

E (Gas and Electricity) Limited

Registered number: 08520118

Annual report and financial statements

For the year ended 31 March 2022

E (GAS AND ELECTRICITY) LIMITED

COMPANY INFORMATION

| | |
|----------------------------|--|
| Directors | L E Austin C Ritchie |
| Registered number | 08520118 |
| Registered office | Bowcliffe Hall Bramham Wetherby West Yorkshire LS23 6LP |
| Independent auditor | Mazars LLP Chartered Accountants & Statutory Auditor 5th Floor 3 Wellington Place Leeds LS1 4AP |

CONTENTS

| | Page |
|-----------------------------------|---------|
| Strategic Report | 1 - 4 |
| Directors' Report | 5 - 7 |
| Independent Auditor's Report | 8 - 11 |
| Statement of Comprehensive Income | 12 |
| Statement of Financial Position | 13 |
| Statement of Changes in Equity | 14 |
| Notes to the Financial Statements | 15 - 30 |

**STRATEGIC REPORT
FOR THE YEAR ENDED 31 MARCH 2022**

Introduction

The directors present the strategic report for the year ended 31 March 2022.

Business review

The results for the year and the financial position of the Company are shown in the following financial statements.

During the year to 31 March 2022 the Company has had a 7% increase in revenues from the previous year to £178m (2021: £166m) and profit before tax has significantly improved to £9.6m (2021: £4.8m).

Principal risks and uncertainties

The objective of the Company is to deliver long-term value to its shareholder whilst providing competitive pricing and great service to its customers. The strategy to achieve this involves continuous investment in technology, systems and people. We aim to ensure everything is simple and straightforward for our customers.

The Ofgem Price Cap still provides a high level of risk for the business. To operate under a capped selling price regime but with potential for uncapped costs there is a high risk that uncontrollable price movements could lead to significant losses. In order to mitigate these risks, a strict commodity hedging policy is in effect but this does not provide protection from increased cold weather usage.

The directors believe that Smart meters are still a key element of improving customer experience for customers using a prepayment meter. The company has agreements in place with a number of installation partners and is committed to installing meter sets. Covid-19 has slowed the installation rate down this year but the continued use of smart technologies is planned for 2022 and beyond which will further improve the customer experience.

On 24 February 2022 Russian Forces entered Ukraine, resulting in Western Nation reactions including announcements of sanctions against Russia and Russian interests worldwide and an economic ripple effect on the global economy. The Directors have carried out an assessment of the potential impact of Russian Forces entering Ukraine on the business, including the impact of mitigation measures and uncertainties, and have concluded that the greatest impact on the business is expected to be from the economic ripple effect on the global economy. The Directors have taken account of these potential impacts in their going concern assessment.

Development and performance

The energy market is regulated by Ofgem but they continue to regulate with an ever-growing customer bias. Moving forward Ofgem need to refocus regulation to reflect market conditions, thus giving both supplier and customer a fair deal. Supplier failure and subsequent cost mutualisation pose a risk with regards to absorbing outstanding industry costs which has a major impact on the Net Profit and Loss of this company.

STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2022

Other performance indicators

Risk is inherent in all businesses. Risks are constantly monitored by the senior management team in order that processes can be implemented to mitigate them. The directors consider the principal risks to the Company achieving its objectives are those identified below. They also recognise, however, that the nature of those risks change and that there may be additional risks, not yet identified, or risks currently considered immaterial that may impact on the business;

a. Economic environment

The economic environment, and changes to it, can impact upon customer spending. The directors seek to mitigate this risk by means of investment in technology and systems and by ensuring that the Company's offering remains competitive.

b. Managing customer expectations

The business has invested and continues to make significant investment in both systems and people to ensure that the customer experience is both monitored and continuously improving.

c. Competition

The Company monitors the activities of competitors to ensure that it is able to maintain and where viable, develop its own market position.

d. Cash flow and liquidity risk

Cash flow forecasts are produced on a regular basis to ensure that liquidity is maintained, and that longer term and strategic funding requirements are both identified and managed.

e. Employees

Senior management recognises the importance of a well-trained, knowledgeable and highly motivated workforce. As a result, it remains committed to attracting, developing and maintaining staff of the highest calibre.

f. Volume and price risks

Senior management monitors wholesale prices and trading strategies are in place to mitigate the volume and price risk in what can be a volatile market.

g. Regulatory and legislative risk

In common with all energy supply businesses, the Company is subject to ever increasing and time-consuming regulatory requirements across all areas of its operations. Failure to comply with those requirements can have serious consequences not least being financial and reputational damage. Consequently, senior management continues to direct increasing resources towards ensuring that there is a compliance regime that monitors and, where possible, mitigates such risks.

h. Hedging

The business is hedged out, via forward purchases, for 90-100% of expected Gas and Electricity usage. The forward purchasing strategy is very prudent and reviewed daily to minimise risk and maximise coverage.

STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2022

Directors' statement of compliance with duty to promote the success of the Company

The Directors of the Company act in accordance with the set of duties as detailed in s172 of the UK Companies Act 2006 which is summarised as follows:

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

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

Employees

Our employees are vital to the success of the Company. As such, communication is an important tool in helping our employees understand the role that is required from them and how they can contribute to the success of the Company, as well as giving the opportunity for every employee to provide feedback. This can be seen through our monthly employee 'E Engager' feedback sessions which have improved our customer support strategies through the development of video and web conferencing applications that have improved employee involvement and participation from our remote workers during lockdown. All employees are treated fairly and with respect.

Business relationships

Customers and suppliers are the essence of what we do. We work closely with both groups developing new ideas and striving to deliver excellent customer service. We agree terms at the beginning of the relationship so each party has a clear understanding of how the relationship will work going forwards.

For our customers we have offered help and advice during the current uncertain times through all our communications and marketing. We introduced a proactive approach to better identify customers in a vulnerable circumstance and potentially at risk of self-disconnection. We also became an active signatory to the Energy UK Vulnerability Commitment which aims to improve the support provided to vulnerable households. We have actively worked with third parties to provide additional services and support to our customers, for example providing benefit health-checks and energy efficiency advice. Throughout the Covid-19 pandemic we have continued to promote and install Smart meters to improve the proportion of customers who now have a smart meter. Our SmartE App when used in conjunction with the Smart meter allows our customers to top up remotely and better manage their energy consumption.

Community and environment

The Company sells to many UK domestic customers each year. We therefore aim to comply with all the laws and regulations, provide consumer protection and good levels of customer service which the allows us to develop the brand that the Company operates under. Despite Covid-19 restrictions, we have maintained high-standards of customer service, ranking in top 5 Citizen's Advice Fewest Customer Complaints supplier league, and scoring 'Excellent' on Trustpilot.

STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2022

Shareholders

Following the acquisition by the Bayford Group, the Company has one major shareholder and Bayford have appointed two Directors to the board of the company. Both Directors take an active part in the running of the Company and so have a clear understanding of the performance of the business and its future development.

This report was approved by the board on 20 December 2022 and signed on its behalf.

C Ritchie
Director

**DIRECTORS' REPORT
FOR THE YEAR ENDED 31 MARCH 2022**

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

Directors' responsibilities statement

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. 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 for the Company's financial statements 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are 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 to 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.

Results and dividends

The profit for the year, after taxation, amounted to £7,699,760 (2021: £4,394,682).

Dividends of £3,156,545 (2021: £Nil) were declared for the 31 March 2022 year end.

Directors

The directors who served during the year were:

L E Austin
C Ritchie

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2022**

Going concern

The Company has made significant progress in its results this year despite the impact of the covid pandemic and also has a significant cash balance of £25m at 31 March 2022 (2021: £11m).

The directors have prepared cash flow forecasts for at least 12 months from the date of approval of these financial statements. The cash flow forecasts have been prepared on a realistic and prudent basis including consideration of potential downside scenarios. The Company has concluded that it has sufficient resources to continue on a going concern basis. The business has traded profitably and generated positive cash flows post year end. The business continues to enjoy positive relationships with its key suppliers, having recently signed a new four-year supply agreement with Axpo, and remains covenant compliant. The business also receives the full support of its ultimate holding company Bayford & Co Limited.

The business has a commodity trading arrangement in place which enables the Company to purchase electricity and gas on forward commodity markets. The directors monitor covenants associated with this trading agreement on a regular basis. The business is hedged out under this arrangement for 90-100% of the expected gas and electricity usage. The forward purchasing strategy is very prudent and reviewed daily to minimise risk and maximise coverage. Despite the recent market volatility the arrangement continues to operate well providing effective access to traded commodity products.

Consequently, the directors are confident that the Company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

Future developments

The UK market for the domestic supply of energy remains highly competitive. The market is highly regulated and has seen some major reforms over the past year. Amongst these reforms, there are consultations taking place in to introduce strict Financial Stability cornerstones of all current suppliers (and any future market entrants) and there has been an enhancement to the new licence approval process. These changes are designed to reduce the number of failing suppliers, thus reducing the mutualisation impact on the remaining suppliers. The mutualisation process of absorbing outstanding industry costs has a major impact on the Net Profit and Loss of this Company.

Engagement with suppliers, customers and others

A statement on the Company's policy with regard to engagement with suppliers, customers and others is presented within the strategic report.

Greenhouse gas emissions, energy consumption and energy efficiency action

The Company has taken the option to exclude any information relating to energy and carbon reporting as it is included in the consolidated financial statements of the parent company, Bayford & Co Ltd.

Matters covered in the Strategic Report

Certain information is not shown in the Director's Report because it is shown in the Strategic Report on page 1 of the financial statements in accordance with the provisions of Section 414C(11) of the Companies Act 2006. The Strategic Report includes a business review, principal risks and uncertainties an information on the Company's key performance indicators.

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2022**

Disclosure of information to auditor

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- so far as the directors are aware, there is no relevant audit information of which the Company's auditor is unaware, and
- the directors have taken all the steps that ought to have been taken as directors in order to be aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Post balance sheet events

On 15 November 2022 the company entered into a new four-year supply agreement for gas and electricity with Axpo Solutions AG.

Auditor

The auditor, Mazars LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on 20 December 2022 and signed on its behalf.

C Ritchie

Director

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF E (GAS AND ELECTRICITY) LIMITED

Opinion

We have audited the financial statements of E (Gas and Electricity) Limited (the 'Company') for the year ended 31 March 2022 which comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity and notes to the financial statements, 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 and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

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

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

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

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF E (GAS AND ELECTRICITY) LIMITED

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF E (GAS AND ELECTRICITY) LIMITED

Responsibilities of Directors

As explained more fully in the Directors' Responsibilities Statement set out on page 5, 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 intend either to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

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 the financial statements.

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud.

Based on our understanding of the company and its industry, we considered that non-compliance with the following laws and regulations might have a material effect on the financial statements: employment regulation, health and safety regulation, anti-money laundering regulation and OFGEM regulation.

To help us identify instances of non-compliance with these laws and regulations, and in identifying and assessing the risks of material misstatement in respect to non-compliance, our procedures included, but were not limited to:

- Inquiring of management and, where appropriate, those charged with governance, as to whether the company is in compliance with laws and regulations, and discussing their policies and procedures regarding compliance with laws and regulations;
- Inspecting correspondence, if any, with relevant licensing or regulatory authorities;
- Communicating identified laws and regulations to the engagement team and remaining alert to any indications of non-compliance throughout our audit; and
- Considering the risk of acts by the company which were contrary to applicable laws and regulations, including fraud.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF E (GAS AND ELECTRICITY) LIMITED

We also considered those laws and regulations that have a direct effect on the preparation of the financial statements, such as tax legislation, pension legislation and the Companies Act 2006.

In addition, we evaluated the directors' and management's incentives and opportunities for fraudulent manipulation of the financial statements, including the risk of management override of controls, and determined that the principal risks related to posting manual journal entries to manipulate financial performance, revenue recognition (which we pinpointed to the cut off assertion), and significant one-off or unusual transactions.

Our audit procedures in relation to fraud included but were not limited to:

- Making enquiries of the directors and management on whether they had knowledge of any actual, suspected or alleged fraud;
- Gaining an understanding of the internal controls established to mitigate risks related to fraud;
- Discussing amongst the engagement team the risks of fraud; and
- Addressing the risks of fraud through management override of controls by performing journal entry testing.

There are inherent limitations in the audit procedures described above and the primary responsibility for the prevention and detection of irregularities including fraud rests with management. As with any audit, there remained a risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal controls.

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

Use of the audit 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.

Shaun Mullins (Senior Statutory Auditor)

for and on behalf of
Mazars LLP

Chartered Accountants and Statutory Auditor

5th Floor

3 Wellington Place
Leeds
LS1 4AP

21 December 2022

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2022**

| | Note | 2022 £ | 2021 £ |
|--|-------------|-------------------------|-------------------------|
| Turnover | 4 | 177,689,648 | 166,227,059 |
| Cost of sales | | (157,772,801) | (150,860,060) |
| Gross profit | | <u>19,916,847</u> | <u>15,366,999</u> |
| Administrative expenses | | (10,392,009) | (10,578,934) |
| Operating profit | 5 | <u>9,524,838</u> | <u>4,788,065</u> |
| Interest receivable and similar income | 7 | 61,561 | 64,837 |
| Interest payable and similar expenses | 8 | (543) | (10,115) |
| Profit before tax | | <u>9,585,856</u> | <u>4,842,787</u> |
| Tax on profit | 9 | (1,886,096) | (448,105) |
| Profit for the financial year | | <u><u>7,699,760</u></u> | <u><u>4,394,682</u></u> |

There were no recognised gains and losses for 2022 or 2021 other than those included in the statement of comprehensive income.

There was no other comprehensive income for 2022 (2021:£NIL).

The notes on pages 15 to 30 form part of these financial statements.

STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2022

| | Note | 2022 £ | 2021 £ |
|---|------|-------------------------|---------------------------|
| Fixed assets | | | |
| Intangible assets | 10 | 890,291 | 1,095,892 |
| Tangible assets | 11 | 50,500 | 119,319 |
| Investments | 12 | 3 | 3 |
| | | <u>940,794</u> | <u>1,215,214</u> |
| Current assets | | | |
| Debtors: amounts falling due after more than one year | 13 | 1,000,000 | 1,000,000 |
| Debtors: amounts falling due within one year | 13 | 8,983,182 | 10,243,955 |
| Cash at bank and in hand | 14 | 25,085,176 | 11,013,498 |
| | | <u>35,068,358</u> | <u>22,257,453</u> |
| Creditors: amounts falling due within one year | 15 | (34,516,224) | (26,010,441) |
| Net current assets/(liabilities) | | <u>552,134</u> | <u>(3,752,988)</u> |
| Total assets less current liabilities | | <u>1,492,928</u> | <u>(2,537,774)</u> |
| Creditors: amounts falling due after more than one year | 16 | - | (512,513) |
| Net assets/(liabilities) | | <u><u>1,492,928</u></u> | <u><u>(3,050,287)</u></u> |
| Capital and reserves | | | |
| Called up share capital | 18 | 104 | 104 |
| Profit and loss account | 19 | 1,492,824 | (3,050,391) |
| | | <u><u>1,492,928</u></u> | <u><u>(3,050,287)</u></u> |

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 20 December 2022.

C Ritchie
Director

The notes on pages 15 to 30 form part of these financial statements.

E (GAS AND ELECTRICITY) LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2022**

| | Called up share capital | Profit and loss account | Total equity |
|---|------------------------------------|------------------------------------|---------------------|
| | £ | £ | £ |
| At 1 April 2020 | 104 | (7,445,073) | (7,444,969) |
| Comprehensive income for the year | | | |
| Profit for the year | - | 4,394,682 | 4,394,682 |
| Total comprehensive income for the year | - | 4,394,682 | 4,394,682 |
| At 1 April 2021 | 104 | (3,050,391) | (3,050,287) |
| Comprehensive income for the year | | | |
| Profit for the year | - | 7,699,760 | 7,699,760 |
| Total comprehensive income for the year | - | 7,699,760 | 7,699,760 |
| Contributions by and distributions to owners | | | |
| Dividends: Equity capital | - | (3,156,545) | (3,156,545) |
| Total transactions with owners | - | (3,156,545) | (3,156,545) |
| At 31 March 2022 | <u>104</u> | <u>1,492,824</u> | <u>1,492,928</u> |

The notes on pages 15 to 30 form part of these financial statements.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022**

1. General information

E (Gas and Electricity) Limited ("the Company") is a private limited company incorporated in the United Kingdom, limited by shares, registered number 08520118.

The address of the registered office and principal place of business is Bowcliffe Hall, Bramham, Wetherby, West Yorkshire, England, LS23 6LP.

The Company is principally engaged in the trade of electricity and gas through mains supply channels.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policies (see note 3).

These financial statements have been presented in pound sterling which is the functional currency of the Company, and rounded to the nearest £.

The following principal accounting policies have been applied:

2.2 Financial Reporting Standard 102 - reduced disclosure exemptions

The Company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 11 Financial Instruments paragraphs 11.42, 11.44 to 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b) and 11.48(c);
- the requirements of Section 12 Other Financial Instruments paragraphs 12.26 to 12.27, 12.29(a), 12.29(b) and 12.29A;
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statements of Bayford & Co. Limited as at 30 June 2022 and these financial statements may be obtained from Companies House.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022**

2. Accounting policies (continued)

2.3 Going concern

The Company has made significant progress in its results this year despite the impact of the covid pandemic and also has a significant cash balance of £25m at 31 March 2022 (2021: £11m).

The directors have prepared cash flow forecasts for at least 12 months from the date of approval of these financial statements. The cash flow forecasts have been prepared on a realistic and prudent basis including consideration of potential downside scenarios. The Company has concluded that it has sufficient resources to continue on a going concern basis. The business has traded profitably and generated positive cash flows post year end. The business continues to enjoy positive relationships with its key suppliers, having recently signed a new four-year supply agreement with Axpo, and remains covenant compliant. The business also receives the full support of its ultimate holding company Bayford & Co Limited.

The business has a commodity trading arrangement in place which enables the Company to purchase electricity and gas on forward commodity markets. The directors monitor covenants associated with this trading agreement on a regular basis. The business is hedged out under this arrangement for 90-100% of the expected gas and electricity usage. The forward purchasing strategy is very prudent and reviewed daily to minimise risk and maximise coverage. Despite the recent market volatility the arrangement continues to operate well providing effective access to traded commodity products.

Consequently, the directors are confident that the Company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

2.4 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

Rendering of services

Revenue from a contract to provide services is recognised in the period in which the services are provided in accordance with the stage of completion of the contract when all of the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the Company will receive the consideration due under the contract;
- the stage of completion of the contract at the end of the reporting period can be measured reliably; and
- the costs incurred and the costs to complete the contract can be measured reliably.

The period over which revenue is recognised is detailed further in section 3 ' Judgements in applying accounting policies'.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022**

2. Accounting policies (continued)

2.5 Operating leases: the Company as lessee

Rentals paid under operating leases are charged to profit or loss on a straight-line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight-line basis over the lease term, unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

2.6 Finance costs

Finance costs are charged to profit or loss over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

2.7 Pensions

Defined contribution pension plan

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payment obligations.

The contributions are recognised as an expense in profit or loss when they fall due. Amounts not paid are shown in accruals as a liability in the Statement of Financial Position. The assets of the plan are held separately from the Company in independently administered funds.

2.8 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in profit or loss except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the Company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the reporting date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022**

2. Accounting policies (continued)

2.9 Intangible assets

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

All intangible assets are considered to have a finite useful life. If a reliable estimate of the useful life cannot be made, the useful life shall not exceed ten years.

The estimated useful lives range as follows:

| | | |
|-----------------------|---|--------------------------------|
| Computer software | - | 3 years |
| Strategic partnership | - | over the life of the agreement |

2.10 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

At each reporting date the company assesses whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is determined which is the higher of its fair value less costs to sell and its value in use. An impairment loss is recognised where the carrying amount exceeds the recoverable amount.

Land is not depreciated. Depreciation on other assets is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

The estimated useful lives range as follows:

| | |
|---------------------|-----------|
| Fixtures & fittings | - 4 years |
| Computer equipment | - 3 years |
| Other fixed assets | - 3 years |

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022**

2. Accounting policies (continued)

2.11 Valuation of investments

Investments in unlisted Company shares, whose market value can be reliably determined, are remeasured to market value at each reporting date. Gains and losses on remeasurement are recognised in the Statement of Comprehensive Income for the period. Where market value cannot be reliably determined, such investments are stated at historic cost less impairment.

2.12 Debtors

Short-term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

2.13 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

2.14 Creditors

Short-term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

2.15 Provisions for liabilities

Provisions are made where an event has taken place that gives the Company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to profit or loss in the year that the Company becomes aware of the obligation, and are measured at the best estimate at the reporting date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Statement of Financial Position.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022

2. Accounting policies (continued)

2.16 Financial instruments

The Company only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in ordinary shares.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or in case of an out-right short-term loan that is not at market rate, the financial asset or liability is measured, initially at the present value of future cash flows discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost, unless it qualifies as a loan from a director in the case of a small company, or a public benefit entity concessionary loan.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Statement of Comprehensive Income.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the Company would receive for the asset if it were to be sold at the reporting date.

Financial assets and liabilities are offset and the net amount reported in the Statement of Financial Position when there is an 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.

2.17 Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022**

3. Judgements in applying accounting policies and key sources of estimation uncertainty

The critical judgements that the directors have made in the process of applying the Company's accounting policies that have the most significant effect on the amounts recognised in the statutory financials statements are discussed below.

Determining appropriate deferred revenue

The Directors are required to apply judgement to determine the appropriate level of deferred revenue. Judgement is applied to determine the level of prepayment 'stock on meter' as at the period end. Judgement is also applied to determine the rate at which this 'stock on meter' is used, based on historic customer trends and average usage periods.

Key sources of estimation uncertainty

There are no key assumptions concerning the future, and other key sources of estimation uncertainty, that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year.

4. Turnover

An analysis of turnover by class of business is as follows:

| | 2022 | 2021 |
|-------------|--------------------|--------------------|
| | £ | £ |
| Gas | 69,541,152 | 62,559,659 |
| Electricity | 108,148,496 | 103,667,400 |
| | <u>177,689,648</u> | <u>166,227,059</u> |

All turnover arose within the United Kingdom.

5. Operating profit

The operating profit is stated after charging:

| | 2022 | 2021 |
|-----------------------------------|----------------|----------------|
| | £ | £ |
| Amortisation of intangible assets | 222,101 | 225,905 |
| Depreciation of tangible assets | 68,819 | 96,948 |
| Operating lease expenses | <u>409,058</u> | <u>420,962</u> |

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022**

6. Auditor's remuneration

| | 2022 | 2021 |
|--|---------------|---------------|
| | £ | £ |
| Fees payable to the Company's auditor for the audit of the Company's annual financial statements | <u>69,000</u> | <u>62,500</u> |

The Company has taken advantage of the exemption not to disclose amounts paid for non audit services as these are disclosed in the group financial statements of the ultimate Parent Company.

Employees

Staff costs were as follows:

| | 2022 | 2021 |
|-------------------------------------|------------------|------------------|
| | £ | £ |
| Wages and salaries | 3,617,683 | 4,074,497 |
| Social security costs | 325,019 | 362,910 |
| Cost of defined contribution scheme | 130,756 | 131,732 |
| | <u>4,073,458</u> | <u>4,569,139</u> |

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

| | 2022 | 2021 |
|------------------|-------------|-------------|
| | No. | No. |
| Management | 6 | 10 |
| Customer service | 141 | 169 |
| | <u>147</u> | <u>179</u> |

7. Interest receivable

| | 2022 | 2021 |
|---------------------------|---------------|---------------|
| | £ | £ |
| Other interest receivable | <u>61,561</u> | <u>64,837</u> |

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022

8. Interest payable and similar expenses

| | 2022 £ | 2021 £ |
|-----------------------------|------------|---------------|
| Other loan interest payable | <u>543</u> | <u>10,115</u> |

9. Taxation

| | 2022 £ | 2021 £ |
|--|------------------|-----------------|
| Corporation tax | | |
| Current tax on profits for the year | 1,881,966 | 522,921 |
| Total current tax | <u>1,881,966</u> | <u>522,921</u> |
| Deferred tax | | |
| Origination and reversal of timing differences | (39,969) | 459 |
| Adjustments in respect of previous periods | 51,744 | (75,275) |
| Effect of changes in tax rates | (7,645) | - |
| Total deferred tax | <u>4,130</u> | <u>(74,816)</u> |
| Taxation on profit on ordinary activities | <u>1,886,096</u> | <u>448,105</u> |

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022

9. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2021 - lower than) the standard rate of corporation tax in the UK of 19% (2021 - 19%). The differences are explained below:

| | 2022 £ | 2021 £ |
|--|-------------------------|-----------------------|
| Profit on ordinary activities before tax | <u>9,585,856</u> | <u>4,842,787</u> |
| Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2021 - 19%) | 1,821,313 | 920,130 |
| Effects of: | | |
| Expenses not deductible for tax purposes, other than goodwill amortisation and impairment | 2,066 | 52,872 |
| Adjustment to tax charge in respect of prior periods - deferred tax | 51,744 | (75,275) |
| Tax rate changes | (7,645) | - |
| Deferred tax not provided for | 18,618 | (449,621) |
| Effects of group relief/other relief | - | (1) |
| Total tax charge for the year | <u><u>1,886,096</u></u> | <u><u>448,105</u></u> |

Factors that may affect future tax charges

The UK Government announced in the 2021 budget that from 1 April 2023, the rate of corporation tax in the United Kingdom will increase from 19% to 25%. Companies with profits of £50,000 or less will continue to be taxed at 19%, which is a new small profits rate. Where taxable profits are between £50,000 and £250,000, the higher 25% rate will apply but with a marginal relief applying as profits increase.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022

10. Intangible assets

| | Strategic partnership £ | Computer software £ | Total £ |
|-----------------------|-------------------------------|---------------------------|------------|
| Cost | | | |
| At 1 April 2021 | 4,001,824 | 406,177 | 4,408,001 |
| Additions | - | 16,500 | 16,500 |
| At 31 March 2022 | 4,001,824 | 422,677 | 4,424,501 |
| Amortisation | | | |
| At 1 April 2021 | 3,119,914 | 192,195 | 3,312,109 |
| Charge for the year | 97,992 | 124,109 | 222,101 |
| At 31 March 2022 | 3,217,906 | 316,304 | 3,534,210 |
| Net book value | | | |
| At 31 March 2022 | 783,918 | 106,373 | 890,291 |
| At 31 March 2021 | 881,910 | 213,982 | 1,095,892 |

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022

11. Tangible fixed assets

| | Fixtures & fittings £ | Computer equipment £ | Total £ |
|--------------------------|--------------------------|-------------------------|------------|
| Cost or valuation | | | |
| At 1 April 2021 | 393,717 | 218,157 | 611,874 |
| At 31 March 2022 | 393,717 | 218,157 | 611,874 |
| Depreciation | | | |
| At 1 April 2021 | 307,063 | 185,492 | 492,555 |
| Charge for the year | 57,323 | 11,496 | 68,819 |
| At 31 March 2022 | 364,386 | 196,988 | 561,374 |
| Net book value | | | |
| At 31 March 2022 | 29,331 | 21,169 | 50,500 |
| At 31 March 2021 | 86,654 | 32,665 | 119,319 |

As at the Statement of Financial Position date Smartestenergy Limited held a fixed and floating charge over all property or undertakings of the business in respect of its Energy Trading Agreement with the Company.

12. Fixed asset investments

| | Unlisted investments £ |
|--------------------------|---------------------------|
| Cost or valuation | |
| At 1 April 2021 | 3 |
| At 31 March 2022 | 3 |

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022

13. Debtors

| | 2022 £ | 2021 £ |
|---|------------------|------------------|
| Amounts falling after more than one year | | |
| Other debtors | <u>1,000,000</u> | <u>1,000,000</u> |

| | 2022 £ | 2021 £ |
|--|------------------|-------------------|
| Amounts falling within one year | | |
| Trade debtors | 461,162 | 28,469 |
| Amounts owed by group undertakings | 773,311 | 4,198,583 |
| Other debtors | 3,982,761 | 2,269,386 |
| Prepayments and accrued income | 3,734,097 | 3,711,536 |
| Deferred taxation | 31,851 | 35,981 |
| | <u>8,983,182</u> | <u>10,243,955</u> |

14. Cash and cash equivalents

| | 2022 £ | 2021 £ |
|--------------------------|-------------------|-------------------|
| Cash at bank and in hand | <u>25,085,176</u> | <u>11,013,498</u> |

15. Creditors: Amounts falling due within one year

| | 2022 £ | 2021 £ |
|------------------------------------|-------------------|-------------------|
| Trade creditors | 6,464,837 | 4,126,243 |
| Corporation tax | 1,548,198 | - |
| Other taxation and social security | 72,644 | 82,876 |
| Other creditors | 17,622 | 23,392 |
| Accruals and deferred income | 26,412,923 | 21,777,930 |
| | <u>34,516,224</u> | <u>26,010,441</u> |

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022

16. Creditors: Amounts falling due after more than one year

| | 2022 £ | 2021 £ |
|------------------------------|-----------|----------------|
| Accruals and deferred income | <u>-</u> | <u>512,513</u> |

17. Deferred taxation

| | 2022 £ | 2021 £ |
|---------------------------|----------------------|----------------------|
| At beginning of year | 35,981 | (38,835) |
| Charged to profit or loss | (4,130) | 74,816 |
| At end of year | <u><u>31,851</u></u> | <u><u>35,981</u></u> |

The deferred tax asset is made up as follows:

| | 2022 £ | 2021 £ |
|-------------------------------------|----------------------|----------------------|
| Accelerated capital allowances | (9,571) | 31,543 |
| Other short term timing differences | 41,422 | 4,438 |
| | <u><u>31,851</u></u> | <u><u>35,981</u></u> |

18. Share capital

| | 2022 £ | 2021 £ |
|---|-------------------|-------------------|
| Allotted, called up and fully paid | | |
| 104 (2021 - 104) Ordinary shares shares of £1.00 each | <u><u>104</u></u> | <u><u>104</u></u> |

19. Reserves

Profit & loss account

The profit and loss reserve represents accumulated profits and losses less any dividends paid during the year.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022**

20. Pension commitments

The Company operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The pension cost charge represents contributions payable by the Company to the fund and amounted to £130,756 (2021: £131,732). Contributions totalling £19,265 (2021: £23,359) were payable to the fund at the balance sheet date and are included within creditors.

21. Commitments under operating leases

At 31 March 2022 the Company had future minimum lease payments due under non-cancellable operating leases for each of the following periods:

| | 2022 £ | 2021 £ |
|--|----------------|----------------|
| Not later than 1 year | 313,248 | 313,248 |
| Later than 1 year and not later than 5 years | 229,373 | 548,184 |
| | <u>542,621</u> | <u>861,432</u> |

22. Other financial commitments

At the year end the Company had off balance sheet future electricity and gas trade commitments to its suppliers with a value of £90,279,000 (2021: £32,788,400).

23. Related party transactions

In accordance with Section 33 of FRS 102, transactions and balances with Group companies included within the consolidated financial statements of Bayford & Co Limited have not been disclosed within these financial statements. Bayford & Co Limited is the ultimate Parent Company and the consolidated financial statements are available from Companies House.

During the year the Company made sales of £145,104 (2021: £Nil) and purchases of £614,530 (2021: £Nil) to other related parties. As at the year end £96,212 (2021: £Nil) was owed to other related parties.

24. Post balance sheet events

On 15 November 2022 the company entered into a new four-year supply agreement for gas and electricity with Axpo Solutions AG.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022**

25. Controlling party

Bayford Energy Bidco Limited is the immediate Parent Company incorporated in England and Wales. Bayford Energy Bidco Limited's ultimate parent undertaking and largest company for which consolidated financial statements are prepared is Bayford & Co Limited, which is controlled by JCD Tumer.

The results of E (Gas and Electricity) Limited are included in the consolidated financial statements of Bayford & Co Limited. The consolidated financial statements of this company are available to the public and may be obtained from Companies House, Cardiff, CF13 3UZ.

This document was delivered using electronic communications and authenticated in accordance with the registrar's rules relating to electronic form, authentication and manner of delivery under section 1072 of the Companies Act 2006.