

E (Gas and Electricity) Limited

Registered number: 08520118

Annual report and financial statements

For the year ended 31 March 2020

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 auditors	Mazars LLP Chartered Accountants & Statutory Auditor 5th Floor 3 Wellington Place Leeds LS1 4AP

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**STRATEGIC REPORT
FOR THE YEAR ENDED 31 MARCH 2020**

Introduction

The directors present the strategic report for the year ended 31 March 2020.

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 2020 the Company continued to make significant progress in growing its customer base. The growth in the customer base has resulted in a 20% increase in revenues from the previous year to £173m (2019: £144m) while gross profit margin was significantly improved to 3.1% (2019: 1.3%).

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.

In April 2017 Ofgem introduced a price cap for all domestic prepayment customers. The price cap is set by Ofgem semi-annually and contains many assumptions on costs that are not reflective of the actual costs incurred. These assumptions, and the inability to achieve these, have contributed to the poor performance this financial year. Ofgem announced that from the October 2019 price cap period, amendments to their original assumptions have been made. It is our belief that this will enable us to deliver products that have an increased positive contribution at Gross Margin level in future years. The latest Winter period has seen dramatic wholesale commodity downward price movements which exposed the business to unprecedented levels of margin call on both Gas and Power hedged volumes. These margin calls became so large that during March 2020 the business was sold. The new owners have steadied the ship and believe that moving forward the business can return to a positive trading position.

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. Continued use of smart technologies is planned for 2020 and will further improve the customer experience.

Development and performance

The UK market for the domestic supply of energy remains highly competitive amongst the newer independent suppliers. The market is highly regulated and has seen some major reforms over the past year. Amongst these reforms, there is set to be an enhancement to the new licence approval process. This is 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.

The Company took steps in 2017 to enhance customer service by providing an application that enables meter top ups anywhere to save its customers time and to provide an added value service which has been reviewed as being positive and will continue

STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2020

Principle risks and uncertainties

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 both the activities of new entrants to the market and of existing competitors to

ensure that it can maintain and expand 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.

STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2020

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 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.

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.

E (GAS AND ELECTRICITY) LIMITED

STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2020

This report was approved by the board on 21 June 2021 and signed on its behalf.

C Ritchie
Director

**DIRECTORS' REPORT
FOR THE YEAR ENDED 31 MARCH 2020**

The directors present their report and the financial statements for the year ended 31 March 2020.

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;
- 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 loss for the year, after taxation, amounted to £7,914,441 (2019 - loss £4,705,982).

Directors

The directors who served during the year were:

L E Austin (appointed 9 March 2020)
C Ritchie (appointed 9 March 2020)
P Cooke (resigned 9 March 2020)

Future developments

The UK market for the domestic supply of energy remains highly competitive amongst the newer independent suppliers. The market is highly regulated and has seen some major reforms over the past year. Amongst these reforms, there is set to be an enhancement to the new licence approval process. This is 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.

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2020**

Engagement with employees

A statement on the company's policy with regard to engagement with employees is presented within the strategic report.

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.

Disclosure of information to auditors

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

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

Post balance sheet events

There have been no significant events affecting the Company since the year end.

Going concern

Notwithstanding net current liabilities of £10.5m as at 31 March 2020 (2019: £2.5m) and a loss before tax for the year ended of £7.9m (2019: £4.7m), the financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons.

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, and the company has concluded that it has sufficient resources to continue on a going concern basis. The business has traded profitably since the year ended 31 March 2020 and generated positive cash flows post year end. The business continues to enjoy positive relationships with its key suppliers and remains covenant compliant.

The business also receives the full support of its ultimate holding company Bayford & Co Limited. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

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.

Auditors

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

E (GAS AND ELECTRICITY) LIMITED

DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2020

This report was approved by the board on 21 June 2021 and signed on its behalf.

C Ritchie
Director

INDEPENDENT AUDITORS' 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 2020 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the 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 2020 and of its loss 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

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. 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 AUDITORS' REPORT TO THE MEMBERS OF E (GAS AND ELECTRICITY) LIMITED

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

Responsibilities of Directors

As explained more fully in the directors' responsibilities statement set out on page 2, 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 to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

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

Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at 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)
Mazars LLP

Chartered Accountants and Statutory Auditor

5th Floor

3 Wellington Place

Leeds
LS1 4AP

22 June 2021

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2020**

	Note	2020 £	2019 £
Turnover	4	172,944,297	144,230,997
Cost of sales		(167,822,314)	(142,318,222)
Gross profit		<u>5,121,983</u>	<u>1,912,775</u>
Administrative expenses		(12,520,324)	(6,749,356)
Other operating income	5	-	37,950
Operating loss	6	<u>(7,398,341)</u>	<u>(4,798,631)</u>
Interest receivable and similar income	10	74,610	93,824
Interest payable and expenses	11	(558,083)	(1,175)
Loss before tax		<u>(7,881,814)</u>	<u>(4,705,982)</u>
Tax on loss	12	(32,627)	-
Loss for the financial year		<u><u>(7,914,441)</u></u>	<u><u>(4,705,982)</u></u>

There were no recognised gains and losses for 2020 or 2019 other than those included in the statement of comprehensive income.

There was no other comprehensive income for 2020 (2019:£NIL).

The notes on pages 14 to 32 form part of these financial statements.

STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2020

	Note	2020 £	As restated 2019 £
Fixed assets			
Intangible assets	13	1,317,049	134,782
Tangible assets	14	1,795,267	2,860,488
Investments	15	3	3
		<u>3,112,319</u>	<u>2,995,273</u>
Current assets			
Debtors: amounts falling due within one year	16	14,044,480	16,754,323
Debtors: amounts falling due after more than one year	16	1,000,000	1,500,000
Cash at bank and in hand	17	4,176,840	3,749,846
		<u>19,221,320</u>	<u>22,004,169</u>
Creditors: amounts falling due within one year	18	(29,739,773)	(24,502,303)
Net current liabilities		<u>(10,518,453)</u>	<u>(2,498,134)</u>
Total assets less current liabilities		<u>(7,406,134)</u>	<u>497,139</u>
Provisions for liabilities			
Deferred tax	20	(38,835)	(27,667)
		<u>(38,835)</u>	<u>(27,667)</u>
Net (liabilities)/assets		<u><u>(7,444,969)</u></u>	<u><u>469,472</u></u>
Capital and reserves			
Called up share capital	21	104	104
Profit and loss account	22	(7,445,073)	469,368
		<u><u>(7,444,969)</u></u>	<u><u>469,472</u></u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 21 June 2021.

C Ritchie
Director

The notes on pages 14 to 32 form part of these financial statements.

E (GAS AND ELECTRICITY) LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2020**

	Called up share capital	Profit and loss account	Total equity
	£	£	£
At 1 April 2018	104	5,175,350	5,175,454
Comprehensive income for the year			
Loss for the year	-	(4,705,982)	(4,705,982)
Total comprehensive income for the year	-	(4,705,982)	(4,705,982)
At 1 April 2019	104	469,368	469,472
Comprehensive income for the year			
Loss for the year	-	(7,914,441)	(7,914,441)
Total comprehensive income for the year	-	(7,914,441)	(7,914,441)
Total transactions with owners	-	-	-
At 31 March 2020	104	(7,445,073)	(7,444,969)

The notes on pages 14 to 32 form part of these financial statements.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020**

1. General information

E (Gas and Electricity) Limited with registered number 08520118 is a private limited company limited by shares. The company is registered in England and Wales. The address of the Company's registered office is disclosed on the Company Information page of the financial statements. The Company's principal place of business is: T3, Trinity Park, Bickenhill Lane, Birmingham, B37 7ES.

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.

Information on the impact of first-time adoption of FRS 102 is given in note 29.

The following principal accounting policies have been applied:

2.2 Going concern

Notwithstanding net current liabilities of £10.5m as at 31 March 2020 (2019: £2.5m) and a loss before tax for the year ended of £7.9m (2019: £4.7m), the financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons.

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, and the company has concluded that it has sufficient resources to continue on a going concern basis. The business has traded profitably since the year ended 31 March 2020 and generated positive cash flows post year end. The business continues to enjoy positive relationships with its key suppliers and remains covenant compliant.

The business also receives the full support of its ultimate holding company Bayford & Co Limited. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020**

2. Accounting policies (continued)

2.3 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'.

2.4 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.

2.5 Research and development

In the research phase of an internal project it is not possible to demonstrate that the project will generate future economic benefits and hence all expenditure on research shall be recognised as an expense when it is incurred. Intangible assets are recognised from the development phase of a project if and only if certain specific criteria are met in order to demonstrate the asset will generate probable future economic benefits and that its cost can be reliably measured. The capitalised development costs are subsequently amortised on a straight line basis over their useful economic lives, which range from 3 to 6 years.

If it is not possible to distinguish between the research phase and the development phase of an internal project, the expenditure is treated as if it were all incurred in the research phase only.

2.6 Interest income

Interest income is recognised in profit or loss using the effective interest method.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020**

2. Accounting policies (continued)

2.7 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.

2.8 Borrowing costs

All borrowing costs are recognised in profit or loss in the year in which they are incurred.

2.9 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 Statement of Financial Position 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.

2.10 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 under 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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020**

2. Accounting policies (continued)

2.11 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:

Motor vehicles	-	straight line over 3 years
Fixtures & fittings	-	straight line over 4 years
Computer equipment	-	straight line over 3 years
Other fixed assets	-	straight line over 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.

2.12 Impairment of fixed assets and goodwill

Assets that are subject to depreciation or amortisation are assessed at each reporting date to determine whether there is any indication that the assets are impaired. Where there is any indication that an asset may be impaired, the carrying value of the asset (or cash-generating unit to which the asset has been allocated) is tested for impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's (or CGU's) fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs). Non-financial assets that have been previously impaired are reviewed at each reporting date to assess whether there is any indication that the impairment losses recognised in prior periods may no longer exist or may have decreased.

2.13 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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020**

2. Accounting policies (continued)

2.14 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.

2.15 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.

2.16 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 Statement of Financial Position 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 2020

2. Accounting policies (continued)

2.17 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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020**

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.

(i) Assessing indicators of impairment

In assessing whether there have been any indicators of impairment of assets, the directors have considered both external and internal sources of information such as market conditions, counterparty credit ratings and experience of recoverability and where applicable, the ability of the asset to be operated as planned.

(ii) 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

The 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 are discussed below.

(i) Determination of recoverable amount of tangible and intangible assets

Where there are considered to be impairment indicators present as prescribed by FRS102, non current assets are subject to impairment review by management. This impairment review is considered to be a key source of estimation uncertainty as a result of the assumptions involved in determining the relevant asset's value in use or fair value less costs to sell as appropriate. Such assumptions include projections of the future cash flows of an asset, determination of an appropriate discount rate and estimates of the fair value of non current assets. Management determine these assumptions based on the latest information available at the time of assessment.

4. Turnover

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

	2020 £	2019 £
Gas	69,488,504	58,348,683
Electricity	103,455,793	85,882,314
	<u>172,944,297</u>	<u>144,230,997</u>

All turnover arose within the United Kingdom.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020

5. Other operating income

	2020 £	2019 £
Other operating income	<u>-</u>	<u>37,950</u>

6. Operating loss

The operating loss is stated after charging:

	2020 £	2019 £
Intangible asset impairment	3,021,922	-
Tangible asset impairment	<u>609,843</u>	<u>-</u>

7. Auditors' remuneration

	2020 £	2019 £
Fees payable to the Company's auditor and its associates for the audit of the Company's annual financial statements	<u>48,500</u>	<u>38,000</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 parent Company.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020

8. Employees

Staff costs, including directors' remuneration, were as follows:

	2020 £	2019 £
Wages and salaries	3,547,448	2,952,893
Social security costs	417,670	239,114
Cost of defined benefit scheme	150,936	70,511
	<u>4,116,054</u>	<u>3,262,518</u>

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

	2020 No.	2019 No.
Management	10	15
Customer service	194	166
	<u>204</u>	<u>181</u>

9. Directors' remuneration

	2020 £	2019 £
Directors' emoluments	<u>42,703</u>	<u>7,956</u>

10. Interest receivable

	2020 £	2019 £
Other interest receivable	<u>74,610</u>	<u>93,824</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020

11. Interest payable and similar expenses

	2020 £	2019 £
Bank interest payable	16,073	25
Other loan interest payable	542,010	1,150
	<u>558,083</u>	<u>1,175</u>

12. Taxation

	2020 £	2019 £
Corporation tax		
Adjustments in respect of previous periods	21,459	-
	<u>21,459</u>	<u>-</u>
Total current tax	<u>21,459</u>	<u>-</u>
Deferred tax		
Origination and reversal of timing differences	11,168	-
Total deferred tax	<u>11,168</u>	<u>-</u>
Taxation on profit on ordinary activities	<u>32,627</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020

12. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2019 - higher than) the standard rate of corporation tax in the UK of 19% (2019 - 19%). The differences are explained below:

	2020 £	2019 £
Loss on ordinary activities before tax	<u>(7,881,814)</u>	<u>(4,705,982)</u>
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2019 - 19%)	(1,497,545)	(894,137)
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	1,411,717	105,124
Capital allowances for year in excess of depreciation	-	(37,897)
Other timing differences leading to an increase (decrease) in taxation	118,455	-
Unrelieved tax losses carried forward	-	826,910
Total tax charge for the year	<u>32,627</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020

13. Intangible assets

	Computer software £	Strategic partnership £	Software in development £	Total £
Cost				
At 1 April 2019	167,169	-	-	167,169
Additions	38,508	4,001,824	443,259	4,483,591
Transfer between classes	(60,000)	-	60,000	-
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2020	145,677	4,001,824	503,259	4,650,760
	<hr/>	<hr/>	<hr/>	<hr/>
Amortisation				
At 1 April 2019	32,387	-	-	32,387
Charge for the year on owned assets	31,895	-	-	31,895
Impairment charge	-	3,021,922	247,507	3,269,429
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2020	64,282	3,021,922	247,507	3,333,711
	<hr/>	<hr/>	<hr/>	<hr/>
Net book value				
At 31 March 2020	<hr/> 81,395	<hr/> 979,902	<hr/> 255,752	<hr/> 1,317,049
At 31 March 2019	<hr/> 134,782	<hr/> -	<hr/> -	<hr/> 134,782

The individual intangible assets which are material to the financial statements are in respect of a strategic partnership and its related customer book. An impairment of £3,021,922 was recognised during the year against the strategic partnership asset following an impairment review undertaken by management which was based on a discounted cash flows valuation.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020

14. Tangible fixed assets

	Freehold land £	Motor vehicles £	Fixtures & fittings £	Computer equipment £	Total £
Cost or valuation					
At 1 April 2019	2,523,819	60,000	368,744	177,062	3,129,625
Additions	178,410	27,500	28,836	41,169	275,915
Disposals	(512,386)	(87,500)	(4,863)	(74)	(604,823)
At 31 March 2020	2,189,843	-	392,717	218,157	2,800,717
Depreciation					
At 1 April 2019	-	-	136,697	132,440	269,137
Charge for the year on owned assets	-	19,510	105,935	20,433	145,878
Disposals	-	(19,510)	-	102	(19,408)
Impairment charge	609,843	-	-	-	609,843
At 31 March 2020	609,843	-	242,632	152,975	1,005,450
Net book value					
At 31 March 2020	1,580,000	-	150,085	65,182	1,795,267
At 31 March 2019	2,523,819	60,000	232,047	44,622	2,860,488

As at the balance sheet 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.

Impairment charges arose following managements' assessment of assets fair value less cost to sell as at the balance sheet date.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020

15. Fixed asset investments

	Unlisted investments £
Cost or valuation	
At 1 April 2019	3
	<hr/>
At 31 March 2020	<u>3</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020

16. Debtors

	2020 £	As restated 2019 £
Due after more than one year		
Other debtors	1,000,000	1,500,000
	<u>1,000,000</u>	<u>1,500,000</u>
	2020 £	As restated 2019 £
Due within one year		
Amounts owed by group undertakings	3,117,205	5,338,078
Other debtors	6,393,616	6,458,681
Prepayments and accrued income	4,533,659	4,957,564
	<u>14,044,480</u>	<u>16,754,323</u>

In the financial statements to 31 March 2019 amounts of £3,013k in respect of accrued income were presented in trade debtors. These have been reclassified to accrued income as a prior year adjustment for accurate presentation in the comparatives.

Additionally, amounts owed by group undertakings were classified in debtors due after more than one year in the prior year financial statements. These have been reclassified to amounts due within one year given these are repayable upon demand and bear no interest.

These re-presentations bear no further impact on the prior period comparative balance sheet and has no impact on the statement of comprehensive income.

17. Cash and cash equivalents

	2020 £	2019 £
Cash at bank and in hand	4,176,840	3,749,846
Less: bank overdrafts	-	(166)
	<u>4,176,840</u>	<u>3,749,680</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020

18. Creditors: Amounts falling due within one year

	2020 £	2019 £
Bank overdrafts	-	166
Trade creditors	3,182,043	5,387,249
Other taxation and social security	79,177	69,359
Other creditors	24,944	6,921
Accruals and deferred income	26,453,609	19,038,608
	<u>29,739,773</u>	<u>24,502,303</u>

19. Financial instruments

	2020 £	2019 £
Financial assets		
Financial assets measured at fair value through the profit and loss	<u>4,176,840</u>	<u>3,749,846</u>

Financial assets measured at fair value through profit or loss comprise of cash and cash equivalents.

20. Deferred taxation

	2020 £
At beginning of year	(27,667)
Charged to profit or loss	(11,168)
At end of year	<u>(38,835)</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020

20. Deferred taxation (continued)

The provision for deferred taxation is made up as follows:

	2020 £	2019 £
Accelerated capital allowances	(37,543)	(27,667)
Other short term timing differences	(1,292)	-
	<u>(38,835)</u>	<u>(27,667)</u>

At the year end there were unrecognised tax losses of £2,313,939 (2019:£2,633,122) for which no deferred tax asset has been recognised (2019: £nil).

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020

21. Share capital

	2020 £	2019 £
Allotted, called up and fully paid		
104 (2019 - 104) Ordinary shares shares of £1.00 each	<u>104</u>	<u>104</u>

22. Reserves

Profit & loss account

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

23. 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 £150,936 (2019 - £70,511). Contributions totalling £24,944 (2019 - £6,458) were payable to the fund at the balance sheet date and are included within creditors.

24. Commitments under operating leases

At 31 March 2020 the Company had future minimum lease payments due under non-cancellable operating leases for each of the following periods:

	2020 £	2019 £
Not later than 1 year	313,248	209,305
Later than 1 year and not later than 5 years	861,432	767,452
	<u>1,174,680</u>	<u>976,757</u>

25. Other financial commitments

At the year end the Company had off balance sheet future electricity and gas trade commitments to its suppliers of value £22,071,800 (2019: £25,025,614).

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020**

26. 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.

Prior to the acquisition of the company by Bayford Energy Bidco Limited, the company incurred costs on behalf of previous E Holdings Limited related entities amounting to £597,629. The balance owed from these companies at the year end was £nil (2019: £5,325,978).

During the year there was an outstanding loan balance due from the previous controlling party (before the acquisition of the company by Bayford Energy Bidco Limited). At 31 March 2019 there was an outstanding balance of £431,342 owed to the company, amounts of £330,319 were advanced in the year and a balance of £762,262 was written off during the year, The closing balance owed to the company at 31 March 2020 was £nil.

27. Post balance sheet events

There have been no significant events affecting the Company since the year end.

28. Controlling party

The company was acquired by Bayford Energy Bidco Limited on 9 March 2020, which 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 Turner. Prior to this E (Gas and Electricity) was a wholly owned subsidiary of E Holdings Limited, a company incorporated in England and Wales. E Holdings Limited is controlled by P Cooke.

The results of E (Gas and Electricity) Limited from the date of acquisition 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.

29. Adoption of the triennial review of FRS102

The policies applied under the entity's previous accounting framework are not materially different to the triennial review of FRS 102 and have not impacted on equity or profit or loss.

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.