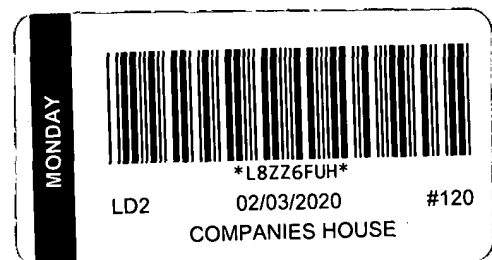


Registered number: 09263295

SO ENERGY TRADING LIMITED

**ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019**



SO ENERGY TRADING LIMITED

COMPANY INFORMATION

| | |
|----------------------------|---|
| Directors | C Davies S R Oscroft |
| Registered number | 09263295 |
| Registered office | 107 Power Road London England W4 5PY |
| Independent auditor | Grant Thornton UK LLP Chartered Accountants & Statutory Auditor Victoria House 199 Avebury Boulevard Milton Keynes MK9 1AU |
| Bankers | Handelsbanken Moorgate House 201 Silbury Boulevard Milton Keynes MK9 1LZ |

SO ENERGY TRADING LIMITED

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SO ENERGY TRADING LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 MARCH 2019

Introduction

The directors present their Strategic Report for the year ended 31 March 2019.

Business review

The financial performance of the company is summarised below:

| | 2019 | 2018 |
|---------------------|-------------|------------|
| Turnover | 81,081,893 | 40,714,961 |
| Gross profit | 2,703,822 | 2,786,108 |
| Operating loss | (3,647,590) | (813,071) |
| Gross profit margin | 3.3% | 6.8% |

The Company's mission is to provide customers with great value renewable energy and a simple, clear and outstanding service. The Directors are pleased with the progress made during the year with customer numbers growing to approximately 122,000 (Mar-2019) from 38,000 (Mar-2018). The Directors are confident that the Company is well positioned to continue to grow the customer base, increase turnover and achieve profitability in the future.

Principal risks and uncertainties

Competition

The Company operates in a highly competitive industry. The Directors believe that the Company is well positioned to compete effectively given its high level of customer service recognised by its outstanding Excellent Trustpilot rating and relevant industry awards and its efficient operating model. The other key risks facing the Company include the financial's risks set out below.

Financial key performance indicators

The Directors and the management team use several financial and non-financial KPIs in order to effectively manage the business and deliver the Company's strategic objectives. These include the financial performance metrics outlined under the Business review as well as non-financial metrics such as customer numbers and the Company's customer satisfaction levels through its Trustpilot scores and reviews.

Financial and risk management objective and policies

The main risks arising from the business financial instruments are market risk (mainly from commodity price risk), credit risk and liquidity risk. The way in which these risks are managed is summarised below:

Market risk

Commodity risk is the exposure that the Company has to price movements in the wholesale electricity and gas markets. The risk is mainly that the market price for commodities will fluctuate between the time that a tariff is set and the time at which the corresponding procurement cost is fixed; this may result in lower than expected margins or unprofitable sales. The Company is also exposed to volume risk in the form of uncertain consumption profiles arising from various factors including weather, economic climate and changes in energy consumption patterns.

The Company has an established Market Risk policy which is approved and reviewed by the Risk Committee. The Company manages commodity risk by entering into forward contracts for a variety of periods. The Group does not use derivative or other financial instruments for speculative purposes. The primary function of trading within the Company is to ensure that the customer portfolio is adequately hedged to minimise these risks.

SO ENERGY TRADING LIMITED

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2019

Credit risk

Credit risk is the risk to So Energy that a customer or supplier fails to meet its contractual obligations. This arises mainly from So Energy's customer debts (customer credit risk) and from security deposits and prepayments to suppliers and distributors (supplier credit risk).

The Group manages its customer credit risk through its customer sign up process, use of Direct Debits (very high penetration), monitoring of customer balances and usage and a dedicated Payments team and collection process for non-payment.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. Two key risks to the Company's liquidity are: 1) Mark to Market risk and 2) Unusually cold weather.

Mark to Market is the potential for the Company to have to place margin calls against commodity forward contracts. Such payments could be required if the wholesale energy market fell below the price of the forward contract.

Unusually cold weather or other factors causing customer volumes to be much higher than anticipated could place pressure on the Company's working capital as larger payments due to suppliers could become due before customer tariffs and collections could be adjusted. In addition, additional collateral would be required to allow additional energy to be procured in a short timeframe, which would require both cash and guarantees to be available.

Mitigations:

The Directors and management team use a combination of shorter term daily cashflow forecasts as well as longer term business planning using sensitivity forecasting analysis to manage liquidity risk. These models are based on the continual evaluation of financial and non-financial data and are refined as appropriate. The Directors and management team use these models to manage the Company's cash resources to ensure it has sufficient funds to meet all expected demands as they fall due.

In addition, during December 2019, Group entered into a structured energy wholesale agreement with Axpo Solutions AG that will free up significant working capital for the business and provide significant protection against mark to market exposure and enable the Company to continue to effectively manage its commodity risk exposure and liquidity as the Company continues to grow.

This report was approved by the board on

26/02/2020

and signed on its behalf.



S R Oscroft
Director

SO ENERGY TRADING LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2019

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

Principal activity

The principal activity of So Energy Trading Limited is the supply of gas and electricity to domestic customers.

Results and dividends

The loss for the year, after taxation, amounted to £3,771,397 (2018: loss £828,186).

Directors

The directors who served during the year were:

C Davies
S R Oscroft

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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law, including FRS 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 and profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

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

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

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Future developments

The directors expect the business to continue grow quickly as the Company executes its mission to provide customers with great value renewable energy and a simple, clear and outstanding service. In addition, the Group is continuing to evaluate and invest in new products and services that offer customers opportunities to reduce their energy bills and have a positive impact on the environment.

SO ENERGY TRADING LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2019

Going concern

Notwithstanding a loss for the year of £3,771,397 and net liabilities of £6,080,513 at the Balance sheet date, the directors have prepared the financial statements on a going concern basis.

The wider group continues to grow its customer base, and now, end of February 2020, has approximately 185,000 (Mar 2019: 122,000) (*March 2018: 38,000*) customers. The directors have prepared Group forecasts in respect of cash flow, profit and loss and balance sheet until 31 March 2023. Based on these forecasts, the Group is expected to reach a point where it is profitable on a monthly basis within that timescale, while generating an increase in cash balances.

The business model of the Company is such that it is forecast to repay its debts as they fall due throughout this period, despite net liabilities at the Balance sheet date.

During December 2019, the Group entered into a structured energy wholesale agreement with Axpo Solutions AG that will provide significant protection against mark to market exposure, free up significant working capital for the business and enable the Group to continue to effectively manage its commodity risk exposure and liquidity as the Group continues to grow.

In light of these forecasts and the secured wholesale agreement with Axpo trading agreement, the directors are confident that the Company will be able to repay its debts as they fall due for the foreseeable future and accordingly have applied the going concern basis of preparation for the financial statements.

Qualifying third party indemnity provisions

During the year and up to date of this report, the Company maintained liability insurance and third-party indemnification provisions for its directors, under which the Company has agreed to indemnify the directors to the extent permitted by law in respect of all liabilities to third parties arising out of, or in connection with, the execution of their powers, duties and responsibilities as directors of the Company.

Post balance sheet events

During December 2019 the Group where the Company belongs entered into a structured energy wholesale agreement with Axpo Solutions AG that will provide significant protection against mark to market exposure, free up significant working capital for the business and enable the Group to continue to effectively manage its commodity risk exposure and liquidity as the Group continues to grow. The Agreement provides a £40m facility for both power and gas purchases as well mark to market exposure. As is normal for a credit facility, a charge has been raised on So Energy Limited and So Energy Trading Limited post balance sheet date.

Disclosure of information to auditor

The directors confirm that:

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

SO ENERGY TRADING LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2019**

Auditor

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

This report was approved by the board on 26/02/2020 and signed on its behalf.



S R Oscroft
Director



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SO ENERGY TRADING LIMITED

Opinion

We have audited the financial statements of So Energy Trading Limited (the 'Company') for the year ended 31 March 2019, which comprise the Statement of comprehensive income, the Statement of financial position, the Statement of changes in equity, the Statement of cash flows 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 Financial Reporting Standard 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 2019 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.

The impact of uncertainties arising from the UK exiting the European Union on our audit

Our audit of the financial statements requires us to obtain an understanding of all relevant uncertainties, including those arising as a consequence of the effects of Brexit. All audits assess and challenge the reasonableness of estimates made by the directors and the related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the company's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty, with the full range of possible outcomes and their impacts unknown. We applied a standardised firm-wide approach in response to these uncertainties when assessing the company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company associated with a course of action such as Brexit.



**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SO ENERGY TRADING LIMITED
(CONTINUED)**

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.

In our evaluation of the directors' conclusions, we considered the risks associated with the company's business model, including effects arising from Brexit, and analysed how those risks might affect the company's financial resources or ability to continue operations over the period of at least twelve months from the date when the financial statements are authorised for issue. In accordance with the above, we have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

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.

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.



**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SO ENERGY TRADING LIMITED
(CONTINUED)**

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.

Matter on which we are required to report under the Companies Act 2006

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

Matters on which we are required to report by exception

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 for the financial statements

As explained more fully in the Directors' responsibilities statement on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.



**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SO ENERGY TRADING LIMITED
(CONTINUED)**

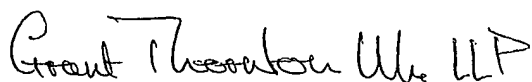
Auditor's responsibilities for the audit of the financial statements

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 our report

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



Christopher Frostwick MA ACA
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Milton Keynes

Date: 27 February 2020

SO ENERGY TRADING LIMITED

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2019**

| | Note | 2019 £ | 2018 £ |
|--|------|--------------------|------------------|
| Turnover | 4 | 81,081,893 | 40,714,961 |
| Cost of sales | | (78,378,071) | (37,928,853) |
| Gross profit | | 2,703,822 | 2,786,108 |
| Administrative expenses | | (6,351,412) | (3,599,179) |
| Operating loss | 5 | (3,647,590) | (813,071) |
| Interest receivable and similar income | 9 | 6,947 | 9,389 |
| Interest payable and expenses | 10 | (130,754) | (24,504) |
| Loss before tax | | (3,771,397) | (828,186) |
| Tax on loss | 11 | - | - |
| Loss for the financial year | | (3,771,397) | (828,186) |

There were no recognised gains and losses for 2019 or 2018 other than those included in the statement of comprehensive income.

There was no other comprehensive income for 2019 (2018: £Nil).

The notes on pages 14 to 29 form part of these financial statements.

SO ENERGY TRADING LIMITED
REGISTERED NUMBER:09263295

STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2019

| | Note | 2019 £ | 2018 £ |
|---|------|---------------------------|---------------------------|
| Fixed assets | | | |
| Intangible assets | 12 | 4,716,640 | 194,266 |
| Tangible assets | 13 | 51,478 | 31,920 |
| | | <u>4,768,118</u> | <u>226,186</u> |
| Current assets | | | |
| Debtors: amounts falling due within one year | 14 | 17,174,895 | 7,359,722 |
| Cash at bank and in hand | 15 | 2,211,028 | 1,599,805 |
| | | <u>19,385,923</u> | <u>8,959,527</u> |
| Creditors: amounts falling due within one year | 16 | (29,534,554) | (10,794,829) |
| Net current liabilities | | <u>(10,148,631)</u> | <u>(1,835,302)</u> |
| Total assets less current liabilities | | <u>(5,380,513)</u> | <u>(1,609,116)</u> |
| Creditors: amounts falling due after more than one year | 17 | (700,000) | (700,000) |
| Net liabilities | | <u><u>(6,080,513)</u></u> | <u><u>(2,309,116)</u></u> |
| Capital and reserves | | | |
| Called up share capital | | 1 | 1 |
| Profit and loss account | 19 | (6,080,514) | (2,309,117) |
| | | <u><u>(6,080,513)</u></u> | <u><u>(2,309,116)</u></u> |

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 26/02/2020



S R Ocroft
Director

The notes on pages 14 to 29 form part of these financial statements.

SO ENERGY TRADING LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2019**

| | Called up share capital | Profit and loss account | Total equity |
|--|----------------------------|----------------------------|--------------------|
| | £ | £ | £ |
| At 1 April 2018 | 1 | (2,309,117) | (2,309,116) |
| Comprehensive income for the year | | | |
| Loss for the year | - | (3,771,397) | (3,771,397) |
| Total comprehensive income for the year | - | (3,771,397) | (3,771,397) |
| At 31 March 2019 | 1 | (6,080,514) | (6,080,513) |

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2018**

| | Called up share capital | Profit and loss account | Total equity |
|--|----------------------------|----------------------------|--------------------|
| | £ | £ | £ |
| At 1 April 2017 | 1 | (1,480,931) | (1,480,930) |
| Comprehensive income for the year | | | |
| Loss for the year | - | (828,186) | (828,186) |
| Total comprehensive income for the year | - | (828,186) | (828,186) |
| At 31 March 2018 | 1 | (2,309,117) | (2,309,116) |

The notes on pages 14 to 29 form part of these financial statements.

SO ENERGY TRADING LIMITED

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2019**

| | 2019 £ | 2018 £ |
|---|--------------------|------------------|
| Cash flows from operating activities | | |
| Loss for the financial year | (3,771,397) | (828,186) |
| Adjustments for: | | |
| Amortisation of intangible assets | 546,140 | - |
| Depreciation of tangible assets | 18,171 | 9,938 |
| Loss on disposal of intangible assets | 12,043 | - |
| Interest payable | 130,754 | 24,504 |
| Interest receivable | (6,947) | (9,389) |
| (Increase) in debtors | (9,833,044) | (3,282,683) |
| Increase in creditors | 17,161,137 | 4,852,194 |
| Increase in amounts owed to/by group undertakings | 200,010 | - |
| Net cash generated from operating activities | 4,456,867 | 766,378 |
| | | |
| Purchase of intangible fixed assets | (3,814,863) | (12,043) |
| Purchase of tangible fixed assets | (37,729) | (28,338) |
| Interest received | 6,947 | 9,389 |
| Net cash used in investing activities | (3,845,645) | (30,992) |
| | | |
| Net increase in cash and cash equivalents | 611,222 | 735,386 |
| Cash and cash equivalents at beginning of year | 1,599,805 | 864,419 |
| Cash and cash equivalents at the end of year | 2,211,027 | 1,599,805 |
| | | |
| Cash and cash equivalents at the end of year comprise: | | |
| Cash at bank and in hand | 2,211,027 | 1,599,805 |
| | 2,211,027 | 1,599,805 |

At 31 March 2019 the Company has unpaid intangible assets of £1,265,694 (2018: £182,223).

The notes on pages 14 to 29 form part of these financial statements.

SO ENERGY TRADING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

1. General information

So Energy Trading Limited is a private company limited by shares & incorporated in England and Wales. Its registered head office is located at 107 Power Road, London, W4 5PY.

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).

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 Standards applicable in the UK and Republic of Ireland":

- The requirement of Section 3 Financial Statement Presentation paragraph 3.17(d);
- The requirements of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statement of SO Energy Limited as at 31 March 2019 and these financial statements may be obtained from 107 Power Road, London, England, W4 5PY.

2.3 Going concern

Notwithstanding a loss for the year of £3,771,397 and net liabilities of £6,080,513 at the Balance sheet date, the directors have prepared the financial statements on a going concern basis.

The wider group continues to grow its customer base, and now, end of February 2020, has approximately 185,000 (Mar 2019: 122,000) (*March 2018: 38,000*) customers. The directors have prepared Group forecasts in respect of cash flow, profit and loss and balance sheet until 31 March 2023. Based on these forecasts, the Group is expected to reach a point where it is profitable on a monthly basis within that timescale, while generating an increase in cash balances.

The business model of the Company is such that it is forecast to repay its debts as they fall due throughout this period, despite net liabilities at the Balance sheet date.

During December 2019, the Group entered into a structured energy wholesale agreement with Axpo Solutions AG that will provide significant protection against mark to market exposure, free up significant working capital for the business and enable the Group to continue to effectively manage its commodity risk exposure and liquidity as the Group continues to grow.

In light of these forecasts and the secured wholesale agreement with Axpo, the directors are confident that the Company and the Group will be able to repay its debts as they fall due for the foreseeable future and accordingly have applied the going concern basis of preparation for the financial statements.

SO ENERGY TRADING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

2. Accounting policies (continued)

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. Energy supply revenue is recognised on the basis of electricity and gas supplied during the period. This includes an estimate of the sales value of energy supplied to customers between the date of the last meter reading and the year end.

2.5 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.

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.

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:

| | | |
|-----------------------------------|---|------------------------------------|
| Customer acquisitions | - | 3 years |
| Renewable Obligation Certificates | - | Over the length of the certificate |

2.6 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.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

| | | |
|-----------------------|---|-------------------|
| Fixtures and fittings | - | 33% straight line |
| Computer equipment | - | 33% straight line |

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 the Statement of comprehensive income.

SO ENERGY TRADING LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019**

2. Accounting policies (continued)

2.7 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.

2.8 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.

In the Statement of cash flows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Company's cash management.

SO ENERGY TRADING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

2. Accounting policies (continued)

2.9 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 non-puttable 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 financed at a rate of interest that is not a market rate or in the case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

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.

SO ENERGY TRADING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

2. Accounting policies (continued)

2.9 Financial instruments (continued)

Derivatives and hedging

The Company uses commodity purchase contracts to hedge its exposures to fluctuations in gas and electricity commodity prices. When commodity purchase contracts have been entered into as part of the Company's normal business activity, the Company classifies them as 'own use' contracts and outside of FRS102.12. This is achieved when:

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

Commodity purchase contracts not qualifying as 'own use' which also meet the definition of a derivative are treated as derivative financial instruments. This includes both financial and non-financial contracts.

Derivatives and other financial instruments are measured at fair value on the contract date and are remeasured to fair value at subsequent reporting dates. Changes in the fair value of derivatives are recognised in the Statement of Comprehensive Income as they arise.

2.10 Creditors

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

2.11 Foreign currency translation

Functional and presentation currency

The Company's functional and presentational currency is GBP.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of comprehensive income except when deferred in other comprehensive income as qualifying cash flow hedges.

SO ENERGY TRADING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

2. Accounting policies (continued)

2.11 Foreign currency translation (continued)

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Statement of comprehensive income within 'finance income or costs'. All other foreign exchange gains and losses are presented in the Statement of comprehensive income within 'other operating income'.

2.12 Finance costs

Finance costs are charged to the Statement of comprehensive income 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.

2.13 Operating leases: the Company as lessee

Rentals paid under operating leases are charged to the Statement of comprehensive income 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.

The Company has taken advantage of the optional exemption available on transition to FRS 102 which allows lease incentives on leases entered into before the date of transition to the standard 01 April 2015 to continue to be charged over the period to the first market rent review rather than the term of the lease.

2.14 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 the Statement of comprehensive income 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.

2.15 Interest income

Interest income is recognised in the Statement of comprehensive income using the effective interest method.

SO ENERGY TRADING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

2. Accounting policies (continued)

2.16 Taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Statement of comprehensive income, 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.

SO ENERGY TRADING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

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

In the application of the Company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

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

Classification of commodity purchase contracts

It is necessary for the directors to assess whether commodity purchase contracts are for "own use" in the Company's normal course of business, or whether they are derivative financial instruments. The directors believe that all such contracts held at 31 March 2019 and 31 March 2018 fulfil the requirements to qualify as "own use".

Deferred tax assets

Deferred tax assets are only recognized when it is considered more likely than not that the Company will make future taxable profits against which the deferred tax asset can be utilised. The directors have taken a view that it is not appropriate to recognize a deferred tax asset at year-end.

Operating lease commitments

The Company has entered into operating leases as a lessee. The classification of such leases as operating or finance leases requires the company to determine, based on an evaluation of the terms and conditions of the arrangements, whether it acquires the significant risks and rewards of ownership of these assets and accordingly whether the lease requires an asset and liability to be recognised in the statement of financial position.

The following are the Company's key sources of estimation uncertainty:

Revenue recognition

Revenue includes an estimates of sales value of energy supplied to customers between the date of the last meter reading and the year-end. This is calculated by reference to data received through third party settlement systems, together with estimates of consumption not yet processed through settlements and selling price estimates. These estimates are sensitive to the assumptions used in determining the portion of sales not billed and not based on meter readings at the reporting date.

Intangible assets

The Company establishes an estimate of the useful life of goodwill and intangible assets arising on business combinations. This estimate is based on a variety of factors such as the expected use of the acquired business, any legal, regulatory or contractual provision that can limit useful life and assumptions that market participants would consider in respect of similar businesses.

SO ENERGY TRADING LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019**

4. Turnover

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

| | 2019 £ | 2018 £ |
|----------------------|-------------------|-------------------|
| Sales - Gas | 41,547,170 | 20,768,507 |
| Sales - Electricity | 39,499,230 | 19,920,284 |
| Sales - Other charge | 35,493 | 26,170 |
| | <u>81,081,893</u> | <u>40,714,961</u> |

Analysis of turnover by country of destination:

| | 2019 £ | 2018 £ |
|----------------|-------------------|-------------------|
| United Kingdom | <u>81,081,893</u> | <u>40,714,961</u> |

5. Operating loss

The operating loss is stated after charging:

| | 2019 £ | 2018 £ |
|---------------------------------------|----------------|----------------|
| Amortisation of intangible assets | 546,150 | - |
| Depreciation of tangible fixed assets | 18,171 | 9,938 |
| Exchange differences | 560 | 155 |
| Other operating lease rentals | <u>163,890</u> | <u>101,419</u> |

6. Auditor's remuneration

| | 2019 £ | 2018 £ |
|---|---------------|---------------|
| Fees payable to the Company's auditor and its associates for the audit of the Company's annual financial statements | <u>22,000</u> | <u>16,000</u> |
| Fees payable to the Company's auditor and its associates in respect of: | | |
| Taxation compliance services | <u>4,000</u> | <u>3,750</u> |

SO ENERGY TRADING LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019**

7. Employees

| | 2019 £ | 2018 £ |
|-------------------------------------|------------------|------------------|
| Wages and salaries | 1,501,608 | 997,773 |
| Social security costs | 142,754 | 92,624 |
| Cost of defined contribution scheme | 25,350 | 5,370 |
| | <u>1,669,712</u> | <u>1,095,767</u> |

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

| | 2019 No. | 2018 No. |
|---------------------------------|-------------|-------------|
| Customer service and operations | 44 | 31 |
| Administration | 11 | 9 |
| | <u>55</u> | <u>40</u> |

8. Directors' remuneration

| | 2019 £ | 2018 £ |
|---|----------------|----------------|
| Directors' remuneration | 151,000 | 133,333 |
| Company contributions to defined contribution pension schemes | 3,600 | - |
| | <u>154,600</u> | <u>133,333</u> |

9. Interest receivable

| | 2019 £ | 2018 £ |
|---------------------------|-----------|-----------|
| Other interest receivable | 6,947 | 9,389 |

SO ENERGY TRADING LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019**

10. Interest payable and similar expenses

| | 2019 £ | 2018 £ |
|-------------------------------|----------------|---------------|
| Loans from group undertakings | <u>130,754</u> | <u>24,504</u> |

11. Taxation

| | 2019 £ | 2018 £ |
|--|-----------|-----------|
| Current tax on profits for the year | - | - |
| Total current tax | <u>-</u> | <u>-</u> |
| Deferred tax | | |
| Total deferred tax | <u>-</u> | <u>-</u> |
| Taxation on profit on ordinary activities | <u>-</u> | <u>-</u> |

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2018: *higher than*) the standard rate of corporation tax in the UK of 19% (2018: 19%). The differences are explained below:

| | 2019 £ | 2018 £ |
|---|--------------------|------------------|
| Loss on ordinary activities before tax | <u>(3,771,397)</u> | <u>(828,186)</u> |
| Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2018: 19%) | <u>(716,565)</u> | <u>(157,355)</u> |
| Effects of: | | |
| Expenses not deductible for tax purposes | 112,751 | (97) |
| Unrecognised deferred tax | 599,348 | 154,354 |
| Group relief | 4,466 | 3,098 |
| Total tax charge for the year | <u>-</u> | <u>-</u> |

SO ENERGY TRADING LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019**

11. Taxation (continued)

Factors that may affect future tax charges

In his budget of 8 July 2015, the Chancellor of the Exchequer announced a reduction in the corporation tax rate to 19% for the financial year beginning 1 April 2017 and a further reduction to 18% for the financial year beginning 1 April 2020. The Finance Act 2016 reduced the main rate of corporation tax to 17% from 1 April 2020 (replacing the 18% rate) and was enacted on 15 September 2016. As these changes were substantively enacted at the balance sheet date, deferred tax has been calculated appropriately at these rates in the financial statements.

Unrecognised deferred tax assets

The Company has an unrecognised deferred tax asset at the year-end made up mostly of trade losses and capital allowances. This asset has not been recognised as the directors do not believe that there is sufficient certainty that the Company will make taxable profits in the foreseeable future.

12. Intangible assets

| | Renewable Obligation Certificates £ | Customer acquisitions £ | Total £ |
|-----------------------|--|-------------------------------|------------|
| Cost | | | |
| At 1 April 2018 | 12,043 | 182,223 | 194,266 |
| Additions | - | 5,080,557 | 5,080,557 |
| Disposals | (12,043) | - | (12,043) |
| At 31 March 2019 | - | 5,262,780 | 5,262,780 |
| Amortisation | | | |
| Charge for the year | - | 546,140 | 546,140 |
| At 31 March 2019 | - | 546,140 | 546,140 |
| Net book value | | | |
| At 31 March 2019 | - | 4,716,640 | 4,716,640 |
| At 31 March 2018 | 12,043 | 182,223 | 194,266 |

SO ENERGY TRADING LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019

13. Tangible fixed assets

| | Fixtures and fittings £ | Computer equipment £ | Total £ |
|-----------------------|-------------------------------|----------------------------|---------------|
| Cost | | | |
| At 1 April 2018 | 19,269 | 29,222 | 48,491 |
| Additions | 3,750 | 33,979 | 37,729 |
| At 31 March 2019 | <u>23,019</u> | <u>63,201</u> | <u>86,220</u> |
| Depreciation | | | |
| At 1 April 2018 | 8,162 | 8,409 | 16,571 |
| Charge for the year | 6,219 | 11,952 | 18,171 |
| At 31 March 2019 | <u>14,381</u> | <u>20,361</u> | <u>34,742</u> |
| Net book value | | | |
| At 31 March 2019 | <u>8,638</u> | <u>42,840</u> | <u>51,478</u> |
| At 31 March 2018 | <u>11,107</u> | <u>20,813</u> | <u>31,920</u> |

SO ENERGY TRADING LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019**

14. Debtors

| | 2019 £ | 2018 £ |
|-------------------------------------|-------------------|------------------|
| Trade debtors | 4,755,688 | 2,630,997 |
| Amounts due from group undertakings | - | 17,871 |
| Other debtors | 3,455,206 | 2,207,950 |
| Prepayments and accrued income | 8,964,001 | 2,502,904 |
| | <u>17,174,895</u> | <u>7,359,722</u> |

15. Cash and cash equivalents

| | 2019 £ | 2018 £ |
|--------------------------|------------------|------------------|
| Cash at bank and in hand | <u>2,211,027</u> | <u>1,599,805</u> |

16. Creditors: Amounts falling due within one year

| | 2019 £ | 2018 £ |
|------------------------------------|-------------------|-------------------|
| Trade creditors | 1,640,692 | 546,093 |
| Amounts owed to group undertakings | 182,139 | - |
| Other taxation and social security | 54,823 | 133,716 |
| Other creditors | 7,492 | 2,064,930 |
| Accruals and deferred income | 27,649,408 | 8,050,090 |
| | <u>29,534,554</u> | <u>10,794,829</u> |

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

| | 2019 £ | 2018 £ |
|------------------------------------|----------------|----------------|
| Amounts owed to group undertakings | <u>700,000</u> | <u>700,000</u> |

At the Balance sheet date, there was a loan due to So Energy Limited of £700,000 (2018: £700,000). This loan is due for repayment in 2020 and has an annual interest rate of 3.5%.

SO ENERGY TRADING LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019**

18. Share capital

| | 2019 £ | 2018 £ |
|---|-----------|-----------|
| Allotted, called up and fully paid | | |
| 1 (2018: 1) Ordinary share of £1 | <u>1</u> | <u>1</u> |

19. Reserves

Profit and loss account

Includes all current and prior periods retained profits and losses.

20. Contingent liabilities

On 16 January 2019 the Company, together with its parent company, has entered into a deed of debenture in respect of the facility agreement entered into with CFP Energy Limited. As a result of the deed, fixed and floating charges are charged to specified assets of the Company and the parent company, including assignment of specified rights. None of the facility is withdrawn as of 31 March 2019.

21. 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 £25,350 (2018: £5,370). Contributions totalling £7,315 (2018: £Nil) were payable to the fund at the reporting date and are included in creditors.

22. Commitments under operating leases

At 31 March 2019 the Company had future minimum lease payments under non-cancellable operating leases as follows:

| | 2019 £ | 2018 £ |
|--|----------------|----------------|
| Not later than 1 year | 160,610 | 146,201 |
| Later than 1 year and not later than 5 years | 175,482 | 160,610 |
| Later than 5 years | <u>302,202</u> | <u>477,684</u> |

SO ENERGY TRADING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

23. Derivatives and hedging

The Company mitigates its exposure to fluctuations in commodity prices by hedging. When these contracts are initiated to fulfil the supply requirement for customers, the Company classifies them as 'own use' and outside the scope of FRS 102 sections 11 and 12. The volume of energy delivered to the Company is in line with customer usage and no contracts are entered into on a speculative basis.

24. Related party transactions

Included in Other Debtors is £Nil (2018: £648) owed by S Oscroft and £Nil (2018: £114) owed by C Davies. Included in Trade creditors is £153 (2018: £Nil) owed to S Oscroft and £122 (2018: £Nil) owed to C Davies. Both are directors of the Company.

Included in Other debtors is a net receivable balance of £2,164,327 (2018: £Nil), from a related party via common ownership.

25. Post balance sheet events

During December 2019 the Group where the Company belongs entered into a structured energy wholesale agreement with Axpo Solutions AG that will provide significant protection against mark to market exposure, free up significant working capital for the business and enable the Group to continue to effectively manage its commodity risk exposure and liquidity as the Group continues to grow. The Agreement provides a £40m facility for both power and gas purchases as well mark to market exposure. As is normal for a credit facility, a charge has been raised on So Energy Limited and So Energy Trading Limited post balance sheet date.

26. Controlling party

The directors consider that the Company has no sole ultimate controlling party. The Company's immediate parent company is So Energy Limited.