these financial statements.

Extra Energy Supply Limited

Statement of changes in equity
For the year ended 31 December 2015

	Share capital £'000	Retained earnings £'000	Total equity £'000
Balance at 1 January 2015	-	(18,239)	(18,239)
Comprehensive Income for the year:			
Profit for the year	-	4,478	4,478
Balance at 31 December 2015	**-**	**(13,761)**	**(13,761)**

Statement of changes in equity
For the year ended 31 December 2014

	Share capital £'000	Retained earnings £'000	Total equity £'000
Balance at 1 January 2014	-	(2,561)	(2,561)
Comprehensive Income for the period:			
Loss for the year	-	(15,678)	(15,678)
Balance at 31 December 2014	-	(18,239)	(18,239)

Share capital

Ordinary shares carry the right to one vote per share at general meetings of the Company and the rights to share in any distribution of profits or returns of capital and to share in any residual assets available for distribution in the event of a winding up. The subscribed capital consists of two share with a nominal value of 1 GBP each.

Retained Earnings

The retained earnings result from net profits and losses from the financial years 2013, 2014 and 2015.

The notes on pages 12 to 32 form part of these financial statements.

1 Accounting policies

Basis of preparation

The principal accounting policies adopted in the preparation of the financial statements are set out below:

Extra Energy Supply Limited is a Company incorporated in England and Wales under the Companies Act. The address of the registered office is given on the Company's Information page and the nature of the Company's operations and its principal activities are set out in the Strategic Report. The financial statements have been prepared in accordance with International Financial Reporting Standards, International Accounting Standards ('IAS') and Interpretations (collectively 'IFRSs'), as endorsed for use in the EU.

The preparation of the financial information under IFRSs requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The areas where significant judgments and estimates have been made in preparing the financial statements and their effect are disclosed in note 2.

The Director is 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 him to ensure that the financial statements comply with the Companies Act 2006. He is also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The financial statements have been prepared on a going concern basis using the historical cost convention.

All amounts in the financial information are shown in Thousands of Pound Sterling unless otherwise stated.

The financial information covers the financial periods 1 January to 31 December of each consequent year.

Going concern

Finance to the Company is provided in the form of an interCompany loan from ExtraEnergie GmbH, a related Company that has been successfully active as an energy supplier in Germany for a number of years. This loan facility is for an amount upto €80 million and is available for the period to March 2019, At the date of this report the Company had utilised €58m. ExtraEnergie GmbH has confirmed that further funding will be made available to the Company to support its trading activities if required for at least the period of 12 months following the date of approval of these financial statements.

As a result of the balance remaining on this loan facility, expectations of future trading, cash flow and funding available to support further growth in the UK, the Director is satisfied that the Company has access to sufficient funding to continue trading and to pay its creditors as they fall due for payment for at least the 12 months following the date of signing this report and accounts. The Director is also a Director of ExtraEnergie GmbH and is aware that this Company has the funds available to support the Company at least up to the level of the available loan facility.

First time adoption of IFRS

These financial statements are the first financial statements prepared under IFRS and information on the impact of first-time adoption of IFRS is given in note 19.

1 Accounting policies *(continued)*

Impact of first time adoption of IFRS by the group in the year

There have been no new standards, or amendments to standards, that have been applied in the year.

Standards, interpretations and amendments to published standards that are not yet effective

The following new standards, amendments and interpretations have been issued but are not yet effective and therefore have not been adopted in these financial statements. Management are considering the impact of the changes on future reporting.

- IAS 1 Presentation of Financial Statements;
- IFRS 9 Financial Instruments;
- IFRS 15 Revenue from Contracts with Customers;
- IFRS 16 Leases;
- Annual Improvements 2012-2014 Cycle - including IFRS 7 Financial Instruments, IAS 19 Employee Benefits and IAS 34 Interim Reporting; and
- Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of depreciation and amortisation

Revenue recognition

Revenue from the supply of gas and electricity is a function of end user consumption (according to meter read data) and tariff rates (specified by the contract terms) net of supplies that are not billable. Revenue is recognised net of sales discounts, VAT and other sales-related taxes.

In accordance with industry practice revenue is recorded on the basis of estimated annual consumption information supplied by the energy industry. The estimated annual consumption is based on a range of factors including industry information, meter readings and coefficients that account for usage of particular periods in the year. Revenue (both current period and future estimation) is subsequently amended based on realized customer billings as more precise data becomes available on actual consumption through to the period of final settlement.

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and revenue can be reasonably estimated for the supply of gas and electricity based on estimated industry data flows for the period.

Foreign currency

Transactions entered into by Extra Energy in a currency other than Great Britain Pound are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the reporting date. Exchange differences arising on the retranslation of unsettled monetary assets and liabilities are recognised immediately in profit or loss.

Intangible assets

Software costs
Intangible assets are initially recognised at cost and subsequently amortised on a straight line basis over their useful economic lives. Software costs capitalised are amortised over a period of 3 years. The amortisation expense is recognised within administrative expenses in the statement of comprehensive income. It should be noted that the majority of system development and maintenance costs relate to charges from a related party (EG Factory GmbH) and have been expensed as incurred given the relative magnitude and non-severability.

1 Accounting policies *(continued)*

Fixed tariff acquisition costs
Direct costs relating to the acquisition of both Domestic and SME customers are included within intangible assets and are charged to the income statement over the expected economic life of the customer, based on Company and Industry trends that take into account contract durations and expected retention periods as appropriate. This is assessed from time to time at the portfolio level and updated as necessary.

In 2014, as the business had only been trading for a short period of time, it was not possible to accurately estimate future customer behaviour and patterns and all customer acquisition costs were amortised in the period. Management now consider there is sufficient information available to make a reliable estimate of the useful economic life of customers.

Property, plant and equipment

Property, plant and equipment are initially recognised at cost. As well as the purchase price, cost includes directly attributable costs. Depreciation is provided on all items of property, plant and equipment so as to write off their carrying value over the expected useful economic lives on a straight line basis.

Asset category	**Useful life**	**Valuation method**
Leasehold improvements to buildings	10 years (length of lease)	Amortised cost
Fixtures and fittings	3-5 years	Amortised cost
Computer equipment	3 years	Amortised cost
Computer software	3 years	Amortised cost

Leased assets

Where substantially all of the risks and rewards incidental to ownership are not transferred to the Company (an operating lease), the total rentals payable under the lease are charged to the statement of comprehensive income on a straight line basis over the lease term. The aggregate benefit of lease incentives is recognised as a reduction of the rental expense over the lease term on a straight-line basis. The difference between the monthly effective expense amount and the lower payment amount is recorded as accrued liability. The Company held no capital leases during the year.

Impairment of non-financial assets

The carrying values of non-financial assets are reviewed for impairment when there is an indication that assets might be impaired. When the carrying value of an asset exceeds its recoverable amount, the asset is written down accordingly. Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the asset's cash generating unit (i.e. the smallest Company of assets in which the asset belongs for which there are separately identifiable cash flows). Impairment charges are included in the statement of comprehensive income, except to the extent they reverse previous gains recognised in the statement of comprehensive income.

Financial assets

The Company classifies its financial assets into the categories, discussed below, due to the purpose for which the assets were acquired. The Company has neither classified its financial assets as held to maturity nor as available for sale or at fair value through profit and loss.

1 Accounting policies *(continued)*

Loans and receivables

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of services to customers (e.g. billed trade receivables and unbilled revenue recorded awaiting billing), but also incorporate other types of contractual monetary assets. They are initially recognised at fair value plus transactions costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment. The Company's loans and receivables comprise of trade and other receivables included within the statement of financial position.

Cash and cash equivalents

Cash and cash equivalents include cash held at bank.

Impairment of financial assets

Impairment provisions are recognised when there is objective evidence (such as significant financial difficulties on the part of the counterparty or default or significant delay in payment) that the Company will be unable to collect all of the amounts due under the terms receivable, the amount of such a provision being the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable. For trade receivables, which are reported net, such provisions are recorded in a separate allowance account with the loss being recognised within other operating expenses in the statement of comprehensive income. On confirmation that the trade receivables will not be collectable, the gross carrying value of the asset is written off against the associated provision.

Financial liabilities

The Company classifies its financial liabilities as other financial liabilities which include the following:

- Loans which are initially recognised at fair value net any of transaction costs directly attributable to the issue of the instrument. Such interest bearing liabilities are subsequently measured at amortised cost ensuring the interest element of the borrowing is expensed over the repayment period at a constant rate. This is only applied for long-term liabilities.

- Trade payables, other borrowings and other short-term monetary liabilities which are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method.

Provisions

The Company has recognised provisions for liabilities of uncertain timing or amount. The provision is measured at the best estimate of the expenditure required to settle the obligation at the reporting date, discounted at a pre-tax rate reflecting current market assessments of the time value of money and risks specific to the liability if the liabilities are long-term.

Renewable Obligation Certificates (ROCS)

Extra Energy accrues the relevant cost for ROCs in the income statement as the liability (based on consumption) arises. This provision is used to periodically purchase ROC certificates which are redeemed at the appropriate obligation date after the end of the accounting period. As the acquired certificates are directly related to the period in which the expense has been made, no intangible asset is recorded as of the balance sheet date.

Share capital

Financial instruments issued by the Company are treated as equity only to the extent that they do not meet the definition of a financial liability. The Company's ordinary shares are classified as equity instruments.

1 Accounting policies *(continued)*

Energy forward contracts

Extra Energy uses long term purchase contracts with fixed prices (forward contracts) in order to be able to fulfil the demand of the customers for physical delivery of gas and electricity in the future. The forward contracts only cover a certain percentage of the expected demand. There is no past practice to settle the contract net in cash or to generate income from short-term price fluctuations or other reason outside the usual scope or the Company. The forward contracts are used in the normal course of business. As a result the own use exemption is applied and these contract are not treated as financial instruments in the scope of IAS 39. Forward contracts to purchase energy are accounted for in the income statement in the period in which the supply of power occurs.

Deferred taxation

Deferred tax assets and liabilities are in general recognised where the carrying amount of an asset or liability in the statement of financial position differs from its tax base.

Recognition of deferred tax assets is restricted to those instances where it is probable that taxable profit will be available against which the difference can be utilised. The amount of the asset or liability is determined using tax rates that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the deferred tax liabilities or assets are settled or recovered. Deferred tax balances are not discounted. 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.

In addition, deferred taxes are recognised on tax deductible tax loss carry forwards to the extent that a future reversal leading to a reduction of tax expense is expected with high probability.

2 Critical accounting estimates and judgments

The Company makes certain estimates and assumptions regarding the future. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

Revenue recognition

The nature of the energy industry in the UK in which Extra Energy Supply Limited operates is such that revenue recognition is subject to a degree of estimation. Revenue calculated from gas and electricity sales includes an estimate of the value of electricity and gas supplied to customers based on the latest data provided by the industry at a certain point in time. This will incorporate current data available and will take into consideration the industry reconciliation process. The same estimates are also used for the derivation of certain volume depending expenses including gas and electricity supplies (see below), environmental obligations and levies. These estimates will change over time and as such, changes will be recorded as the change in industry data is reported.

Energy purchase costs

Settlement of energy purchase costs and volumes can typically take 14 months to be finalised due to the settlement procedures standard in the energy market. Therefore there is an element of energy purchase costs that needs to be estimated based on industry data that is available at any particular point in time. These estimates will change over time and as such, changes will be recorded as the change in industry data is reported.

2 Critical accounting estimates and judgements *(continued)*

Impairment of trade receivables

The estimate for the provision for doubtful trade receivables, comprising of billed and unbilled receivables takes account of cash receipts based on the latest available information and ageing of the debt. The Director has knowledge of industry trends and future expectations of cash to be received (even if requiring extended credit control procedures) in concluding the amount of the provision. The provision for impairment of trade receivables at 31 December 2015 is recognised in the income statement within other operating expenses. Subsequent recoveries of amounts previously written off will be credited against other income in the income statement.

Deferred taxes

Deferred taxes are only recognised when it is considered certain that sufficient taxable future income will be available against which the deferred taxes can be utilised. After assessment of forecast trading the Director believes that the Company will generate sustainable profits in the future and therefore a deferred tax asset for losses incurred to date can be recognised.

Fixed tariff acquisition costs – average life of customer base

Since the acquisition of the customers form a basis for future revenues they have been amortised as an intangible asset. Estimated useful life principally reflects management's view of the average economic life of the customer base and is assessed in relation to Company and industry trends that take into account contract durations and expected retention periods as appropriate. This is assessed from time to time at the portfolio level and updated as necessary in relation to customer churn rates amongst other factors.

Provision for Renewable Obligation Certificates (ROC's)

Although the certificates for the year will not require payment until as late as August 2016 the actual cost of the Renewable Obligation Certificates (ROC's) are known for the period of the financial statements and has been included in cost of sales in the statement of comprehensive income and as a short term provision. In the circumstances that the ROC's have not been purchased (with an agreement to pay later) then the open volume is valued at the best estimate of potential future contract prices.

3 Revenue

	Year ended 31 December 2015 £'000	Year ended 31 December 2014 £'000
Provision of services	**253,696**	36,226

All revenues arise from operations within the UK.

4 Operating profit/(loss)

	Year ended 31 December 2015 £'000	Year ended 31 December 2014 £'000
This is arrived at after charging:		
Amortisation of intangible assets – software	**6**	-
Amortisation of intangible assets – customer acquisition	**4,080**	-
Depreciation of tangible fixed assets	**44**	-
Rental and lease expense	**266**	1
Fees payable to the Company's auditor for audit services	**50**	40
Fees payable to the Company's auditor for taxation compliance and other services	**5**	4
Exchange gains	**(1,165)**	(246)

5 Employee benefit expenses

	Year ended 31 December 2015 £'000	Year ended 31 December 2014 £'000
Employee benefit expenses (including Directors) comprise:		
Wages and salaries	**9,203**	4,470
Social security contributions and similar taxes	**832**	425
Other pension expense	**12**	-
	10,047	4,895

The average number of employees, including Directors, during the year was as follows:

	Year ended 31 December 2015 Employees	Year ended 31 December 2014 Employees
Administration	**53**	23
Sales	**149**	92
Operations	**341**	121
	543	236

The Director received no remuneration for the current or prior period.

6 Finance income and expense

Recognised in profit or loss

	Year ended 31 December 2015 £'000	Year ended 31 December 2014 £'000
Finance income		
Interest received on bank deposits	**41**	10
Total finance income	**41**	10
Finance expense		
Interest expense on loans from related parties	**(1,325)**	(406)
Total finance expense	**(1,325)**	(406)
Net finance expense recognised in profit or loss	**(1,284)**	(396)

7 Tax expense

	Year ended 31 December 2015 £'000	Year ended 31 December 2014 £'000
UK corporation tax		
Current tax on profits of the year	(8)	-
Adjustment in respect of previous periods	-	-
Total current tax	(8)	-
Deferred tax		
Tax losses carried forward	3,527	-
Other temporary timing differences	(127)	-
Taxation on profit on ordinary activities	3,392	-

The tax assessed for the year is different to than the standard rate of corporation tax in the UK applied to profit before tax. The differences are explained below:

	Year ended 31 December 2015 £'000	Year ended 31 December 2014 £'000
Profit/(loss) on ordinary activities before tax	1,086	(15,676)
Profit/(loss) on ordinary activities at the standard rate of corporation tax in the UK of 20.25% (2014 – 21%)	220	(3,292)
Effects of:		
Recognition of deferred tax losses carried forward	(3,400)	-
Expenses not deductible for current tax	1,057	-
Deferred tax (utilised) / losses not recognised	(1,269)	3,292
Total tax credit for period	(3,392)	-

The reduction in the UK corporation tax rate to 19% from 1 April 2017 and 18% from 1 April 2020, were substantively enacted in October 2015. Accordingly, these rates have been applied in the measurement of the Company's deferred tax assets and liabilities at 31 December 2015.

Considering the positive development in the past year, management is certain that all tax losses carried forwards will be utilised in the foreseeable near future and therefore decided that no impairment on the recorded deferred tax asset was required.

8 Intangible assets

	Customer acquisition cost £'000	Software £'000	Total £'000
Cost			
At 1 January 2014	-	-	-
Additions	1	1	1
At 31 December 2014	**1**	**1**	**1**
At 1 January 2015	-	1	1
Additions	13,458	132	13,590
At 31 December 2015	**13,458**	**133**	**13,591**
Accumulated amortisation			
At 1 January 2014	-	-	-
Amortisation charge for the year	-	-	-
At 31 December 2014	-	-	-
At 1 January 2015	-	-	-
Amortisation charge for the year	4,080	6	4,086
At 31 December 2015	**4,081**	**6**	**4,086**
Net book value			
At 1 January 2014	-	-	-
At 31 December 2014	-	1	1
At 31 December 2015	**9,377**	**127**	**9,505**

The amortisation is being recognised in administrative expenses.

9 Tangible fixed assets

	Leasehold improvements £'000	Fixtures and fittings £'000	Computer equipment £'000	Computer software £'000	Total £'000
Cost					
At 1 January 2015	-	-	-	-	-
Additions	923	195	21	296	1,435
At 31 December 2015	**923**	**195**	**21**	**296**	**1,435**
Depreciation					
At 1 January 2015	-	-	-	-	-
Provided for the year	14	9	-	21	44
At 31 December 2015	**14**	**9**	**-**	**21**	**44**
Net book value					
At 31 December 2014	-	-	-	-	-
At 31 December 2015	**909**	**186**	**21**	**275**	**1,391**

The Company had no property, plant or equipment prior to 1 January 2015.
The depreciated amounts are recognised as administrative expenses.

10 Deferred tax

The movement on the deferred tax account is shown below:

	31 December 2015 £'000	31 December 2014 £'000	1 January 2014 £'000
At 1 January	-	-	-
(Charged)/credited to profit and loss account	3,400	-	-
At 31 December	3,400	-	-

Details of the deferred tax asset are as follows:

	31 December 2015 £'000	31 December 2014 £'000	1 January 2014 £'000
Deferred tax on timing differences	1,377	-	-
Tax deductible losses	2,023	-	-
Deferred taxation	3,400	-	-

11 Trade and other receivables

	31 December 2015 £'000	31 December 2014 £'000	1 January 2014 £'000
Trade receivables and accrued income	**58,165**	16,172	14
Less: provision for impairment of trade receivables	**(7,519)**	(1,740)	-
Trade receivables - net	**50,646**	14,432	14
Credit cover deposits	**5,142**	4,769	-
Prepayments	**200**	500	2
Other receivables	**6,284**	4,421	783
Total trade and other receivables	**62,272**	24,122	799

Trade receivables include amounts billed and unbilled in respect of energy supplied and recorded in revenue less cash received up until the year end. These amounts have not been discounted. The Company provides an allowance for impairments based on the payment characteristics of customers and management's experience of collections performance. The Company's exposure to risk of default relating to trade and accrued income is disclosed is as outlined in note 16.

Movements in the impairment allowance for trade receivables are as follows:

	31 December 2015 £'000	31 December 2014 £'000	1 January 2014 £'000
At 1 January 2015	1,740	-	-
Increase during the year	5,779	1,740	
At 31 December 2015	7,519	1,740	-

The movement in the impairment allowance for trade receivables has been included in the administrative expenses in the statement of comprehensive income.

Other classes of financial assets included within trade and other receivables do not contain impaired assets.

The credit cover deposits are amounts paid to the Company's energy suppliers to ensure the supply of energy in the start-up and development phase.

Included within other receivables is an amount owed from related parties of £4,040,000 (2014 - £111,000, 2013 - £783,000).

12 Trade and other payables

	31 December 2015 £'000	31 December 2014 £'000	1 January 2014 £'000
Trade payables	**4,028**	2,105	1,714
Accruals	**13,887**	7,188	769
Amounts owed to related parties	**-**	7,272	-
Other payables	**960**	-	-
Tax and social security	**214**	-	-
Payments in advance	**14,664**	2,417	-
Corporation tax	**8**	-	-
	33,761	18,982	2,483

The carrying value of trade and other payables classified as financial liabilities measured at amortised cost approximates fair value.

13 Non-current liabilities

The book value and fair value of loans and borrowings are as follows:

	31 December 2015 £'000	31 December 2014 £'000	1 January 2014 £'000
Non-Current			
Amounts owed to other related companies	**45,114**	21,385	5,000

The loan from the related party ExtraEnergie GmbH is due for repayment by the end of March 2019 and bears interest of 12 months EURIBOR plus a margin of 3.5%. The Director considers that this rate represents a reasonable market rate of interest due. Therefore, book values approximate to fair values at 31 December 2015 and 2014. The loan is unsecured, and there is no requirements for any payments to be made up to the end repayment date.

14 Short term provisions

	31 December 2015 £'000	31 December 2014 £'000	1 January 2014 £'000
Obligation to return Renewable Obligation Certificates	**15,224**	2,142	-

Movement of provisions

	31 December 2015 £'000	31 December 2014 £'000	1 January 2014 £'000
Opening balance	**2,142**	-	-
Additions	**15,224**	2,142	-
Utilisation	**(2,142)**	-	-
	15,224	2,142	-

The renewable obligation certificates have to be returned for a period from 1 April to 31 March of each year to the Department of Business Energy and Industrial Strategy. As Extra Energy has not signed purchase agreements in respect of all required certificates as of balance sheet date, the obligation is valued at the best estimate of potential future contract prices and the estimated volumes of power sold to the customers for the period under consideration.

15 Commitments

Operating leases

The total future minimum lease payments under non-cancellable operating leases are as set out below:

	Land and buildings 2015 £'000	Land and buildings 2014 £'000	Other operating leases 2015 £'000	Other operating leases 2014 £'000
No later than one year	**80**	-	25	7
Later than one year but not later than five years	**1,513**	-	36	11
Later than five years	**1,608**	-	-	-
	3,201	-	61	18

15 Commitments *(continued)*

Energy purchase commitments

As at the balance sheet date, the following off-balance sheet financial obligations exist:

	31 December 2015 £'000	31 December 2014 £'000	1 January 2014 £'000
Forward purchased power contracts	**21,868**	4,153	-
Forward purchase gas contracts	**25,136**	9,234	-
	47,004	13,387	-

The Company uses long-term energy purchase contracts to hedge its exposure to changes in market prices arising from changes in energy prices. The fair value of the forward purchase contracts (for which the own use exemption applies as all power and gas purchased is intended to be used for supplying its customers) amounts to £10,434,000 (2014 - £1,003,000).

16 Financial instruments - Risk Management

The Company is exposed through its operations to the following financial risks:

- Liquidity risk
- Credit risk
- Foreign exchange risk
- Market price risk and
- Interest rate risk

In common with all other businesses, the Company is exposed to risks that arise from its use of financial instruments. This note describes the Company's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

There have been no substantial changes in the Company's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous periods unless otherwise stated in this note.

(i) Principal financial instruments

The principal financial instruments used by the Company, from which financial instrument risk arises, are as follows:

- Trade and other receivables
- Cash and cash equivalents
- Related party loans
- Trade and other payables
- Amounts due to/from related parties

16 Financial instruments - Risk Management *(continued)*

(ii) Financial instruments by category

Financial assets	**Loans and receivables**	
	31 December 2015 £'000	**31 December 2014 £'000**
Cash and cash equivalents	**3,770**	147
Trade and other receivables	**56,930**	18,853
Other short term financial receivables	**5,142**	4,769
Total financial assets	**65,842**	23,769

Financial liabilities	**Financial liabilities at amortised cost**	
	31 December 2015 £'000	**31 December 2014 £'000**
Trade and other payables	**33,539**	18,982
Loans and borrowings	**45,114**	21,385
Other financial liabilities	**15,224**	2,142
Total financial liabilities	**93,877**	42,509

(iii) Financial instruments not measured at fair value

Financial instruments not measured at fair value include cash and cash equivalents, trade and other receivables, other short term receivable trade and other payables, loans and borrowings and other financial liabilities

Due to their short-term nature, the carrying value of cash and cash equivalents, trade and other receivables, trade and other payables approximates their fair value.

16 Financial instruments - Risk Management *(continued)*

General objectives, policies and processes

The Director has overall responsibility for the determination of the Company's risk management objectives and policies.

The overall objective of the Director is to set policies that seek to reduce risk as far as possible without unduly affecting the Company's competitiveness and flexibility. Further details regarding these policies are set out below:

Liquidity risk

Liquidity risk arises from the Company's management of working capital. It is the risk that the Company will encounter difficulty in meeting its financial obligations as they fall due. The Company's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due. To achieve this aim, it seeks to maintain cash balances to meet expected requirements for a period of at least 30 days. The Director manages the business within the frame of a 12 month cash flow projection (within the Business Plan) with the near term cash flows relating to the next two months being updated on a regular basis.

Further information on liquidity and going concern is set out in the going concern statement on page 12 of financial statements.

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company is mainly exposed to credit risk from credit sales. It is Company policy, implemented locally, to assess the credit risk of new customers before entering contracts.

The ageing analysis of these receivables is as follows:

	31 December 2015 £'000	**31 December 2014 £'000**	**1 January 2014 £'000**
Gross value of items neither past due nor impaired	**7,151**	4,267	14
Gross value of items past due but not impaired	**29,326**	10,165	-
Gross value of items past due and impaired	**21,688**	1,740	-
Impairment provision recognised against receivables	**(7,519)**	(1,740)	-

Where a customer at the date of signing these accounts had materially paid off their debtor balance no provision has been applied. Similarly where a customer had not paid a proportion of their debt a sliding scale has been used of the total debt depending on that customer's payment history.

Further disclosures regarding trade and other receivables, are provided in note 11.

Credit risk also arises from cash and cash equivalents and deposits with banks and financial institutions. For banks and financial institutions, only independently rated parties with minimum rating "A" are accepted.

The complete amount of cash is held with one prominent bank with a current Moodys Rating of "Baa2".

16 Financial instruments - Risk Management *(continued)*

Foreign exchange risk

Foreign exchange risk arises when the Company entities enter into transactions denominated in a currency other than their functional currency.

As of 31 December the Company's net exposure to foreign exchange risk was as follows:

	31 December 2015 £'000	31 December 2014 £'000	1 January 2014 £'000
Loans and borrowings	**45,114**	21,385	-

The loan is denominated in Euro.

The effect of strengthening or weakening of the GBP against the Euro at the reporting date, all other variables held constant, can be summarised as follows:

Sensitivity of Exchange rate
Euro vs. GBP

	31 December 2015 pre tax £'000	31 December 2014 pre tax £'000
Strengthening of Euro/GBP exchange rate by 10%	**4,103**	1,944
Weakening of GBP exchange rate by 10%	**(5,015)**	(2,376)

Market price risk - Volume and commodity price changes

The Company is exposed to volatile commodity market prices, whilst at the same time the Company is experiencing growing demand due to the nature of its growing customer base at any point in time the Company will have energy purchases contracted for up to three years ahead. The Director has led a strategy to try to match its customers fixed contracts to the forward purchase of commodities, whilst maintaining some flexibility to benefit from the prevailing trend in commodity costs.

The Company has put in place commodity trading arrangements to support management of commodity cost risks through purchase of forward contracts through its German sister Company ExtraEnergie GmbH. As a result, the market price risk is considerable reduced. The contracts are due to the application of the own-use exemption not treated as financial instruments under IAS 39.

The following table sets out the contractual maturities (representing undiscounted contractual cash flows) of financial liabilities:

16 Financial instruments - Risk Management *(continued)*

Maturity of financial liabilities

	Less than one year		One to five years	
	31 December 2015 £ 000	31 December 2014 £ 000	31 December 2015 £ 000	31 December 2014 £ 000
Loans and borrowings	-	-	45,114	21,385
Trade and other payables	33,539	18,982	-	-
Other financial liabilities	15,224	2,142	-	-
	48,763	21,124	45,114	21,385

The loan from the related party is for repayment by the end of March 2019 and bears interest of EURIBOR plus a margin of 3.5%. As the timing of the repayment and the future level of borrowings is unknown interest has not been included in the above table.

Interest rate risk

The Company financing is based mainly on funds which have been provided by a related party as a long term loan. As the interest rate agreed in the loan contract is variable and based on the 12M Euribor as a reference rate, the Company bears the risk from fluctuations of the interest rate. The impact of an increase or decrease of the basic interest rate by 1% can be summarised as follows:

Sensitivity Interest rate
12 M Euribor

	31 December 2015 pre tax £ 000	31 December 2014 pre tax £ 000
Increase of Interest Rate by 1%	(333)	(132)
Decrease of Interest Rate by 1%	333	132

17 Related party transactions

During the year Group companies entered into the following transactions with related parties.

	Recharge of costs £'000	Purchases from related parties £'000	Amounts owed by related parties £'000	Amounts owed to related parties £'000
2015				
Extra Energie GmbH	-	103,725	-	45,114
EG Factory GmbH	-	2,140	-	-
Utility Professional Business Operations Limited	-	37,600	3,919	-
Addito Supply Limited	14	-	121	-

	Recharge of costs £'000	Purchases From related parties £'000	Amounts owed by related parties £'000	Amounts owed to related parties £'000
2014				
Extra Energie GmbH	-	15,562	-	23,432
EG Factory GmbH	-	823	-	-
Utility Professional Business Operations Limited	-	17,792	-	5,224
Addito Supply Limited	111	-	111	-

Any balances due to Extra Energie GmbH are included within the loan balance. Purchases from EG Factory GmbH are recharged through Extra Energie GmbH and are therefore included within the loan balance.

Name of person/Company	Nature of relation	Nature of business
Mordechay Maurice Ben-Moshe	CEO and shareholder	None
ExtraEnergie GmbH, Neuss, Germany	Company under control of Director	Loan agreement, energy purchase contracts
Utility Professional Business Operations Limited	Company under control of Director	Purchase of services
EG Factory GmbH, Chemnitz, /Germany	Company under control of Director	Purchase of services
Addito Supply Limited	Company under control of Director	Loan agreement

17 Related party transactions *(continued)*

In addition to Directors' emoluments disclosed in note 5, key management personnel, who together have authority and responsibility for planning, directing and controlling the activities of the Company, received remuneration of £211,000 (2014 - £Nil) for services provided to the Company.

It should be noted that in Fiscal 2015 all energy procurement was routed through Extra Energie GmbH who hold the direct trading agreement with various counterparties.

The Company benefits from the usage of a number systems and processes that are used to operate customer relations, billing, marketing and pricing. Typically these items are owned by the Director elsewhere within related party entities. Only limited charges for these systems have been made since the commencement of trading as the business has been developing in its early stages and as a result it has not been appropriate to levy a charge from a commercial perspective. However, given the increasingly critical nature of the systems to the business as it matures, it can be expected that in the future requests will be made for payment at appropriate (to be established) rates - such as intellectual property, royalties or otherwise. However, the shareholder has also confirmed that any increases will not have a retrospective application.

18 IFRS conversion note

The Company transitioned to IFRS with a transition date of 1 January 2014. There were no material adjustments required upon transition to IFRS.

19 Post balance sheet event

On 1 July 2016 the Company received formal communication that the Company's regulator, Ofgem, had opened an investigation into its compliance with its obligations under the gas and electricity supply licences (SLC 7B, 14, 21B, 25C, 27, 31A) and with the Consumer Complaints Handling Standards Regulations 2008. The opening of this investigation does not imply that the regulator has identified any non-compliance. At the date of this report the Company has responded to the initial request for information and is cooperating fully with the investigation. At the date of this report the exact timetable for the completion of the investigation has not been confirmed however the Director expects this will extend into 2017.

20 Controlling party

The Company's ultimate controlling party is considered to be the sole Director.