

Utilisoft Limited

Annual Report and Financial Statements

Registered number 02931236

Year ended 31 December 2019

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COMPANIES HOUSE

Directors

A Green
M C Hirst
S Gosling
P Galati

Secretary

Brodies Secretarial Services Limited

Independent Auditors

RSM UK Audit LLP
Bluebell House
Brian Johnson Way
Preston
PR2 5PE

Registered Office

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East Terrace
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Chorley
Lancashire
PR7 6TE
Registered number: 02931236

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Strategic report

The directors present their strategic report for the year ended 31 December 2019.

Principal activities and review of the business

The principal activities of the company during the period was the provision of software and managed services for participants in the energy and utility markets and the sale of pre-accredited energy supply companies.

The past 12 months have been challenging for the company, with numerous exits and consolidation throughout the customer base. Despite this, we have seen a revenue growth of 15% and have continued to acquire a number of new clients; in fact, a further seven new Energy suppliers have been contracted to enter the UK Energy market within the financial year. We continue to invest heavily in our market leading SaaS software platform and data analytics applications, which prepare us for the roll out of the UK smart grid program and impending technology enablement. The Board and management teams are continually improving our software services and delivery methodologies ensuring we drive improved service levels and innovation for both our clients and their end customers.

Due to the market consolidation, the Board took the difficult decision to reduce the cost base through a redundancy process; this began at the end of the financial year and will close in early 2020. The reduction in the cost base will offset the reduction in the revenue and ensure that the company continues to grow at the rate expected.

We moved into a new purpose built office in late 2019, which has allowed us to provide a suitable vibrant and creative workplace for our development and technical teams to work. We continue to take steps to further future proof the business by continuing to invest in our CRM and Billing solution into the UK market. This will ensure we remain the market leader and have continue to access new markets as the business continues to grow. Importantly we continue to successfully invest in new and existing applications within our SaaS software platform, primarily to address the impending UK Smart Grid roll out, Switching programme and Data Analytics market opportunities.

Key performance indicators (KPIs)

Management monitors the following KPIs across the company to ensure the business performs in line with expectations and that issues are identified promptly and efficiency measures can be quantified. The key KPIs are as follows:

- Revenue growth – +14.99% (2018: +78.56%)
- Gross profit – +14.77% (2018: +79.72%)
- EBITDA – +1.22 % (2018: +118.37%)

The rate of growth has been secured by the increase in recurring revenues and the number of new contract wins. We have successfully extended many major partnership contracts and continued to develop the bandwidth of services and benefits that we provide to our clients.

The financial performance in the period was excellent with sales revenue of £37.1m up 14.99% on the prior year.

The net current assets of the company as at 31 December 2019 are £25,983.815 (31 December 2018 net current assets: £15,570,287). The increase was driven by the performance of the business in the year.

Strategic report *(continued)*

Market

The financial performance was further underpinned by strong independent sector market growth despite the market challenges seen in the year. We believe that we are now at the end of market exits and consolidation and we expect further growth for the independent sector in the upcoming year. This will be further strengthened by government legislation and policy and the continued development investment to widen out product offering to our customer base. We believe the start of the eagerly anticipated mass smart meter rollout will ramp up in 2020 and we see further market opportunities that this brings to both our customers and the business.

We continue to see a slowdown in the number of new independent energy suppliers entering the UK market this year, however, we continue to see an improvement in the potential scale of new entrants as many of our growing pipeline are large corporate entities with ambitious growth plans and new technologies.

The UK Government's target through DECC (Department of Energy and Climate Change) still remains for energy suppliers to install some 53 million smart meters by the end of 2020, however this year OFGEM extended its enforcement powers out to 2024. The move to a digital smart grid infrastructure is driving significant future revenues and data opportunities for the business and further strengthen our market position in both our core software platforms and services.

We believe present and future UK legislation and policies will further support the expansion and development of the independent energy market within the UK, which despite the market challenges in the year we have seen impressive growth and they now control a combined 30% market share. We are fully engaged with DECC (Department of Energy and Climate Change), Elexon, Ofgem and Ofwat initiatives to significantly improve the energy and utilities markets through technology change, such as new faster switching principles for consumers and Half Hourly settlements. In the coming year these initiatives will of course require further software development and analytics capabilities which will allow us to further develop revenue possibilities.

The Board have considered the risk of Brexit on the company and has concluded that there is minimal risk, as the company does not trade with Europe, at the most it will affect our customers rather than us directly. Any legislative changes could affect us, but as seen in prior years, these can present as opportunities for further revenue.

Looking ahead, we believe that the growth in the energy market will be supportive of our business. We also have strong strategic leaders that will enable us to deliver future years of expansion and profitable growth. In addition, our new smart grid and analytics innovations provide the potential to internationalise our operations. The transformation of the UK energy market from "analogue to digital" is a one off event and will drive innovation along with opportunity and we firmly believe our people expertise, passion and the bond we have with our clients will continue to drive our business to be best in class and deliver mutual success. During 2019 we have seen confirmation on new market switching initiatives that we are actively engaged in and will drive further product development and revenue opportunities in the coming years.

Risk management objectives and policies

Risk management is an important element of the management process throughout the Group, of which Utilisoft Limited was a part during the financial period, and is considered on a Group basis. Internal controls have been developed to address the main business risks which are considered to be:

Strategic:

The company operates in a new market and seeks to ensure that it delivers effective solutions to its existing and potential clients.

Operational:

The company's most important assets are its employees, clients and Intellectual Property Rights (IPR).

Strategic report (*continued*)

Risk management objectives and policies (*continued*)

Employees are recruited carefully to address the needs of the business. Appropriate training is provided to support the development of employees.

The needs of the company's clients are addressed to ensure that they are appropriate and a dedicated dispute resolution manager is employed to resolve any issues which may arise.

The company also recognises the importance of its IT infrastructure and back office systems to deliver its services. The company has the appropriate controls in place to secure its data and maximise the operational efficiency of its systems. The company also has controls in place to safeguard the IPR that it owns. The company also has established procedures to maintain its appropriate accreditations.

Controls exist to ensure information is made available to enable management to monitor the performance of the company.

Liquidity risk

The Company manages its cash in a manner designed to ensure maximum benefit is gained whilst ensuring security of investment sources. The Group's policy on investment of surplus funds is to place deposits at institutions with strong credit ratings to manage the Company's credit risk exposure.

Currency risk

The Company have overseas trade receivables, which are paid in Euros directly into a Euro bank account. As the company has no overseas liabilities these monies are from time to time exchanged to sterling at the spot rate.

Credit risk

The Company's credit risk is primarily attributable to trade receivables and cash.

Credit risk with respect to trade receivables is due to the Company trading with a limited number of companies who are generally large utility companies or financial institutions though there a number of small new entrants who are a greater risk. The Company has reviewed these and does not expect in the normal course of events that these debts are at significant risk apart from the ones already provided for.

The Company is constantly concentrating on recovering certain debts which are overdue.

The directors are satisfied that the appropriate processes are in place to monitor the risks facing the group.

Covid-19 Virus

Prior to signing the accounts the Covid-19 virus pandemic occurred. The directors believe the business is well insulated and the business impact will be low compared to other sectors. The business operates on a core recurring revenue stream from gas and electric meter points that remains unaffected by the virus and the only reasonable impact the business will see is potential slippage in the government backed smart meter roll out. The company and wider group have good levels of cash reserves to support its immediate liabilities. We moved to remote working companywide in March 2020 to ensure that are employees welfare is prioritised and we minimise the risk of exposure and transmission of the virus.

Companies Act 2006 Section 172(1) Statement

The Directors are fully aware of the matters contained in section 172(1) (a) to (f) the Companies Act 2006 ("the Act"). The redundancy programme, ongoing investment in new technology, investments in our people and awareness of the future market change highlighted in this report are evidence that the directors have full regard for all matters contained within the Act.

Approved by the Board on 16 April 2020 and signed on its behalf by:



S Gosling
Director

Directors' report

The directors present their report and audited financial statements for Utilisoft Limited for the year ended 31 December 2019.

Results and dividends

The profit before taxation amounted to £12,417,905 (31 December 2018: £12,437,351). Profit for the financial period after taxation amounted to £10,915,541 (31 December 2018: £10,939,362). The directors do not recommend payment of a dividend (31 December 2018: £nil).

Future developments

We have seen a continued strategic investment within the business throughout the period in response to the expanding market and the movement to a "digital utility" market creating numerous opportunities for growth and innovation. We believe present and future UK legislation and policies will further support the expansion of our business. We are fully engaged with DECC (Department of Energy and Climate Change), Elexon, Ofgem and Ofwat initiatives to significantly improve the energy and utilities markets through technology change, such as new faster switching principles for consumers, water competition and Half Hourly settlements. In the coming years these initiatives will of course require further software development and analytics capabilities which will allow us to further develop revenue possibilities.

Risk management objectives and policies

These have been disclosed on pages 1 to 3 of the strategic report.

Research and development

The company continues to invest in research and development principally in respect of the development of software solutions to manage the industry process, dataflow and automation of core processes for energy market participants. During the current year, the company has recognised grant income of £480,348 (2018: £357,575) under the Research and Development Expenditure Credit in respect of expenditure on qualifying development projects.

Going concern

The directors believe that the use of the going concern basis of accounting is appropriate. The directors have considered new external risks in the year, namely the Covid-19 virus, and are taking the necessary actions to insulate the business. The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

Directors

The directors of the company who were in office during the period and up to the date of signing the financial statements were:

A Green
M C Hirst
S Gosling
P Galati

Directors' report (*continued*)

Employee involvement

Continued people development is at the core of our business philosophy. We have continued to invest in our people with further revisions to our training and mentoring academy to ensure the future talent within the business is cultivated with care. We have also invested in further office space and have moved into a new purpose built office, enabling us to provide a suitable vibrant and creative workplace for our teams to work.

The Company recognises and seeks to encourage the involvement of its employees, with the aim being the recruitment, motivation and retention of quality employees throughout the Company.

Due to the market consolidation, the Board took the difficult decision to reduce the cost base through a redundancy process; this began at the end of the financial year and will close in early 2020. The reduction in the cost base will offset the reduction in the revenue and ensure that the company continues to grow at the rate expected.

The Company's employment policies, including the commitment to equal opportunity, are designed to attract, retain and motivate employees regardless of sex, race, religion or disability. Equality of treatment includes full and fair assessment of applications and extends to training and continuing career development.

The Company is committed to ensuring and communicating the requirements for a safe and healthy working environment for all employees, consistent with health and safety legislation and, wherever practicable, gives full consideration to applications for employment from disabled persons.

Charitable and political donations

Charitable cash donations of £4,495 were made in the year ending 31 December 2019 (31 December 2018: £4,113). In addition, staff gave their time and contributed to two sporting events completed by employees. No political donations were made by the Company in either period.

Strategic report

The company has chosen in accordance with Companies Act 2006, s. 414C(11) to set out in the company's strategic report information required by Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, Sch. 7 to be contained in the directors' report.

Disclosure of information to the auditors

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditors are unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Independent auditors

Pursuant to Section 485 of the Companies Act 2006, new auditors have been appointed and RSM UK Audit LLP have now taken office.

On behalf of the Board



S Gosling
Director
16 April 2020

Registered number 2931236

Statement of directors' responsibilities

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

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 FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", 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 the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are 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 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.

Independent auditor's report to the members of Utilisoft Limited

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Utilisoft Limited (the 'company') for the year ended 31 December 2019 which comprise the profit and loss account and other comprehensive income, the balance sheet, the statement of changes in equity and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

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

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

Other information

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

Independent auditor's report to the members of Utilisoft Limited (continued)

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

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.

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

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 6, 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.

Independent auditor's report to the members of Utilisoft Limited (continued)

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.

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: <http://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.

RSM UK Audit LLP

Alastair John Richard Nuttall ACA (Senior Statutory Auditor)

For and on behalf of RSM UK Audit LLP, Statutory Auditor

Chartered Accountants

Bluebell House

Brian Johnson Way

Preston

Lancashire

PR2 5PE

16 April 2020

Profit and loss account and other comprehensive income

for the year ended 31 December 2019

		<i>Year ended 31 December 2019</i>	<i>Year ended 31 December 2018</i>
	<i>Note</i>	<i>£</i>	<i>£</i>
Turnover	2	37,145,985	32,303,223
Cost of sales		(385,228)	(273,953)
Gross profit		36,760,757	32,029,270
Administrative expenses		(24,814,428)	(19,945,118)
Other operating income		480,348	357,575
Operating profit	3	12,426,677	12,441,727
Interest receivable and similar income		2,736	345
Interest payable and similar expenses		(11,508)	(4,721)
Profit before taxation		12,417,905	12,437,351
Tax on profit	6	(1,502,364)	(1,497,989)
Profit for the financial year		10,915,541	10,939,362
Other comprehensive income		-	-
Total comprehensive income for the year		10,915,541	10,939,362

All amounts relate to continuing activities.

Balance sheet

as at 31 December 2019

		<i>As at 31 December 2019</i>	<i>As at 31 December 2018</i>
	<i>Note</i>	<i>£</i>	<i>£</i>
Non-Current assets			
Tangible assets	8	2,286,052	1,712,713
Deferred tax asset	9	-	55,833
		<u>2,286,052</u>	<u>1,768,546</u>
Current assets			
Stocks	10	46,551	85,675
Debtors	11	24,840,499	14,773,035
Cash at bank and in hand		<u>5,658,508</u>	<u>5,759,533</u>
		<u>30,545,558</u>	<u>20,618,243</u>
Creditors: amounts falling due within one year	12	<u>(4,561,743)</u>	<u>(5,047,956)</u>
Net current assets		<u>25,983,815</u>	<u>15,570,287</u>
Total assets less current liabilities		<u>28,269,867</u>	<u>17,338,833</u>
Provision for liabilities	9	<u>(15,493)</u>	<u>-</u>
Net assets		<u>28,254,374</u>	<u>17,338,833</u>
Capital and reserves			
Called up share capital	16	5,000	5,000
Profit and loss account		<u>28,249,374</u>	<u>17,333,833</u>
Total Shareholders' funds		<u>28,254,374</u>	<u>17,338,833</u>

The notes on pages 13 to 25 are an integral part of these financial statements.

The financial statements on pages 10 to 25 were approved by the Board of Directors on 16 April 2020 and are signed on their behalf by:



S Gosling
Director
Registered number 02931236

Statement of changes in equity

for the year ended 31 December 2019

	<i>Called up share capital</i> £	<i>Profit and loss account</i> £	<i>Shareholders' funds</i> £
At 1 January 2018	5,000	6,394,471	6,399,471
Total comprehensive income for the year	-	10,939,362	10,939,362
As at 31 December 2018 and 1 January 2019	<u>5,000</u>	<u>17,333,833</u>	<u>17,338,833</u>
Total comprehensive income for the year	-	10,915,541	10,915,541
At 31 December 2019	<u>5,000</u>	<u>28,249,374</u>	<u>28,254,374</u>

Notes to the financial statements

for the year ended 31 December 2019

Utilisoft Limited (Company number 02931236) is a private company limited by shares registered incorporated and domiciled in England and Wales. The registered office and principal place of business is: Utilihouse, East Terrace, Euxton Lane, Chorley, Lancashire, England, PR7 6TE.

The principal activities of the company during the period was the provision of software and managed services for participants in the energy and utility markets and the sale of pre-accredited energy supply companies.

1. Accounting policies

Basis of preparation

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006, including the provisions of the Large and Medium sized Companies and Groups (Accounts and Reports) Regulations 2008, and under the historical cost convention. The accounting policies have been applied consistently.

The presentation currency of these financial statements is sterling. Monetary amounts in these financial statements are rounded to the nearest whole £1 except where otherwise indicated.

The Company adopted the amendment(s) to FRS 102 published in the Triennial Review 2017.

The Company's parent undertaking includes the Company in its consolidated financial statements. The consolidated financial statements of ESG-Utiligroup Holdings LLC are available to the public and may be obtained from Companies House, Crown Way, Maindy, Cardiff, CF14 3UZ. In these financial statements, the Company is considered to be a qualifying entity (for the purposes of the FRS) and has applied for the exemptions available under the FRS 102 in respect of the following disclosures:

- Section 7- Cash flow statement and related notes.

As the consolidated financial statements of ESG-Utiligroup Holdings LLC include the equivalent disclosures, the Company has also taken the exemptions under FRS 102 available in respect of the following disclosures:

- Section 11 - The disclosures required by FRS 102.11 Basic Financial Instruments and FRS 102.12 Other Financial Instrument Issues in respect of financial instruments not falling within the fair value accounting rules of Paragraph 36(4) of Schedule 1.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements, other than where new policies have been adopted.

- Section 33 – 'Related Party Disclosures' – compensation of key management personnel.

Going concern

The directors believe that the use of the going concern basis of accounting is appropriate. The directors have considered new external risks in the year, namely the Covid-19 virus, and are taking the necessary actions to insulate the business. The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

Revenue

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts and other sales related taxes.

The supply of managed services are invoiced and the income is recognised when the contractual terms are met.

Notes to the financial statements (*continued*)

for the year ended 31 December 2019

1. Accounting policies (*continued*)

Group financial statements

Under the provision of section 401 of the Companies Act 2006, the Company is exempt from preparing group financial statements as it is consolidated within the financial statements of its parent undertaking and controlling party, ESG-Utiligroup Holdings, LLC.

Investments

Fixed asset investments

Interests in subsidiaries, associates and jointly controlled entities are initially measured at cost and subsequently measured at cost less any accumulated impairment losses.

Interests in subsidiaries, associates and jointly controlled entities are assessed for impairment at each reporting date. Any impairments losses or reversals of impairment losses are recognised immediately in profit or loss.

Financial instruments

The Company has elected to apply the provisions of Section 11 'Basic Financial Instruments' of FRS 102, in full, to all of its financial instruments.

Recognition and measurement of financial instruments

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument

Classification of financial instruments

Financial instruments are classified as liabilities and equity instruments according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities.

Financial assets and liabilities at amortised cost

Trade, group and other debtors

Trade, group and other debtors (including accrued income) which are receivable within one year and which do not constitute a financing transaction are initially measured at the transaction price and subsequently measured at amortised cost, being the transaction price less any amounts settled and any impairment losses.

Where the arrangement with a debtor constitutes a financing transaction, the debtor is initially measured at the present value of future payments discounted at a market rate of interest for a similar debt instrument and subsequently measured at amortised cost using the effective interest method. The effective interest rate is the market rate used to determine initial measurement adjusted to amortise directly attributable transaction costs.

Trade creditors, group and other creditors

Trade, group and other creditors (including accruals) payable within one year that do not constitute a financing transaction are initially measured at the transaction price and subsequently measured at amortised cost, being transaction price less any amounts settled.

Where the arrangement with a creditor constitutes a financing transaction, the creditor is initially measured at the present value of future payments discounted at a market rate of interest for a similar instrument and subsequently measured at amortised cost, being transaction price less any amounts settled and the cumulative amortisation (using the effective interest method) of any difference between the amount at initial recognition and the maturity amount. The effective interest rate is the rate that discounts estimated future cash payments to the carrying amount of the financial liability.

Notes to the financial statements (*continued*)

for the year ended 31 December 2019

1. Accounting policies (*continued*)

Equity

Equity instruments

Financial instruments classified as equity instruments are recorded at the fair value of the cash or other resources received or receivable, net of transaction costs, unless the equity instruments are issued to extinguish a financial liability due to a shareholder or a party under common control, or in accordance with the original terms of the financial liability.

Derecognition of financial assets and liabilities

A financial asset is derecognised only when the contractual rights to cash flows expire or are settled, or substantially all the risks and rewards of ownership are transferred to another party, or if some (but not substantially all) risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

A financial liability (or part thereof) is derecognised when the obligation specified in the contract is discharged, cancelled or expires.

Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and any recognised impairment loss. Cost comprises purchase price and other directly attributable costs. Depreciation is charged so as to write off the cost of assets to their residual values over their estimated useful lives, using the straight-line method, on the following bases:

Leasehold improvements	–	over the lease term
Fixtures and fittings	–	5 years
Equipment	–	3 years

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the profit and loss account.

The asset residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Research and development

Expenditure undertaken by the Company on research activities is recognised in the profit and loss account as incurred.

Expenditure on development costs which relates to the application of research to the development of new products or processes are now also recognised in the profit and loss account as incurred.

The company makes an annual claim under the Research and Development Expenditure Credit scheme.

Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date.

Taxation

Tax on the profit or loss for the period comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Notes to the financial statements (*continued*)

for the year ended 31 December 2019

1. Accounting policies (*continued*)

Taxation (continued)

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. The following timing differences are not provided for: differences between accumulated depreciation and tax allowances for the cost of a fixed asset if and when all conditions for retaining the tax allowances have been met; and differences relating to investments in subsidiaries, to the extent that it is not probable that they will reverse in the foreseeable future and the reporting entity is able to control the reversal of the timing difference. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax balances are not discounted.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Leasing commitments

Rentals payable under operating leases are charged to profit and loss on a straight line basis over the term of the lease. Rent free periods or other incentives received for entering into an operating lease are accounted for as a reduction to the expense and are recognised on a straight line basis over the lease term.

Employee benefits policy

Termination benefits are recognised immediately as an expense when the company is committed to terminate the employment of an employee or to provide termination benefits.

Critical accounting judgements and key source of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the application of the accounting policies and the reported amounts of assets and liabilities, revenue and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are reasonable under the circumstances. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

i) Useful economic lives of tangible assets

The annual depreciation charge for tangible fixed assets is sensitive to changes in the estimated useful economic lives and residual values of assets. The useful economic lives and residual values are assessed annually. They are amended when necessary to reflect current estimates, based on technological advancements, future investments, economic utilisation and the physical condition of the assets. See note 7 for the carrying amount of tangible fixed assets and note 1 for the useful economic lives for each class of asset.

Notes to the financial statements *(continued)*

for the year ended 31 December 2019

1. Accounting policies *(continued)*

Critical accounting judgements and key source of estimation uncertainty (continued)

ii) Taxation

Management estimation is required to determine the amount of deferred tax assets that can be recognised, based upon likely timing and level of future taxable profits together with an assessment of the effect of future tax planning strategies.

2. Turnover

Turnover, which is stated net of value added tax, represents amounts invoiced to third parties and is attributable to one continuing activity, as stated in the directors' report.

All turnover is generated for operations solely within the UK.

Turnover analysed by category was as follows:

	<i>31 December</i> <i>2019</i>	<i>31 December</i> <i>2018</i>
	<i>£</i>	<i>£</i>
Licence and managed services	32,115,730	27,590,410
Professional services	5,030,255	4,712,813
	<u>37,145,985</u>	<u>32,303,223</u>

3. Operating profit

Operating profit is stated after charging / (crediting):

		<i>31 December</i> <i>2019</i>	<i>31 December</i> <i>2018</i>
	<i>Note</i>	<i>£</i>	<i>£</i>
Depreciation of owned fixed assets	8	1,133,905	955,817
Operating lease rentals – buildings		497,819	400,550
Research and development expenditure credit claim		(480,348)	(357,575)
Auditors' remuneration:			
Statutory Audit Services		68,000	65,644
Tax and related services		<u>16,950</u>	<u>24,620</u>

Notes to the financial statements (*continued*)

for the year ended 31 December 2019

4. Staff costs

	<i>31 December 2019</i>	<i>31 December 2018</i>
	<i>£</i>	<i>£</i>
Wages and salaries	15,424,921	12,133,294
Social security costs	1,558,324	1,302,896
Other pension costs	698,399	570,778
	<u>17,681,644</u>	<u>14,006,968</u>

The average monthly number of employees during the year was made up as follows:

	<i>31 December 2019</i>	<i>31 December 2018</i>
	<i>No.</i>	<i>No.</i>
Administration	<u>397</u>	<u>330</u>

5. Directors' emoluments

	<i>31 December 2019</i>	<i>31 December 2018</i>
	<i>£</i>	<i>£</i>
Total emoluments (excluding pension contributions)	653,437	647,500
Pension contributions	17,063	16,859
Other benefits	4,158	2,328
Total	<u>675,017</u>	<u>666,687</u>
Emoluments of the highest paid director		
Total emoluments (excluding pension contributions)	239,687	237,500
Pension contributions	9,188	9,078
Other benefits	1,529	657
Total	<u>250,404</u>	<u>247,234</u>

The Directors remuneration is in relation to their services to the Utiligroup Group as a whole. These costs were borne by Utilisoft Limited, and no recharge was made. The directors of the company are also directors of the holding company and fellow subsidiaries. The directors do not believe that it is practicable to apportion this amount between their services as directors of the company and their services as directors of the holding and fellow subsidiary companies.

Other than the directors disclosed on within these financials, the company has 389 employees as at 31 December 2019 (period ended 31 December 2018: 367).

Notes to the financial statements *(continued)*

for the year ended 31 December 2019

6. Tax on profit

(a) Total tax expense recognised in the profit and loss account and other comprehensive income:

	31 December 2019	31 December 2018
	£	£
Current tax:		
UK corporation tax at 19% (31 December 2018: 19%)	1,586,128	1,437,253
Adjustments in respect of prior periods	(155,090)	103,933
Total current tax	<u>1,431,038</u>	<u>1,541,186</u>
Deferred tax:		
Origination and reversal of timing differences	59,174	(3,839)
Effect of decreased tax rate on opening balance	-	-
Adjustments in respect of prior periods	12,152	33,418
Total deferred tax	<u>71,326</u>	<u>29,579</u>
Total tax	<u>1,502,364</u>	<u>1,570,765</u>

All tax is recognised within the profit and loss account for the current year and prior period.

(b) Factors affecting total tax for the year

The tax assessed for the year differs from (2018: differs from) the standard rate of corporation tax in the UK of 19% (31 December 2018: 19%). The differences are explained below:

	31 December 2019	31 December 2018
	£	£
Profit before taxation	<u>12,417,905</u>	<u>12,437,351</u>
Profit before taxation multiplied by standard rate of corporation tax in the UK of 19% (31 December 2018: 19%)	2,359,402	2,363,097
Effects of:		
Expenses not deductible for tax purposes	27,771	3,603
Effect of change in tax rate	(6,962)	452
Group relief claimed	(827,548)	(976,754)
Capital allowances in excess of depreciation	1,372	2,167
Adjustments in respect of prior periods	(155,090)	137,351
Adjustments to tax charge in respect of prior periods – deferred tax	12,152	-
R&D expenditure credits	91,266	-
Other tax adjustments, reliefs and transfers	-	40,849
Unexplained difference	1	-
Total tax expense included in the profit and loss account	<u>1,502,364</u>	<u>1,570,765</u>

Notes to the financial statements *(continued)*

for the year ended 31 December 2019

6. Tax on profit (continued)

(c) Deferred tax

	£
At 1 January 2019 (note 8)	(55,833)
Provided during the year	59,174
Adjustment in respect of prior years	12,152
At 31 December 2019 (note 8)	<u>15,493</u>

(d) Factors that may affect future tax charges

The rate of UK corporation tax that was enacted at the balance sheet date was 19%. The UK government has previously announced that the UK corporation tax rate will reduce further to 18% (effective 1 April 2020), these reductions were substantively enacted on 26 October 2015. An additional reduction to 17% (effective from 1 April 2020) was confirmed again in the Budget on 8 March 2017.

Deferred tax assets and liabilities on all timing differences have been calculated at 18% being the rate of UK corporation tax enacted at the balance sheet date/at which they are expected to reverse. The impact of the above changes will reduce the company's future current tax charge and deferred tax liability accordingly, the impact of which is not considered to be material.

7. Investment

	<i>Subsidiary undertakings</i> £
Cost and net book value:	
At 1 January 2019	-
Additions	-
Disposal	-
As at 31 December 2019	<u>-</u>

Notes to the financial statements (continued)

for the year ended 31 December 2019

7. Investment (continued)

Details of subsidiaries are as follows:

	<i>Country of incorporation</i>	<i>Holding</i>	<i>Proportion of voting rights and shares held</i>	<i>Nature of business</i>
Draig Technology Ltd	England	Ordinary shares	100%	Dormant

All UK subsidiaries are registered at Utilihouse, East Terrace, Euxton Lane, Chorley, Lancashire PR7 6TE.

8. Tangible assets

	<i>Leasehold improvements £</i>	<i>Fixtures and fittings £</i>	<i>Equipment £</i>	<i>Total £</i>
Cost:				
At 1 January 2019	32,837	456,107	3,456,954	3,945,898
Additions	41,033	636,004	1,030,206	1,707,243
At 31 December 2019	<u>73,870</u>	<u>1,092,111</u>	<u>4,487,160</u>	<u>5,653,141</u>
Accumulated depreciation				
At 1 January 2019	21,679	244,306	1,967,200	2,233,185
Charge for the year	7,220	137,033	989,652	1,133,905
At 31 December 2019	<u>28,899</u>	<u>381,339</u>	<u>2,956,852</u>	<u>3,367,090</u>
Net book value:				
At 31 December 2019	<u>44,971</u>	<u>710,772</u>	<u>1,530,308</u>	<u>2,286,051</u>
At 31 December 2018	<u>11,158</u>	<u>211,801</u>	<u>1,489,754</u>	<u>1,712,713</u>

Notes to the financial statements *(continued)*

for the year ended 31 December 2019

9. Deferred Tax Asset/ Provision

Deferred taxation provided in the financial statements are as follows:

	31 December 2019	31 December 2018
		£
Fixed asset timing differences	(15,493)	26,856
Other timing differences	-	28,977
	<u>(15,493)</u>	<u>55,833</u>

There are no unrecognised deferred tax assets or liabilities.

	£
At 1 January 2019	(55,833)
Provided during the year	59,174
Adjusted in respect of prior years	12,152
At 31 December 2019	<u>15,493</u>

10. Stocks

	31 December 2019	31 December 2018
	£	£
Companies held for resale	<u>46,551</u>	<u>85,675</u>

Companies held for resale represent costs incurred in achieving accredited energy supplier status for Limited companies held for sale.

11. Debtors

	31 December 2019	31 December 2018
	£	£
Trade debtors	6,702,065	6,238,492
Amounts owed by group undertakings	16,993,939	7,703,171
Corporation tax receivable	-	-
Prepayments and accrued income	1,144,495	831,372
	<u>24,840,499</u>	<u>14,773,035</u>

Amounts owed by group undertakings are unsecured, interest free and repayable on demand.

Notes to the financial statements (*continued*)

for the year ended 31 December 2019

12. Creditors: amounts falling due within one year

	<i>31 December 2019</i>	<i>31 December 2018</i>
	£	£
Trade creditors	291,843	493,490
Corporation tax payable	590,773	389,829
Other taxation and social security	1,595,560	2,049,704
Accruals	618,318	303,605
Deferred income	1,465,249	1,811,328
	<u>4,561,743</u>	<u>5,047,956</u>

Included within other creditors is £120,284 relating to outstanding contributions payable to the pension scheme (2018: £96,088).

There is a £80,000 secured deposit with Lloyds bank against the Lloyds credit card, of which the creditor is included in Trade creditors.

13. Commitments under operating leases

Future minimum rentals payable under non-cancellable operating leases are as follows:

	<i>31 December 2019</i>	<i>31 December 2018</i>
	<i>Land and buildings</i>	
	£	£
Within one year	592,155	267,116
In two to five years	2,368,622	1,066,274
Over five years	2,040,868	372,016
	<u>5,001,645</u>	<u>1,705,406</u>

Notes to the financial statements *(continued)*

for the year ended 31 December 2019

14. Share based payment transactions

The profit interest units are those operated by the ultimate parent company, they were granted on a discretionary basis to existing or new executives pursuant to executive investment agreement approved by the board. These grants of options are accounted for under section 26 of FRS 102- Share Based Payments.

The exercise price is the fair value of the award at the date of grant. The cost is recognised on a straight-line basis over the vesting period of the underlying award. The fair value of the profit interest unit awards was determined using a Black-Scholes pricing model. The assumptions used in calculating the fair value of profit interest unit awards represent management's best estimate.

The following are the weighted averages of the variables used to estimate the profit interest units' fair value:

- Exercise price – Each award contains a distribution threshold, as defined in the award, which establishes a price level at which the share will begin to participate in the event of a liquidity event
- Term – Management estimates the term to be 3 years for shares granted in 2017 and 2 years for shares granted in 2019.
- Volatility – Management has determined the volatility for awards based on analysis of reported data for a group of peer guideline companies over a period that matches the term assumption for these units. Management has determined the volatility for awards to be 35% for shares granted in 2017
- Risk Free Rate – A risk-free rate for a security with a 5 year maturity was used based on an interpolation of the US Treasury bond rates for securities with 5 year maturities for shares granted in 2017 and the shares granted in 2019.
- Dividend Rate – The Company does not anticipate paying regular dividends, other than dividends to members for tax obligations, in the foreseeable future; therefore the expected dividend yield is expected to be zero.

A reconciliation of option movements over the period to 31 December 2019 and year to 31 December 2018 is shown below:

	31 December 2019		31 December 2018	
	<i>Number</i>	<i>Weighted average exercise price</i>	<i>Number</i>	<i>Weighted average exercise price</i>
Outstanding at 1 January	4,083,854	0.16	4,096,783	0.16
Granted during the period	474,347	0.23	-	-
Forfeited in the period	-	-	(12,939)	-
Exercised in the period	(558,928)	0.18	-	-
Outstanding at 31 December	3,999,273	0.11	4,083,854	0.16
Exercisable at 31 December	-	-	-	-

The total charge for the year relating to employee share based payment plans was £128,578 (2018 - £90,943) all of which related to equity settled share based payment transactions:

Notes to the financial statements *(continued)*

for the year ended 31 December 2019

15. Related party transactions

The company has taken advantage of the exemption available under FRS 102 not to disclose transactions with other group companies which meet the criteria that all subsidiary undertakings which are party to the transactions are wholly owned by the ultimate controlling parent.

16. Called up share capital

	31 December 2019 £	31 December 2018 £
Authorised:		
250,000 (2018: 250,000) Ordinary 'A' shares of £0.01	250,000	250,000
250,000 (2018: 250,000) Ordinary 'B' shares of £0.01	250,000	250,000
	<u>500,000</u>	<u>500,000</u>
	31 December 2019 £	31 December 2018 £
Allotted, called up and fully paid:		
250,000 (2018: 250,000) Ordinary 'A' shares of £0.01	2,500	2,500
250,000 (2018: 250,000) Ordinary 'B' shares of £0.01	2,500	2,500
	<u>5,000</u>	<u>5,000</u>

A and B class shares have equal voting rights of 1 vote per share.

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

17. Ultimate parent company

The company is a wholly owned subsidiary of Utiligroup Holdings Limited, a company incorporated in England & Wales. Following the company sale by its owners on 14 April 2017, the Ultimate parent is Accel-KKR by virtue of its controlling holding in ESG-Holdings LLC. ESG-Utiligroup Holdings LLC is both the smallest and largest group for which group financial statement are prepared and in which the company is included. The consolidated financial statements of ESG-Utiligroup Holdings LLC are available to the public and may be obtained from Companies House, Crown Way, Maindy, Cardiff, CF14 3UZ.

9th June 2020

Companies House

Dear Sirs,

Re: Statutory Accounts

Please find enclosed the Statutory Accounts for the following companies:

ESG-Utiligroup Bidco Ltd	10708569
ESG-Utiligroup Intermediate Ltd	10708559
Aprose Solutions Ltd	09283538
KWR Technologies Ltd	07433090
Accelero Digital Solutions Ltd	05670986
Utilisoft Ltd	02931236
Utiligroup Ltd	09007042
Draig Technology Ltd	03777468
Utiliserve Ltd	06886305
Utiligroup Holdings Ltd	03642322
Utiligroup Acquisitions Ltd	09008074

If you require any further information I can be contacted at the address above.

Yours sincerely



Steve Gosling
Director