

**Company Registration Number 09135084**

**BRISTOL ENERGY & TECHNOLOGY SERVICES (SUPPLY) LIMITED**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**for the year ended 31 March 2017**

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# **BRISTOL ENERGY & TECHNOLOGY SERVICES (SUPPLY) LIMITED**

## **ANNUAL REPORT AND FINANCIAL STATEMENTS**

### **CONTENTS**

|                                   | <b>Page</b> |
|-----------------------------------|-------------|
| Company Information               | 1           |
| Directors' report                 | 2           |
| Independent Auditor's report      | 6           |
| Statement of Comprehensive Income | 9           |
| Statement of Financial Position   | 10          |
| Statement of Changes in Equity    | 11          |
| Notes to the financial statements | 12          |

## **BRISTOL ENERGY & TECHNOLOGY SERVICES (SUPPLY) LIMITED**

### **COMPANY INFORMATION**

#### **Directors**

W R Edrich  
P J Haigh  
A S Wiseman  
N M Jordan  
M Hyman  
J G Readman  
L A Flowerdew

#### **Company secretary**

S Daya

#### **Registered number**

09135084

#### **Registered Office**

5th Floor  
One Temple Quay  
Temple Back East  
Bristol  
BS1 6DZ

#### **Independent auditors**

PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
2 Glass Wharf  
Bristol  
BS2 0FR

**DIRECTORS' REPORT**

The Directors present their annual report and the audited financial statements for Bristol Energy & Technology Services (Supply) Limited (the "Company") for the year ended 31 March 2017.

**Principal activities**

The principal activity of the Company is to supply gas and electricity to residential and business customers in the UK.

**Business review**

The financial year ended 31 March 2017 has been about establishing the fundamentals of a start-up energy business, to ensure it can grow the customer base and deliver on its objective to act as a force for social good. The Company aims to deliver a profit to the Council, whilst growing in a measured manner that protects our customers and our business. The retail and wholesale markets have been volatile and challenging. Therefore, it has been critical to balance customer growth with investment and funding requirements.

Despite the challenging market conditions, the last 12 months have seen strong customer growth. At 31 March 2017, the Company supplied electricity or gas to over 58,000 meter points, having started the year with 3,319. As part of this growth, the Company has broadened its product offerings in the residential market, launching a number of new residential products including a 100% renewable offering, a 2-year fixed deal, and tariffs for households in Bristol that reflect the best value deals the Company can offer. We have also focussed on ensuring that we are inclusive in our approach; as such, the Company has voluntarily signed up to offer eligible customers the Warm Homes Discount, as well as offering a highly competitive prepayment tariff throughout the year, which was already compliant with the new prepayment cap introduced by Ofgem from April 2017.

In addition, the Company launched its business offering during the course of the year and by 31 March 2017, had customers on supply with annualised consumption of over 31GWh. Around one third of business customers were in the south west region, and include a large number of charities, schools and Small and Medium Sized Enterprises (SMEs). The Company also launched a 100% green electricity tariff for businesses across the country and worked with Sustain to offer a free energy health check for local customers.

**Results and dividends**

The financial year ending 31 March 2017 represented the first full year of trading for the Company. Whilst the Company has a clear objective to reach profitability, as a start-up energy business, it was always anticipated that the Company would not reach profitability until later on in its development. However, it has made good progress towards delivering on key targets agreed with Bristol City Council, as set out in the table below:

| Key performance indicators                                 | 2017    | 2016    |
|--|---------|---------|
| Residential customers on supply (meter points)             | 58,129  | 3,319   |
| Business customers on supply (GWh)                         | 31      | 0       |
| Turnover   | £13.7m  | £0.1m   |
| Gross margin   | £0.5m   | £-m     |
| EBITDA*  | £(7.7)m | £(3.1)m |
| Funding (short term loans, preference and ordinary shares) | £15.3m  | £3.9m   |

\*Earnings/(loss) before tax, interest, depreciation and amortisation

## **BRISTOL ENERGY & TECHNOLOGY SERVICES (SUPPLY) LIMITED**

09135084

### **DIRECTORS' REPORT (continued)**

As such, turnover increased from £104,413 in 2016 to £13,662,271 in 2017. This resulted in a gross profit of £549,575 (2016 £19,005), however, as the Company continues to grow in scale, significant set up and overhead costs continue to be incurred. As such, the Company made a loss for the financial year amounting to £8,363,183 (2016: £2,930,839).

The directors do not recommend the payment of a dividend (2016: £nil).

### **Directors**

The directors who served during the year and up to the date of signing the financial statements, unless otherwise stated, were:

|               |                               |
|---------------|-------------------------------|
| W R Edrich    |                               |
| P J Haigh     |                               |
| E Warwicker   | (resigned 30 March 2017)      |
| N J Yates     | (resigned 29 July 2016)       |
| M A Wide      | (resigned 26 May 2016)        |
| A S Wiseman   | (appointed 15 July 2016)      |
| N M Jordan    | (appointed 15 July 2016)      |
| M M Hyman     | (appointed 15 July 2016)      |
| J G Readman   | (appointed 12 September 2016) |
| L A Flowerdew | (appointed 19 September 2016) |

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

The Company maintains directors' and officers' insurance on behalf of its Directors.

### **Future developments**

The Company is focussed on ensuring that it builds its customer base as it looks to move towards scale and profitability. This will be achieved by delivering great standards of customer care whilst staying focussed on the core values of the business. As part of this, the Company aims to build a financially stable business, whilst always focussing on being a force for social good. This ethos has attracted and retained customers and employees, and is an approach that has already been recognised with regional awards.

Increased scrutiny by customers, the regulator and the government, coupled with a large number of new entrants, is leading to a new era for energy retailers. The Directors believe the Company is well positioned to meet these challenges by treating our customers fairly and finding new ways to make sure our customers are always on the best possible deal for them.

Bristol Energy will continue to grow its renewable electricity supply with the help of generator partners and will offer 'green gas' or biomethane to customers in addition to the gas sourced from traditional fossil fuels.

The SMART metering project continues across the UK and the Company has a substantial project team focussed on managing this and ensuring that it is in a position to embrace smart technology, developing new products to maximise the benefits of a smarter energy system for all our customers.

## **BRISTOL ENERGY & TECHNOLOGY SERVICES (SUPPLY) LIMITED**

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### **DIRECTORS' REPORT (continued)**

#### **Directors' responsibilities statement**

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations. Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising Financial Reporting Standard 102 The Financial Reporting Standard Applicable in the UK and Republic of Ireland (FRS-102), and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies for the Company financial statements and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards comprising FRS 102 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.

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

#### **Post balance sheet events**

On 1 June 2017, the Company issued 3,060,000 cumulative redeemable preference shares at a dividend rate of 8.25%, redeemable at the option of the Company within 30 years for consideration of £3,060,000 having been paid by Bristol Holding Limited on 16 January 2017.

On 22 June 2017, the Company issued 625,000 ordinary shares of £1 each for consideration of £625,000 paid to the Company by Bristol Holding Limited. On the same date, the Company also issued 1,875,000 cumulative redeemable preference shares at a dividend rate of 7%, redeemable at the option of the Company within 30 years for consideration of £1,875,000 having been paid by Bristol Holding Limited on 19 April 2017.

In addition, in a resolution dated 25 May 2017, the dividend rate applicable to all preference shares in issue was amended from 8.25% to 7% with effect from 1 April 2017.

**BRISTOL ENERGY & TECHNOLOGY SERVICES (SUPPLY) LIMITED**

09135084

**DIRECTORS' REPORT (continued)**

**Independent auditor**

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

**Small company exemption**

This report has been prepared in accordance with the provisions applicable to companies subject to the small companies' regime, as the Company was within the required thresholds in the year ended 31 March 2016.

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



**L A Flowerdew**  
Finance Director  
20<sup>th</sup> July 2017

- LAURA FLOWERDEW

## **BRISTOL ENERGY & TECHNOLOGY SERVICES (SUPPLY) LIMITED**

### **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BRISTOL ENERGY & TECHNOLOGY SERVICES (SUPPLY) LIMITED**

#### **Report on the financial statements**

##### **Our opinion**

In our opinion, Bristol Energy & Technology Services (Supply) Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the Company's affairs as at 31 March 2017 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.

##### **What we have audited**

The financial statements, included within the Annual report and financial statements (the "Annual Report"), comprise:

- the Statement of Financial Position as at 31 March 2017;
- the Statement of Comprehensive Income for the year then ended;
- the Statement of Changes in Equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

##### **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 Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Directors' Report has been prepared in accordance with applicable legal requirements.

In addition, in light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Directors' Report. We have nothing to report in this respect.



## **BRISTOL ENERGY & TECHNOLOGY SERVICES (SUPPLY) LIMITED**

### **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BRISTOL ENERGY & TECHNOLOGY SERVICES (SUPPLY) LIMITED (continued)**

#### **Other matters on which we are required to report by exception**

##### **Adequacy of accounting records and information and explanations received**

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- 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.

We have no exceptions to report arising from this responsibility.

##### **Directors' remuneration**

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

##### **Entitlement to exemptions**

Under the Companies Act 2006 we are required to report to you if, in our opinion, the directors were not entitled to:

- take advantage of the small companies exemption in preparing the Directors' Report;
- and take advantage of the small companies exemption from preparing a strategic report.

We have no exceptions to report arising from this responsibility.

##### **Responsibilities for the financial statements and the audit**

###### **Our responsibilities and those of the directors**

As explained more fully in the Directors' Responsibilities Statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

###### **What an audit of financial statements involves**

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

**BRISTOL ENERGY & TECHNOLOGY SERVICES (SUPPLY) LIMITED**

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BRISTOL ENERGY & TECHNOLOGY SERVICES (SUPPLY) LIMITED (continued)**

- whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report. With respect to the Directors' Report, we consider whether that report includes the disclosures required by applicable legal requirements.



Paul Nott (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Bristol

20<sup>th</sup> July 2017

**BRISTOL ENERGY & TECHNOLOGY SERVICES (SUPPLY) LIMITED**

COMPANY REGISTRATION NUMBER 01935084

**STATEMENT OF COMPREHENSIVE INCOME**

For the year ended 31 March 2017

|  | Note | 2017<br>£          | 2016<br>£          |
|--|------|--------------------|--------------------|
| Turnover   | 4    | 13,662,271         | 104,413            |
| Cost of sales  |      | (13,112,696)       | (85,408)           |
| Gross profit   |      | 549,575            | 19,005             |
| Administrative expenses  |      | (8,960,172)        | (3,200,466)        |
| Operating loss   | 5    | (8,410,597)        | (3,181,461)        |
| Interest receivable and similar income                                     | 9    | 4,253              | 2,314              |
| Interest payable and similar expenses                                      | 10   | (474,689)          | (2,492)            |
| Loss before taxation   |      | (8,881,033)        | (3,181,639)        |
| Tax on loss  | 11   | 517,850            | 250,800            |
| Loss for the financial year, being total comprehensive income for the year |      | <u>(8,363,183)</u> | <u>(2,930,839)</u> |

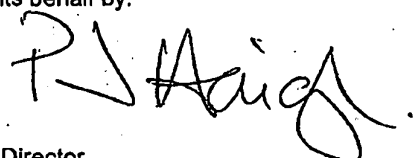
**BRISTOL ENERGY & TECHNOLOGY SERVICES (SUPPLY) LIMITED**

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**STATEMENT OF FINANCIAL POSITION**  
**At 31 March 2017**

| <b>ASSETS</b>   | <b>Notes</b> | <b>2017<br/>£</b>  | <b>2016<br/>£</b>  |
|---|--------------|--------------------|--------------------|
| <b>Fixed assets</b>                                     |              |                    |                    |
| Intangible assets                                       | 12           | 1,407,746          | 1,668,678          |
| Tangible assets   | 13           | 192,548            | 208,892            |
|   |              | <u>1,600,294</u>   | <u>1,877,570</u>   |
| <b>Current assets</b>                                   |              |                    |                    |
| Stocks  | 14           | 203,853            | 14,450             |
| Debtors: amounts falling due within one year            | 15           | 5,924,950          | 1,149,232          |
| Cash at bank and in hand                                |              | 1,920,214          | 1,394,687          |
|   |              | <u>8,049,017</u>   | <u>2,558,369</u>   |
| <b>Total assets</b>                                     |              | <u>9,649,311</u>   | <u>4,435,939</u>   |
| <b>LIABILITIES</b>                                      |              |                    |                    |
| <b>Capital and reserves</b>                             |              |                    |                    |
| Called-up share capital                                 | 16           | 3,868,100          | 1                  |
| Profit and loss account                                 | 17           | (11,294,002)       | (2,930,839)        |
| <b>Total equity</b>                                     |              | <u>(7,425,922)</u> | <u>(2,930,838)</u> |
| <b>Current liabilities</b>                              |              |                    |                    |
| Creditors: amounts falling due within one year          | 18           | 8,745,233          | 7,366,777          |
| <b>Non-current liabilities</b>                          |              |                    |                    |
| Creditors: amounts falling due after more than one year | 19           | 8,330,000          | -                  |
| <b>Total equity and liabilities</b>                     |              | <u>9,649,311</u>   | <u>4,435,939</u>   |

The financial statements on pages 9 to 26 were approved by the Board of Directors on 20<sup>th</sup> July 2017 and signed on its behalf by:

  
P J Haigh  
Managing Director

  
L A Flowerdew  
Finance Director

Bristol Energy & Technology Services (Supply) Limited  
Registered No: 09135084

**BRISTOL ENERGY & TECHNOLOGY SERVICES (SUPPLY) LIMITED**

01935084

**STATEMENT OF CHANGES IN EQUITY**  
**For the year ended 31 March 2017**

|   | <b>Called up<br/>share capital<br/>£</b> | <b>Profit and<br/>loss account<br/>£</b> | <b>Total equity<br/>£</b> |
|---|--|--|---------------------------|
| At 1 April 2015   | 1  | -  | 1                         |
| Loss for the financial year being total<br>comprehensive income | -  | (2,930,839)                              | (2,930,839)               |
| At 31 March 2016  | 1  | (2,930,839)                              | (2,930,838)               |
| Loss for the financial year being total<br>comprehensive income | -  | (8,363,183)                              | (8,363,183)               |
| Share capital issued  | 3,868,099                                | -  | 3,868,099                 |
| At 31 March 2017  | <u>3,868,100</u>                         | <u>(11,294,002)</u>                      | <u>(7,425,922)</u>        |

## **BRISTOL ENERGY & TECHNOLOGY SERVICES (SUPPLY) LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended 31 March 2017**

#### **1. General Information**

Bristol Energy & Technology Services (Supply) Limited (the "Company") operates a gas and electricity supply business in the UK.

The Company is a private company limited by shares and is incorporated and domiciled in England and Wales. The address of its registered office is 5<sup>th</sup> Floor, One Temple Quay, Temple Back East, Bristol, England, BS1 6DZ.

The functional and presentational currency of the Company is sterling.

#### **2. Accounting policies**

##### **2.1 Basis of preparation of financial statements**

The financial statements have been prepared on a going concern basis, under the historical cost convention and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the United Kingdom 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 consistently in the preparation of these financial statements:

##### **2.2 Financial reporting standard 102 – reduced disclosure exemptions**

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

- the requirements of Section 4 Statement of Financial Position paragraph 4.12(a)(iv);
- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 11 Financial Instruments paragraphs 11.39 to 11.48A;
- the requirements of Section 12 Other Financial Instruments paragraphs 12.26 to 12.29;
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statements of Bristol City Council as at 31 March 2017 and these financial statements may be obtained from Bristol City Council, City Hall, College Green, Bristol, BS3 9FS.

##### **2.3 Going concern**

The Company has net liabilities and is currently reliant upon financial support from its ultimate parent, Bristol City Council. The directors have received confirmation from Bristol City Council that it will continue to provide funding to allow the Company to meet its debts as they fall due for a period of at least 12 months from the date of signing these financial statements. Accordingly, the directors believe that it is appropriate to prepare these financial statements on a going concern basis.

## **BRISTOL ENERGY & TECHNOLOGY SERVICES (SUPPLY) LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS (continued)** **For the year ended 31 March 2017**

#### **2. Accounting policies (continued)**

##### **2.4 Revenue**

Revenue is recognised on the basis of electricity and gas supplied during the year. Revenue includes an estimate of the sales value of units supplied between the date of the last meter read and year end date. Revenue is recognised net of sales discounts, VAT and climate change levy.

Any unbilled revenue is included in trade revenue, net of related provisions, to the extent that it is considered recoverable. Accrued revenue supplied since the last billing date, is recognised in the balance sheet and is only netted off against deferred income once it can be matched against specific customer payments.

##### **2.5 Financing costs**

Interest payable is recognised in the Statement of Comprehensive Income as it accrues, using the relevant interest rate and method.

##### **2.6 Foreign currency transactions**

Transactions in foreign currencies are recorded in sterling at the currency rate prevailing at the date of the transaction.

##### **2.7 Intangible assets**

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

Intangible assets include capitalised development costs relating to websites, software, and other IT assets. Cost includes internal payroll costs relating to staff working directly on the development of an asset when the following criteria are met:

- It is technically feasible to complete the asset such that it will be available for use;
- there is an ability to use or sell the asset;
- It can be demonstrated that the asset will generate probable future economic benefit.

Costs that do not meet these criteria, or which relate to maintaining websites or software are expensed as incurred.

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 five years.

The estimated useful lives range as follows:

|          |   |              |
|----------|---|--------------|
| Software | - | 3 to 5 years |
|----------|---|--------------|

The Directors review intangible assets for impairment and a provision is made if necessary.

## **BRISTOL ENERGY & TECHNOLOGY SERVICES (SUPPLY) LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS (continued)** **For the year ended 31 March 2017**

#### **2. Accounting policies (continued)**

##### **2.8 Tangible 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.

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:

|                        |   |               |
|------------------------|---|---------------|
| Leasehold improvements | - | Term of lease |
| Office equipment       | - | 4 years       |
| Computer equipment     | - | 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.

##### **2.9 Stock**

Under the provisions of the Utilities Act 2000, all electricity suppliers are required to procure a set percentage of their supplies from accredited renewable electricity generators. This obligation can be fulfilled by the purchase and surrender of Renewable Obligation Certificates (ROCs) originally issued to generators, or by making payments to purchasers of ROCs. The cost obligation is recognised as it arises and is charged to the profit and loss account for the year to which the charge relates to. Gains or losses on disposal of ROCs are included in the profit and loss account as and when they crystallize. The stock of ROCs carried forward is valued at the lower of cost and estimated net realisable value.

##### **2.10 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.

##### **2.11 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.



## **BRISTOL ENERGY & TECHNOLOGY SERVICES (SUPPLY) LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS (continued) For the year ended 31 March 2017**

#### **2. Accounting policies (continued)**

##### **2.12 Financial instruments**

###### *Debt instruments*

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 payables or receivables, 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 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*

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.

###### *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 the scope of FRS102.12. This is achieved when:

- Physical delivery takes place under all such contracts;
- The volumes purchase 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 re-measured 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.

###### *Right of offset*

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.

## **BRISTOL ENERGY & TECHNOLOGY SERVICES (SUPPLY) LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS (continued)**

**For the year ended 31 March 2017**

#### **2. Accounting policies (continued)**

##### **2.13 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.

##### **2.14 Leases**

Leases in which substantially all the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the profit or loss account on a straight-line basis over the period of the lease.

##### **2.15 Post employment benefits**

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 payments 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.

##### **2.16 Taxation**

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.

Deferred tax is calculated based on tax rates and laws that have been enacted, or substantively enacted, by the Statement of Financial Position date.

A deferred tax asset is recognised only if it is probable that future taxable profits will be available against which the temporary differences can be utilised.

## **BRISTOL ENERGY & TECHNOLOGY SERVICES (SUPPLY) LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS (continued) For the year ended 31 March 2017**

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

The key estimates and judgements made by the directors in the preparation of the financial statements are as follows:

##### **Revenue recognition**

The nature of the energy industry in the UK and the reliance on meter read data for customer consumption results in revenue recognition being subject to a degree of estimation. Calculation of revenues from gas and electricity sales include an estimation of the value of electricity and gas supplied to customers based on the latest data available to the Company as at the reporting date. In recognising revenue, the company also makes an estimate of supplies that are not billable and revenue is recognised net of such amounts.

##### **Energy purchase costs**

Certain costs included in Cost of Sales are subject to the industry settlement process. This can typically take 14 months from the date of supply to be finalised, due to the processes that the energy market has to complete in order to finalise generation and consumption data for any period. Therefore, there is an element of power purchase costs that needs to be estimated based on a combination of internal and external data that is available at any particular point in time.

##### **Impairment of trade debtors**

Impairment against trade debtors are recognised where a loss is probable. The Directors have based their assessment of the level of impairment on industry averages given the Company's short trading history and increasing customer base. The estimates and assumptions used to determine the level of provision will be regularly reviewed as the Company grows and further trends and data becomes available.

##### **Deferred tax assets**

Deferred tax assets are only recognised 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. Given that the Company is not expected to make a taxable profit during 2017/18, the directors have taken a view that it is not appropriate to recognise a deferred tax asset in respect of losses carried forward.

# BRISTOL ENERGY & TECHNOLOGY SERVICES (SUPPLY) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2017

### 4. Turnover

Turnover arises from the supply of electricity and gas and related services in the United Kingdom to both residential and business customers.

### 5. Operating loss

Operating loss is stated after charging:

|                                       | 2017<br>£      | 2016<br>£     |
|---------------------------------------|----------------|---------------|
| Depreciation of tangible fixed assets | 89,591         | 22,911        |
| Amortisation of intangible assets     | 398,070        | 66,103        |
| Write off of intangible assets        | 172,636        | -             |
| Operating lease rentals               | 43,936         | 7,884         |
|                                       | <u>604,233</u> | <u>96,908</u> |

### 6. Auditor's remuneration

|   | 2017<br>£ | 2016<br>£ |
|---|-----------|-----------|
| Fees payable to the Company's auditor for the audit of the Company's financial statements | 29,000    | 4,000     |

Fees payable to the Company's auditor and its associates in respect of:

|                                     |          |              |
|-------------------------------------|----------|--------------|
| Other services relating to taxation | -        | 3,700        |
| All other services                  | -        | 2,500        |
|                                     | <u>-</u> | <u>6,200</u> |

### 7. Employees

|                       | 2017<br>£        | 2016<br>£      |
|-----------------------|------------------|----------------|
| Wages and salaries    | 3,308,976        | 592,579        |
| Social security costs | 350,462          | 65,556         |
| Other pension costs   | 116,667          | 23,377         |
|                       | <u>3,776,105</u> | <u>681,512</u> |

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

|                               | 2017<br>Number | 2016<br>number |
|-------------------------------|----------------|----------------|
| Operations                    | 75             | 15             |
| Management and administration | 20             | 8              |
|                               | <u>95</u>      | <u>23</u>      |

# BRISTOL ENERGY & TECHNOLOGY SERVICES (SUPPLY) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued) For the year ended 31 March 2017

### 8. Directors' remuneration

|   | 2017           | 2016           |
|---|----------------|----------------|
|   | £              | £              |
| Directors' emoluments                                 | 361,242        | 154,682        |
| Company contributions to defined contribution pension | 29,783         | 13,000         |
|   | <u>391,025</u> | <u>167,682</u> |

The highest paid director received remuneration of £150,000 (2016: £87,500). The value of the Company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £15,000 (2016: £7,500).

Two of the directors at 31 March 2017 (2016: 3) were not employed by the Company and received no remuneration in respect of their roles as directors of the Company. All directors who are employed by Bristol City Council received no additional remuneration in respect of their role as a director of the Company. The Company receives recharges from Bristol City Council in respect of the Director's remuneration, as a proportional cost of their Council salary in relation to time spend as Director. The recharges comprise costs for salary, employer's national insurance and employer's pension contributions plus admin fee.

### 9. Interest receivable and similar income

|                          | 2017         | 2016         |
|--------------------------|--------------|--------------|
|                          | £            | £            |
| Bank interest receivable | <u>4,253</u> | <u>2,314</u> |

### 10. Interest payable and similar expenses

|   | 2017           | 2016         |
|---|----------------|--------------|
|   | £              | £            |
| Preference share interest                 | 422,237        | -            |
| Other interest payable to group companies | 52,452         | 2,492        |
|   | <u>474,689</u> | <u>2,492</u> |

Other interest payable to group companies reflects interest payable on guarantees provided by the ultimate controlling party.

# BRISTOL ENERGY & TECHNOLOGY SERVICES (SUPPLY) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued) For the year ended 31 March 2017

### 11. Tax on loss

#### Corporation tax

|   | 2017<br>£        | 2016<br>£        |
|---|------------------|------------------|
| Group taxation relief                     | (530,300)        | (250,800)        |
| Adjustment in respect of previous periods | 12,450           | -                |
| <b>Total tax</b>                          | <b>(517,850)</b> | <b>(250,800)</b> |

#### Factors affecting tax charge for the year

The tax assessed for the year is higher than (2016: higher than) the standard rate of corporation tax in the UK of 20% (2016: 20%). The differences are explained below:

|  | 2017<br>£        | 2016<br>£        |
|--|------------------|------------------|
| Loss before tax  | (8,881,033)      | (3,181,639)      |
| Loss multiplied by standard rate of corporation tax in the UK of 20% | (1,776,207)      | (636,328)        |
| <b>Effects of:</b>   |                  |                  |
| Expenses not deductible for tax purposes                             | 92,411           | 1,449            |
| Deferred tax not recognised  | 1,153,496        | 345,671          |
| Effect of changes in tax rates                                       | -                | 38,408           |
| Adjustment in respect of previous periods                            | 12,450           | -                |
| <b>Total current tax</b>   | <b>(517,850)</b> | <b>(250,800)</b> |

#### 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 asset

The Company has an unrecognised deferred tax asset at the year-end of £1,317,521 (2016: £345,670) made up of accelerated capital allowances of £10,459 (2016: £2,092), losses of £1,292,256 (2015: £336,086) and others of £14,806 (2016: £7,492). 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.

# BRISTOL ENERGY & TECHNOLOGY SERVICES (SUPPLY) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued) For the year ended 31 March 2017

### 12. Intangible assets

|                       | Software<br>£    |
|-----------------------|------------------|
| <b>Cost</b>           |                  |
| At 1 April 2016       | 1,734,781        |
| Additions             | 309,774          |
| Write offs            | (236,758)        |
| At 31 March 2017      | <u>1,807,797</u> |
| <b>Amortisation</b>   |                  |
| At 1 April 2016       | 66,103           |
| Charge for the year   | 398,070          |
| Write offs            | (64,122)         |
| At 31 March 2017      | <u>400,051</u>   |
| <b>Net book value</b> |                  |
| At 31 March 2017      | <u>1,407,746</u> |
| At 31 March 2016      | <u>1,668,678</u> |

### 13. Tangible assets

|                       | Leasehold<br>Improvements<br>£ | Office<br>Equipment<br>£ | Computer<br>Equipment<br>£ | Total<br>£     |
|-----------------------|--------------------------------|--------------------------|----------------------------|----------------|
| <b>Cost</b>           |                                |                          |                            |                |
| At 1 April 2016       | 117,580                        | 3,933                    | 110,290                    | 231,803        |
| Additions             | 15,113                         | 2,721                    | 55,413                     | 73,247         |
| At 31 March 2017      | <u>132,693</u>                 | <u>6,654</u>             | <u>165,703</u>             | <u>305,050</u> |
| <b>Depreciation</b>   |                                |                          |                            |                |
| At 1 April 2016       | 3,986                          | 506                      | 18,419                     | 22,911         |
| Additions             | 39,690                         | 1,420                    | 48,481                     | 89,591         |
| At 31 March 2017      | <u>43,676</u>                  | <u>1,926</u>             | <u>66,900</u>              | <u>112,502</u> |
| <b>Net book value</b> |                                |                          |                            |                |
| At 31 March 2017      | <u>89,017</u>                  | <u>4,728</u>             | <u>98,803</u>              | <u>192,548</u> |
| At 31 March 2016      | <u>113,594</u>                 | <u>3,427</u>             | <u>91,871</u>              | <u>208,892</u> |

**BRISTOL ENERGY & TECHNOLOGY SERVICES (SUPPLY) LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**For the year ended 31 March 2017**

**14. Stocks**

|                                   | 2017<br>£      | 2016<br>£     |
|-----------------------------------|----------------|---------------|
| Renewable obligation certificates | 203,853        | -             |
| Other stock                       | -              | 14,450        |
|                                   | <u>203,853</u> | <u>14,450</u> |

**15. Debtors: amounts falling due within one year**

|                                    | 2017<br>£        | 2016<br>£        |
|------------------------------------|------------------|------------------|
| Trade debtors                      | 1,702,102        | 4,030            |
| Amounts owed by group undertakings | 645,773          | 227,091          |
| Group relief debtor                | 530,300          | 250,800          |
| Other debtors                      | 1,317,313        | 588,018          |
| Prepayments and accrued income     | 1,729,462        | 79,293           |
|                                    | <u>5,924,950</u> | <u>1,149,232</u> |

**16. Called up share capital**

|   | 2017<br>£        | 2016<br>£ |
|---|------------------|-----------|
| <b>Allotted, called-up and fully paid</b>     |                  |           |
| 3,868,100 (2016:1) Ordinary shares of £1 each | 3,868,100        | 1         |
|   | <u>3,868,100</u> | <u>1</u>  |

On 28 April 2016, the Company issued 3,868,099 ordinary shares of £1 each.

**17. Reserves: Profit and loss account**

The profit and loss account represents the accumulated profits, losses, and distributions of the Company.

**18. Creditors: amounts falling due within one year**

|                                    | 2017<br>£        | 2016<br>£        |
|------------------------------------|------------------|------------------|
| Trade creditors                    | 468,768          | 326,749          |
| Amounts owed to group undertakings | 3,782,394        | 6,667,859        |
| Taxation and social security       | 147,879          | 66,850           |
| Other creditors                    | 676,146          | 17,145           |
| Accruals and deferred income       | 3,670,046        | 288,174          |
|                                    | <u>8,745,233</u> | <u>7,366,777</u> |



# BRISTOL ENERGY & TECHNOLOGY SERVICES (SUPPLY) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued) For the year ended 31 March 2017

### 19. Creditors: amounts falling due after more than one year

|   | 2017<br>£        | 2016<br>£ |
|---|------------------|-----------|
| Preference shares classified as a liability | <u>8,330,000</u> | <u>-</u>  |

During the year, the Company issued cumulative redeemable preference shares in the following tranches:

|                   | £                |
|-------------------|------------------|
| 23 June 2016      | 2,390,000        |
| 29 September 2016 | 3,000,000        |
| 19 November 2016  | 2,500,000        |
| 29 March 2017     | <u>440,000</u>   |
|                   | <u>8,330,000</u> |

All shares were issued at a dividend rate of 8.25% redeemable at the option of the Company within 30 years with mandatory redemption in year to 31 March 2047. No premium is payable on redemption. See also note 25 *Post balance sheet events*

### 20. Financial Instruments

|   | 2017<br>£           | 2016<br>£          |
|---|---------------------|--------------------|
| <b>Financial assets</b>   |                     |                    |
| Financial assets that are debt instruments measured at amortised cost | <u>5,656,350</u>    | <u>1,128,013</u>   |
| <b>Financial liabilities</b>  |                     |                    |
| Financial liabilities measured at amortised cost                      | <u>(16,927,354)</u> | <u>(7,269,927)</u> |

Financial assets measured at amortised cost comprise trade debtors, amounts owed by group undertakings, other debtors, and accrued income.

Financial liabilities measured at amortised cost comprise trade creditors, amounts owed to group undertakings, other creditors, accruals and preference share liabilities.

### 21. Pension commitments

The Company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The pension charge amounted to £116,667 (2016: £23,377).

## BRISTOL ENERGY & TECHNOLOGY SERVICES (SUPPLY) LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2017

#### 22. Commitments under operating leases

At 31 March 2017, the Company had future minimum lease payments under non-cancellable operating leases as follows:

|  | 2017<br>£      | 2016<br>£      |
|--|----------------|----------------|
| Not later than 1 year                        | 48,580         | 47,770         |
| Later than 1 year and not later than 5 years | 56,677         | 106,201        |
|  | <u>105,257</u> | <u>153,971</u> |

The Company is committed to meter rental charges for meters based at customer premises owned by third parties. It is not possible to quantify the total financial commitment at 31 March 2017 as the obligation exists for as long as the customer remains with the Company. The total charge incurred in the current year was £343,646 (2016: £2,464)

#### 23. Financial risk management and impairment of financial assets

The Company's activities expose it to different financial risks:

- Market risk (mainly from commodity price risk)
- Credit risk
- Liquidity risk

The Audit and Risk Committee was constituted in March 2017 and meets at least 3 times each year. The Committee seeks to minimise the potential adverse financial effects of the above risks on the Company's financial performance. The terms of reference governing the Audit and Risk Committee were approved by the Board of Directors in February 2017.

##### 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 manages commodity risk by entering into forward contracts for a variety of periods. Energy procurement contracts are entered into and continue to be held for the purpose of the receipt of a non-financial item which is in accordance with the Company's expected purchase and sale requirements and are therefore out of scope of FRS 102. Energy contracts that are not financial instruments under FRS 102 are accounted for as executory contracts and changes in fair value do not immediately impact profit or equity. So whilst the risk associated with energy procurement contracts outside the scope of FRS 102 is monitored for internal risk management purposes, only those energy contracts within the scope of FRS 102 are within the scope of the standard's disclosure requirements. As at 31 March 2017 the Company had forward contracts for energy delivery on future dates totalling £6,460,903 (2016: £86,073).

## **BRISTOL ENERGY & TECHNOLOGY SERVICES (SUPPLY) LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS (continued)** **For the year ended 31 March 2017**

#### **23. Financial risk management and impairment of financial assets (continued)**

The Company does not use derivatives or other financial instruments for speculative purposes.

##### **Credit risk**

Credit risk is the risk to the Company that a counterparty to a financial instrument fails to meet its contractual obligations. This arises mainly from the Company's customer debts and from security deposits and prepayments to suppliers and distributors.

##### **Liquidity risk**

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company has net liabilities and is currently reliant upon financial support from its ultimate parent undertaking, Bristol City Council, for funding of its financial obligations. The directors have received confirmation from Bristol City Council that it will continue to provide funding to allow the Company to meet its debts as they fall due for a period of at least 12 months from the date of these financial statements.

The Directors use cashflow forecasts and sensitivity forecasting analysis to manage liquidity risk. The largest risk to the Company's liquidity is the potential for the Company to have to place margin calls against forward commodity contracts. Such payments could be required if the wholesale energy markets fell below the price of the forward contract. The Directors manage the Company's cash resources to ensure it has sufficient funds to meet all expected demands as they fall due.

A further risk to liquidity would arise from unusually cold weather or other factors causing customer volumes to be much higher than anticipated. This 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.

#### **24. Related party transactions**

The Company made purchases and received recharges from Bristol City Council in the year ended 31 March 2017 of £304,231 (2016: £2,779,920) and made sales relating to the supply of energy to Bristol City Council totalling £1,305,717 (2016: £Nil). As at 31 March 2017 £229,223 (2016: £70,000) was due from Bristol City Council.

During the year, the Company received management recharges from Bristol Holding Limited of £59,144 (2016: £Nil) and recharged Bristol Holding for management services totalling £12,085 (2016: £Nil). As at 31 March 2017, £11,695,844 was due to Bristol Holding Limited (2016: £Nil).

Bristol City Council provided guarantees on behalf of the Company to counter-parties in order to enable the Company to undertake the purchase of energy in the normal course of business. Total guarantees in place as at 31 March 2017 were £3,858,240 (2016: £2,000,000).

## **BRISTOL ENERGY & TECHNOLOGY SERVICES (SUPPLY) LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS (continued)**

**For the year ended 31 March 2017**

#### **25. Post balance sheet events**

On 1 June 2017, the Company issued 3,060,000 cumulative redeemable preference shares at a dividend rate of 8.25%, redeemable at the option of the Company within 30 years for consideration of £3,060,000 having been paid by Bristol Holding Limited on 16 January 2017.

On 22 June 2017, the Company issued 625,000 ordinary shares of £1 each for consideration of £625,000 paid to the Company by Bristol Holding Limited. On the same date, the Company also issued 1,875,000 cumulative redeemable preference shares at a dividend rate of 7%, redeemable at the option of the Company within 30 years for consideration of £1,875,000 having been paid by Bristol Holding Limited on 19 April 2017.

In addition, in a resolution dated 25 May 2017, the dividend rate applicable to all preference shares in issue was amended from 8.25% to 7% with effect from 1 April 2017.

#### **26. Ultimate parent undertaking and controlling party**

The immediate parent company is Bristol Holding Limited, a company incorporated in England and Wales.

The ultimate parent undertaking is Bristol City Council. The financial statements for Bristol City Council are available from the address shown in Note 1.

The smallest and largest undertaking for which the Company is a member and for which group financial statements are prepared is Bristol City Council.