

COMPANY REGISTRATION NUMBER: 04849181

Utilita Energy Limited
Financial Statements
For the year ended
31 March 2020



Utilita Energy Limited

Financial Statements

Year ended 31 March 2020

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Utilita Energy Limited

Officers and Professional Advisers

The board of directors

W.N. Bullen
M.D.E. Smith

Company secretary

M.D.E. Smith

Registered office

Hutwood Court
Bournemouth Road
Chandler's Ford
Eastleigh
SO53 3QB

Auditor

Nexia Smith & Williamson
Chartered accountants & statutory auditor
4th Floor Cumberland House
15-17 Cumberland Place
Southampton
SO15 2BG

Utilita Energy Limited

Strategic Report

Year ended 31 March 2020

Principal activity

The principal activity of the company during the year was the supply of electricity and gas. We specialise in supplying gas and electricity to residential customers in GB.

Business review

The directors are pleased to report that the turnover of the company has increased by 18% to £849m (2019 (as restated) 33% increase to £720m). The number of supply points that energy is supplied to has also increased by 4% (2019 16%). A further increase is predicted for the year 2020-21. The company has steadily followed its growth path with the net addition of 30k (2019 108k) customers, and 57k (2019 179k) energy supply points, during the year bringing the total customer base to 754k (2019 724k) and 1,374k (2019 1,317k) energy supply points. The company is in the top 10 largest energy suppliers in GB and one of the largest PPM energy supplier. Some 95% of Utilita's customers are prepayment, 87% smart installed, and half of our customers have now downloaded the My Utilita app and are using it on a regular basis.

The growth in the energy retailing business continues to lead to extra demands being placed on the resources of the group. Independent banking facilities, office accommodation and a wholesale energy purchasing agreement have been put in place to enable this growth to be maintained.

The company has made a loss before tax in the current year of £25.8m (2019 (as restated) £31.9m). The onerous safeguard tariff cap is the main reason for the lack of profit in the group, along with a poorly performing credit business. Many of these issues have now been addressed, see below, and it is expected that the group will return to profit in 2020/21.

The company is operating in a regulated market with price caps imposed by the regulator Ofgem and the Competition and Markets Authority. The cap set for prepayment customers at one point in the period fell below the cap for cheaper to operate Direct Debit customers, thus leaving the company in a loss making position. The methodology of the PPM cap was reviewed and amended with effect from 1 October 2019, this has reduced the impact of the cap on the business. Further revisions to the methodology are being planned by Ofgem, the impact of which is difficult to determine at this time.

The group has continued to install Secure Meters' smart prepayment meters at its customers' homes, 87% (2019 88%) of our customers now have such a meter. This is the highest penetration of smart meters of all suppliers. The small reduction in the percentage of Smart installed customers is due to a number of factors, one of which being the increase in commercial uninstalled smart meter customers. Prepayment customers have a relatively high cost to serve compared to a DD customer, this is mitigated by installing a smart meter. We also continue to drive efficiencies in the business operations and cash collection through the use of technology, self-service and process improvements.

Principal risks and uncertainties

Market risk:

The GB retail energy market remains dominated by a small number of large suppliers, although independent suppliers now make up a larger proportion of the total than historically. Utilita has based its strategy on being a niche supplier to the prepayment segment of the market. This segment is poorly served by the large energy suppliers mainly due to a high cost to serve.

From 1 April 2017, the amount of money suppliers can charge a domestic prepayment meter (PPM) customer per unit of energy became subject to a safeguard tariff (or 'price cap') set by the CMA. This price cap is reviewed by Ofgem bi-annually. However, the base assumptions on costs do not reflect the reality of the actual costs incurred. On 1 January 2019 price caps were introduced on both Direct-Debit (DD) and Standard Variable tariffs (SVT), these caps use a different methodology to the CMA safeguard tariff cap. From 1 October 2019 the safeguard tariff cap is based on a similar methodology to the DD and SVT Ofgem designed caps, with a prepayment uplift. Further changes to the methodology of the caps are planned by Ofgem. Switching rates in the prepayment sector have fallen since the introduction of the safeguard tariff cap.

Utilita Energy Limited

Strategic Report *(continued)*

Year ended 31 March 2020

Industry databases enable competitors to target Smart Installed customers and the activity of these competitors has a large impact on the churn of customers and the costs of that churn. Utilita continues to diversify from its core prepayment business with offering Utilita Mobile to its domestic customers and the B2B product.

Technical risk:

As the company operates in an industry using sophisticated technology, there is a risk of technical issues related to utility meters used in the field, and from regulator intervention, which the group faces. New demands from the regulator placed on the company continue to need to be incorporated into systems and procedures. The ongoing introduction of SMETS2 meters will require further system changes. With SMETS2 prepayment functionality currently inferior to that available and in use in SMETS1 we continue to seek improvements in this respect. The business requires appropriate planning horizons and timescales to make major change in order to keep costs to customers down. Government's apparent strategy of drip-feeding delays adds costs to the programme.

Currency risk:

The company is not exposed to foreign currencies. All transactions are incurred in the functional currency, Sterling. However, GB energy prices have a significant link to the world price of oil, which is denominated in US Dollars.

Industry risk:

The company is exposed to many industry related risks that are outside its control. The GB retail energy market is dominated by the large energy suppliers and many industry practices are weighted in their favour. It is very difficult for a small independent supplier to influence practices and procedures that work to the detriment of small and new entrant suppliers. A number of energy suppliers have ceased trading over the last year or so. The mutualisation of certain costs of failed suppliers means that Utilita has to meet more than its fair share of these costs.

Wholesale energy market risk:

The company operates in the GB energy retail market and purchases its energy in the GB wholesale markets. The company fixes the prices to its customers until notifying a change and sources the energy from the wholesale market at the prevailing prices. Due to the volatility in the market, there remains a price risk in the energy retailing market. However, the group forward purchases wholesale energy, in accordance with a board level agreed hedging policy, to reduce the price risk.

Liquidity risk:

The company is in a continued growth phase, its market share and its addressable market are expanding, the company faces liquidity risk. However, cash flows are strong, and this risk is being efficiently managed. Industry regulations require us to have substantial levels of credit cover in place to cover future purchases but daily fluctuations in liabilities can still result in significant cash calls having to be paid out or cash deposits having to be placed. The wholesale energy purchasing agreement has reduced the company's exposure to liquidity risk by removing the requirement to place collateral for energy purchases.

Political risk:

Energy remains an important political issue and this exposes the business to higher regulatory risk than would be the normal for any other retail market. The CMA investigation into the retail energy sector placed further demands on the business with the price cap for prepayment customers from April 2017 and its extension to other vulnerable customers. On 1 January 2019 a wider direct-debit cap and SVT cap were introduced. The PPM price cap methodology changed again on 1 October 2019, and is now planned to change again. These interventions reduce the competitiveness of the market. Policy changes regarding renewable energy have also impacted the domestic market disproportionately. It is expected that political intervention risk will continue for the foreseeable future.

Utilita Energy Limited

Strategic Report *(continued)*

Year ended 31 March 2020

Section 172

In performing their duties, the directors have a duty to promote the success of the company for the benefit of shareholders as a whole, having regard to a number of broader matters which are detailed in section 172 of the UK Companies Act 2006 and which can be summarised as follows:

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

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

The Board seeks to understand the respective interests of such stakeholder groups so that these may be properly considered in the Board's decisions. We do this through various methods, including: direct engagement by Board members; receiving reports and updates from members of management who engage with such groups; and coverage in our Board papers of relevant stakeholder interests with regard to proposed courses of action.

Utilita has defined eight core values that it operates under, these underlie our approach to all dealings with stakeholders.

- Trust - we do what we say we will do
- Excellence - we strive for performance excellence in all that we do
- Supportive - we provide stimulating rewarding jobs and career development opportunities for staff in a nurturing culture
- Agility - we strive to respond quickly and effectively to opportunities and challenges within our internal and external environments
- Fairness - we treat our customers, our staff, our partners, and our suppliers fairly
- Boldness - we dare to challenge accepted practise to do things better
- Smart - we will continue to invest in technology to develop smarter and better ways of serving our customers
- Respect - we treat our customers staff partners suppliers and the communities in which we operate with respect based on honesty and integrity

Our stakeholders

The directors consider that the following are the Company's key stakeholders.

- Our employees - the company aims to treat all its employees fairly. Utilita Energy Limited is a Living Wage Foundation Employer and we follow the principles of that across all Group companies
- Our shareholders - Utilita Energy Limited is a wholly owned subsidiary of Utilita Group Limited and consequently there is considerable dialogue with that company. Utilita Group Limited prepares a quarterly statement for its shareholders and copies them in on the circulation of the in-house magazine U-Mag. An annual face-to-face meeting is held
- Our customers - we maintain our prices as low as we are able while having consideration of the various price caps in place. Customer engagement is maintained throughout the year with email, text and letter communications. We aim to offer the best customer features for prepayment supplies, including Power-up, Jackpot and our award-winning app
- Our suppliers - we aim to treat suppliers fairly and always aim to always pay our liabilities within agreed payment terms, on time and in full

Utilita Energy Limited

Strategic Report *(continued)*

Year ended 31 March 2020

- Our regulator - Utilita Energy Limited is regulated by Ofgem as a supplier of energy in GB. We aim to respond to all queries from the regulator in the specified time scales. Any regulatory compliance discussions are carried out as openly as possible. Fortnightly meetings are held with our Ofgem Account Manager
- The community and environment we operate in - we aim to respect our local communities and the environment. We have opened a number of local Hubs where communities are able to interact with our staff and have use of a community room. Our Hub staff are also involved with their local community in terms of charity activities and other community involvement. All employees are encouraged to donate work time to voluntary activities. In January 2021 Utilita announced that it would be carbon net-zero by 2030

Business relationships

The Board engages with a variety of stakeholders, including customers, regulators, and suppliers, to inform and enable balanced decisions that incorporate multiple viewpoints, whilst maintaining the Company's Strategy. In making decisions the Board considers outcomes from engagements with stakeholders as well as the importance of maintaining the Company's integrity, brand and reputation.

Examples of the engagement with stakeholders during 2019-20 include:

- Quarterly statements to shareholders and annual face to face meeting
- Regular communications with employees including monthly U-Mag, weekly "Ask the Bosses" sessions, weekly "Bill Bulletin". Since Covid-19 lockdown measures almost all interactions have been on-line. MS Teams has been rolled out to all staff, "Coffee Morning" sessions and regular Team meetings are held
- Key suppliers have regular "catch-up" sessions
- Fortnightly meeting with Ofgem Account Manager

Covid-19

On 23 March 2020 the United Kingdom entered a period of lock down due to the Coronavirus (Covid-19). This meant that most of the group's staff had to stay at home. New IT systems were ready to be deployed to enable more home working and this was accelerated so that by the end of March all staff that were able to work from home could do so. Minimal numbers of staff came into the offices. The Coronavirus Job Retention Scheme (CJRS) was introduced to pay salaries of staff who could not work from home. In the period March to July 2020 approximately 80 staff were included in the CJRS. All staff were brought back to work by the end of July, although a small number were made redundant. All systems were able to operate fully during the period, and all activities continued, although certain new customer acquisition activities were curtailed. It is the intention that the majority of staff will continue to work from home where possible for the foreseeable future. The second lockdown in November 2020 and the extended period in early 2021 caused little impact to Utilita except that the face-to-face sales staff were furloughed again as they could not work.

The company's customers were also affected by the lock down, B2B segment experienced reduced consumption and higher bad debt risk, while B2C prepayment was largely unaffected. It is expected that increased domestic consumption will continue over the coming winter.

Neither the company, nor the group, were able to take advantage of any of the government loan schemes but the company was eligible for the energy industry networks deferral schemes. All amounts owed under these schemes will be repaid by 31 March 2021. These deferrals assisted the cash flow over the summer and enable the group to continue paying all of its liabilities as they became due.

Many of the industry costs have a mutualisation element that spread the costs of a supplier failure across the whole industry. More than one mutualisation has triggered, and a risk remains that other supplier failures will occur that will trigger further mutualisations.

Ofgem are consulting on a Covid-19 bad debt allowance in the default tariff price cap, this is not being extended to prepayment.

Utilita Energy Limited

Strategic Report *(continued)*

Year ended 31 March 2020

Key performance indicators

Turnover:

Turnover as compared to last year has increased by 18%.

Customer acquisition:

The number of energy supply points at 31 March 2020 as compared to last year has increased by 4%.

In addition management consider a wide range of commercially sensitive measures of performance in a weekly Management Information Pack, these include, churn, gross sales, customer experience, etc.

This report was approved by the board of directors on 24 February 2021 and signed on behalf of the board by:



M.D.E. Smith
Company Secretary

Registered office:
Hutwood Court
Bournemouth Road
Chandler's Ford
Eastleigh
SO53 3QB

Utilita Energy Limited

Directors' Report

Year ended 31 March 2020

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

Directors

The directors who served the company during the year were as follows:

W.N. Bullen
M.D.E. Smith

Dividends

The directors do not recommend the payment of a dividend.

Greenhouse gas emissions and energy consumption

	Unit	2020
Emissions resulting from activities for which the company is responsible	tCO2e	147
Emissions resulting from the purchase of energy by the company for its own use	tCO2e	597
Emissions resulting from the purchase of energy by the company for use by its customers	tCO2e	2,230,599
Total emissions	tCO2e	2,231,343
Total energy consumption	MWh	9,870,243
Intensity metric	tCO2e/MWh	0.23

Methodologies for energy and emissions calculations

The figures quoted are for the Utilita Group as a whole, separate calculations for Utilita Energy Limited have not been prepared.

For electricity 79% of consumption is based on actual data. The remainder was estimated by Utilita or EcoAct. For gas, 126,788 kWh (19%) usage was estimated at the Utilita House (Warehouse) site. For fleet vehicles, we have used the conversion factor from UK Government GHG Conversion Factors for Company Reporting to convert 'Diesel (average biofuel blend)' from Litres to kWh. For the grey fleet, we have used the conversion factor from UK Government GHG Conversion Factors for Company Reporting to convert 'Average car - Unknown fuel' from Miles to kWh. Based on Grey Fleet mileage of 493,950 miles for 2019-20.

Principal measures taken to increase energy efficiency

The following energy and carbon reduction initiatives have been carried out during 2019-2020 resulting in gas and electricity savings:

- Detailed ESOS (Energy Saving Opportunity Scheme) reports on all the large sites: Colchester, Gateshead, Sheffield, Warrington, Winchester, Chesterfield, Glasgow and Headquarters in Eastleigh;
- Update of the BMS (Building Management System) at Hutwood Court including new sensors to control fan consumption and reprogramming for reduced operation;
- Replacement of a large central chiller with modern local VRF cooling units;
- External consultants are monitoring the BMS and energy opportunities monthly;
- Winchester Air Conditioning - scheme to upgrade now at quotation stage;
- Utilita's #EnergyHigh5 campaign, which officially launched in January 2020, is a positive behaviour change campaign designed to educate the nation on how every household can waste less energy and save money by making five simple and free-of-charge adjustments to the way we use energy;
- 99% of HQ lighting has now been upgraded to LED; and
- All local Hubs have been fitted out with LED lighting and sensor taps. These shops are selling energy saving devices to customers.

Utilita Energy Limited

Directors' Report *(continued)*

Year ended 31 March 2020

Energy Policy Statement

Utilita recognises the need to go further than the regulations. We have calculated a company-wide carbon footprint of our Scope 1, 2 and 3 greenhouse gas emissions to the UN recognised GHG Protocol standard. From this, we have set targets to be net zero by 2030. We are using this information to develop a carbon reduction strategy spanning the next few decades and beyond.

We aim to have our carbon footprint and net zero ambitions published at the beginning of 2021.

Employment of disabled persons

Utilita Energy Limited is committed to providing equal opportunities for all employees and job applicants. We aim to create a working environment in which all individuals are able to make best use of their skills, free from discrimination or harassment, and in which all decisions are based on merit.

Striving to ensure that the work environment is free of harassment and bullying and that everyone is treated with dignity and respect is an important aspect of ensuring equal opportunities in employment.

Employee Involvement

Utilita Energy Limited is committed to involving and consulting employees in all aspects of the company's business. This includes the use of "U" Magazine, company-wide emails, an intranet, open access to HR staff and senior management. During the year the U-Team has been set up as a discussion forum for staff this is chaired each month by Bill Bullen, CEO.

The group's statement on Modern Slavery and its Gender Pay Gap report is available on the website, utilita.co.uk

Events after the end of the reporting period

Particulars of events after the reporting date are detailed in note 24 to the financial statements.

Disclosure of information in the strategic report

Certain information required by schedule 7 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 has been included in the strategic report.

Directors' responsibilities statement

The directors are responsible for preparing the strategic report, directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 the profit or loss of the company for that period.

Utilita Energy Limited

Directors' Report *(continued)*

Year ended 31 March 2020

In preparing these financial statements, the directors are required to:

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

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

Auditor

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as they are aware, there is no relevant audit information of which the company's auditor is unaware; and
- they have taken all steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Nexia Smith & Williamson were appointed during the year and are deemed to have been re-appointed in accordance with section 487 of the Companies Act 2006.

This report was approved by the board of directors on 24 February 2021 and signed on behalf of the board by:



M.D.E. Smith
Company Secretary

Registered office:
Hutwood Court
Bournemouth Road
Chandler's Ford
Eastleigh
SO53 3QB

Utilita Energy Limited

Independent Auditor's Report to the Member of Utilita Energy Limited

Year ended 31 March 2020

Opinion

We have audited the financial statements of Utilita Energy Limited (the 'company') for the year ended 31 March 2020 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity and 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 March 2020 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Material uncertainty related to going concern

We draw attention to note 3 to the financial statements. The directors have reviewed their cashflow forecasts which indicates that the company's ability to continue as a going concern is dependent on the availability of additional financial support being made available to the company, by a major supplier. If the additional funding was not available then alternative sources of finance would be required.

As stated in note 3, these factors indicate that a material uncertainty exists that may cast significant doubt on the company's ability to continue as a going concern.

Our opinion is not modified in respect of this matter.

Other information

The other information comprises the information included in Financial Statements, 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.

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.

Utilita Energy Limited

Independent Auditor's Report to the Member of Utilita Energy Limited *(continued)*

Year ended 31 March 2020

Opinion on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

In 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 where 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 pages 8 and 9, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

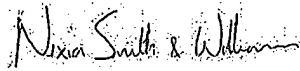
Utilita Energy Limited

Independent Auditor's Report to the Member of Utilita Energy Limited *(continued)*

Year ended 31 March 2020

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.



Andrew Edmonds BSc ACA (Senior Statutory Auditor)

For and on behalf of
Nexia Smith & Williamson
Chartered accountants & statutory auditor
4th Floor Cumberland House
15-17 Cumberland Place
Southampton
SO15 2BG
24 February 2021

Utilita Energy Limited

Statement of Comprehensive Income

Year ended 31 March 2020

	Note	2020 £000	2019 (restated) £000
Turnover	4	848,727	719,931
Cost of sales		785,893	684,252
Gross profit		62,834	35,679
Administrative expenses		90,858	69,694
Other operating income	5	1,944	1,233
Operating loss	6	(26,080)	(32,782)
Other interest receivable and similar income	8	430	915
Interest payable and similar expenses	9	163	50
Loss before taxation		(25,813)	(31,917)
Tax on loss	10	(6,588)	(4,043)
Loss for the financial year and total comprehensive income		(19,225)	(27,874)

All the activities of the company are from continuing operations.

The notes on pages 16 to 30 form part of these financial statements.

Utilita Energy Limited

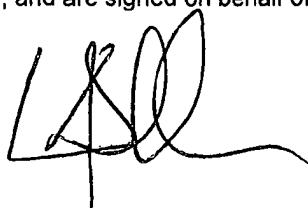
Statement of Financial Position

31 March 2020

	Note	£000	2020 £000	£000	2019 (restated) £000
Fixed assets					
Intangible assets	11		56,706		50,457
Tangible assets	12		5,404		5,263
			62,110		55,720
Current assets					
Stocks	14	4,863		41,654	
Debtors	15	96,972		97,852	
Cash at bank and in hand		1,381		2,408	
		103,216		141,914	
Creditors: amounts falling due within one year	16	179,100		192,183	
Net current liabilities			75,884		50,269
Total assets less current liabilities			(13,774)		5,451
Net (liabilities)/assets			(13,774)		5,451
Capital and reserves					
Called up share capital	20		4,000		4,000
Capital contribution	21		600		750
Profit and loss account	21		(18,374)		701
Shareholder (deficit)/funds			(13,774)		5,451

These financial statements were approved by the board of directors and authorised for issue on 24 February 2021, and are signed on behalf of the board by:

W.N. Bullen
Director



Company registration number: 04849181

The notes on pages 16 to 30 form part of these financial statements.

Utilita Energy Limited

Statement of Changes in Equity

Year ended 31 March 2020

	Called up share capital £000	Capital contribution (restated) £000	Profit and loss account (restated) £000	Total (restated) £000
At 1 April 2018	4,000	–	28,525	32,525
Loss for the year	–	–	(27,874)	(27,874)
Total comprehensive loss for the year	–	–	(27,874)	(27,874)
Capital contribution	–	800	–	800
Realisation of capital contribution	–	(50)	50	–
Total investments by and distributions to owners	–	750	50	800
At 31 March 2019 (as restated)	4,000	750	701	5,451
Loss for the year	–	–	(19,225)	(19,225)
Total comprehensive loss for the year	–	–	(19,225)	(19,225)
Realisation of capital contribution	–	(150)	150	–
Total investments by and distributions to owners	–	(150)	150	–
At 31 March 2020	4,000	600	(18,374)	(13,774)

The notes on pages 16 to 30 form part of these financial statements.

Utilita Energy Limited

Notes to the Financial Statements

Year ended 31 March 2020

1. General Information

The company is a private company limited by shares, registered in England and Wales. The address of the registered office is Hutwood Court, Bournemouth Road, Chandler's Ford, Eastleigh, SO53 3QB.

2. Statement of compliance

These financial statements have been prepared in compliance with FRS 102, 'The Financial Reporting Standard applicable in the UK and the Republic of Ireland'.

3. Accounting policies

Basis of preparation

The financial statements have been prepared on the historical cost basis.

The financial statements are prepared in sterling, which is the functional currency of the entity.

Going concern

The company has made a loss after tax of £19,225k (2019 as restated £27,874k) and has net current liabilities of £75,884k (2019 as restated £50,269k). The financial statements are prepared on a going concern basis which the directors believe to be appropriate for the following reasons.

The Group, of which the company is the main trading subsidiary, meets its day to day working capital requirements through its own cash resources and support from a major supplier ("the Supplier") of Utilita Energy Limited. The nature of the Group's business is such that there can be considerable variation in the timing of cash inflows throughout the year, especially over the spring to early autumn period. The directors have prepared detailed projected cash flow information for the Group for the period to 31 March 2022, and less detailed forecasts to March 2024.

Those forecasts are dependent on the Supplier providing additional ongoing financial support to Utilita Energy Limited during the spring to early autumn of 2021. The directors believe that delayed payment terms with the Supplier will be made available as are needed by the Group for the period covered by the forecasts. The directors have been given no indication that the Supplier will not continue to provide this support. As with any company placing reliance on other entities for financial support, the directors acknowledge that there can be no certainty that this support will continue. If this support was not to continue, then the Group would need to secure alternative finance.

The group is also in technical breach of the preferred supplier agreement's Tangible Net Worth covenant. The supplier is aware of this breach, however, no notice of breach has been received nor is expected.

Being a mainly prepayment energy supplier the group has not been significantly impacted financially by Covid-19. Utilita Energy Limited has taken advantage of the energy industry network costs deferral, to provide short term liquidity over the period September 2020 to March 2021. New customer sales and losses have both been reduced, however, this has not lead to any reduction in net customer numbers. Staff have been enabled to work from home wherever possible. Installation on new smart meters by Utilita Field Services Limited have continued albeit with some limited access to customer premises during lock downs.

Utilita Energy Limited

Notes to the Financial Statements *(continued)*

Year ended 31 March 2020

3. Accounting policies *(continued)*

Going concern *(continued)*

The directors believe that it remains appropriate to prepare the financial statements on a going concern basis. However, these circumstances represent a material uncertainty that may cast significant doubt on the group's ability to continue as a going concern and, therefore, to continue realising its assets and discharging its liabilities in the normal course of business. The financial statements do not include any adjustments that would result from the basis of preparation being inappropriate.

Disclosure exemptions

The entity satisfies the criteria of being a qualifying entity as defined in FRS 102. Its financial statements are consolidated into the financial statements of Utilita Group Limited which can be obtained from the registered office. As such, advantage has been taken of the following disclosure exemptions available under paragraph 1.12 of FRS 102:

- (a) No cash flow statement has been presented for the company;
- (b) Disclosures in respect of financial instruments have not been presented; and
- (c) No disclosure has been given for the aggregate remuneration of key management personnel.

Consolidation

The entity has taken advantage of the exemption from preparing consolidated financial statements contained in Section 400 of the Companies Act 2006 on the basis that it is a subsidiary undertaking and its immediate parent undertaking is established under the law of an EEA State.

Investments

Fixed asset investments are initially recorded at cost, and subsequently stated at cost less any accumulated impairment losses.

Judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported. These estimates and judgements are continually reviewed and are based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Significant judgements

The judgements (apart from those involving estimations) that management has made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognised in the financial statements are as follows:

- **Forward purchases of energy** - The company has entered into contracts for the purchase of energy for periods up to 24 months in the future. The directors have determined that the classification of such contracts represents commodity purchases for use within the business accounted for at cost at date of delivery and not as derivative instruments accounted for at fair value;
- **Deferred tax assets** - These 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. The directors have assessed the future trading performance of the company and believe it is probable that the company will generate profits and therefore a deferred tax asset has been recognised; and

Utilita Energy Limited

Notes to the Financial Statements *(continued)*

Year ended 31 March 2020

3. Accounting policies *(continued)*

Judgements and key sources of estimation uncertainty *(continued)*

- Operating lease commitments - The company has entered into meter rental transactions and obtains use of plant and equipment as lessee. The classification of such leases as operating or finance lease requires the company to determine, based on an evaluation of the terms and conditions of the arrangements, whether it retains or acquires the significant risks and rewards of ownership of these assets and accordingly whether the lease requires an asset and liability to be recognised in the statement of financial position.
- Capitalisation of acquisition costs and installation costs - The company considers that customer acquisition costs and installation costs that relate to the direct cost of acquiring a customer, or installing a smart meter for a customer, are of benefit to the company for the period that the customer is on supply.
- Going concern - The directors have considered the period to 31 March 2022 in detail and the period to 31 March 2024 in less detail and have formed the view that the company and the group is a going concern.

Key sources of estimation uncertainty

Accounting estimates and assumptions are made concerning the future and, by their nature, will rarely equal the related actual outcome. The key assumptions and other sources of estimation uncertainty that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

- Taxation - The company establishes provisions based on reasonable estimates. The amount of such provisions is based on various factors, such as experience and the interpretation of tax regulations. 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;
- Revenue recognition - An estimate is made of the value of energy supplied to customers based on company specific industry settlement data and estimates of customer usage since last meter read data. The industry settlement data is the estimated quantity the industry system operator deems the individual suppliers, including the company, to have supplied;
- Accruals and prepayments - The company estimates the costs of goods and services received in the period where the actual liability for the period is not fully known at the year end;
- Depreciation and amortisation - The company has determined the estimated useful lives of its tangible and intangible assets. The life of an individual asset is based on various, technological, practical and legislative information, including the economic life of the customer; and
- Impairment of trade receivables and balances with customers - Impairments against trade receivables and balances with customers are recognised where the loss is probable. The directors have based their assessment of the level of impairment on collection rates experienced to date. The estimates and assumptions used to determine the level of provision will continue to be reviewed periodically and could lead to changes in the impairment provision methodology which would impact the income statement in future years.

Utilita Energy Limited

Notes to the Financial Statements *(continued)*

Year ended 31 March 2020

3. Accounting policies *(continued)*

Revenue recognition

Turnover is measured at the fair value of the consideration received or receivable for sales of energy and the value of services and facilities provided during the year, net of discounts and value added tax.

Revenue includes an estimate of the value of energy supplied to customers based on company specific industry settlement data and estimates of customer usage since last meter read data. The industry settlement data is the estimated quantity the industry system operator deems the individual suppliers, including the company, to have supplied.

Balances with customers

Amounts recoverable from and/or repayable to customers and/or other supply companies are calculated on the basis of best expectation of amounts due to be received or repaid. This expectation is based on historic patterns of behaviour for such amounts.

Receivables, which are included in trade debtors, are made up of amounts in transit from customers plus an estimate of the balances expected to be recoverable from advances made to customers, the recoverable amount of unpaid invoices rendered and other similar amounts. Vend transactions are recorded on meters at date of vend, receipts passing through collection partners are treated as debtors from vend date to receipt in bank.

Liabilities are based on balances owed to customers for amounts received in advance of consumption, amounts due to be repaid to other supply companies or customers for amounts received in error and other refunds due to customers.

Income tax

The taxation expense represents the aggregate amount of current and deferred tax recognised in the reporting period. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, tax is recognised in other comprehensive income or directly in equity, respectively.

Current tax is recognised on taxable profit for the current and past periods. Current tax is measured at the amounts of tax expected to pay or recover using the tax rates and laws that have been enacted or substantively enacted at the reporting date.

Deferred tax is recognised in respect of all timing differences at the reporting date. Unrelieved tax losses and other deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the reporting date that are expected to apply to the reversal of the timing difference.

Operating leases

Lease payments are recognised as an expense over the lease term on a straight-line basis. The aggregate benefit of lease incentives is recognised as a reduction to expense over the lease term, on a straight-line basis.

Lease income is recognised in profit or loss on a straight line basis over the lease term. The aggregate cost of lease incentives are recognised as a reduction to income over the lease term on a straight-line basis. Costs, including depreciation, incurred in earning the lease income are recognised as an expense. Any initial direct costs incurred in negotiating and arranging the operating lease are added to the carrying amount of the lease and recognised as an expense over the lease term on the same basis as the lease income.

Utilita Energy Limited

Notes to the Financial Statements *(continued)*

Year ended 31 March 2020

3. Accounting policies *(continued)*

Intangible assets

Acquisition costs

Acquisition costs relate to the direct cost of acquiring a customer through the different acquisition channels used. They are initially recorded at cost, and are subsequently stated at cost less any accumulated amortisation and impairment losses. Cost is determined as costs incurred on acquiring and establishing a customer. The cost is amortised over the estimated length of time that the customer remains with the company, and is written off on loss of supply.

Installation costs

Installation costs relate to the direct cost of installing a smart utility meter at a customer's premises. They are initially recorded at cost, and are subsequently stated at cost less any accumulated amortisation and impairment losses. Cost is determined as net costs incurred on installing a smart utility meter. The cost is amortised over the estimated length of time that the customer remains with the company, and is written off on loss of supply.

Development costs

Internally developed software costs are included at cost where the future derived benefit is greater than the cost. They are initially recorded at cost, and are subsequently stated at cost less any accumulated amortisation and impairment losses. Cost includes both internal and external costs.

Amortisation

Amortisation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful life of that asset as follows:

Acquisition costs	-	5 years
Installation costs	-	5 years
Development costs	-	5 years

If there is an indication that there has been a significant change in amortisation rate, useful life or residual value of an intangible asset, the amortisation is revised prospectively to reflect the new estimates. Where a supply to a customer is lost the net book value of Acquisition and Installation costs at date of loss is treated as a loss on disposal.

Tangible assets

Tangible assets are initially recorded at cost, and subsequently stated at cost less any accumulated depreciation and impairment losses. Any tangible assets carried at revalued amounts are recorded at the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Depreciation

Depreciation is calculated so as to write off the cost or valuation of an asset, less its residual value, over the useful economic life of that asset as follows:

Land and buildings - Leasehold property	-	life of the lease
Equipment	-	2 - 12.5 years

Impairment of fixed assets

A review for indicators of impairment is carried out at each reporting date, with the recoverable amount being estimated where such indicators exist. Where the carrying value exceeds the recoverable amount, the asset is impaired accordingly. Prior impairments are also reviewed for possible reversal at each reporting date.

Utilita Energy Limited

Notes to the Financial Statements *(continued)*

Year ended 31 March 2020

3. Accounting policies *(continued)*

Stocks

Stocks are measured at the lower of cost and estimated selling price less costs to complete and sell. Cost includes all costs of purchase, costs of conversion and other costs incurred in bringing the stock to its present location and condition. Renewable obligation certificates are measured at the lower of cost and net realisable value and are recognised when contract to purchase is made.

Financial instruments

Financial assets and financial liabilities are recognised in the balance sheet when the company becomes a party to the contractual provisions of the instrument.

Trade and other debtors and creditors are classified as basic financial instruments and measured at initial recognition at transaction price. Debtors and creditors are subsequently measured at amortised cost using the effective interest rate method. A provision is established when there is objective evidence that the company will not be able to collect all amounts due.

Cash and cash equivalents are classified as basic financial instruments and comprise cash in hand and at bank, short-term bank deposits with an original maturity of three months or less and bank overdrafts which are an integral part of the company's cash management.

Financial liabilities and equity instruments issued by the company are classified in accordance with the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities. Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs.

Interest bearing bank loans, overdrafts and other loans which meet the criteria to be classified as basic financial instruments are initially recorded at the present value of cash payable to the bank, which is ordinarily equal to the proceeds received net of direct issue costs. These liabilities are subsequently measured at amortised cost, using the effective interest rate method.

Defined contribution plans

Contributions to defined contribution plans are recognised as an expense in the period in which the related service is provided.

Forward energy purchases

Forward purchases of energy are classified as commodity purchases for use within the group's business and as such are accounted for at cost on day of delivery.

4. Turnover

Turnover arises from:

	2020	2019
		<i>(restated)</i>
	£000	£000
Supply of energy	848,660	719,719
Other charges	67	212
	<u>848,727</u>	<u>719,931</u>

Utilita Energy Limited

Notes to the Financial Statements *(continued)*

Year ended 31 March 2020

4. Turnover *(continued)*

The whole of the turnover is attributable to the principal activity of the company wholly undertaken in the United Kingdom.

5. Other operating income

	2020 £000	2019 £000
Other operating income	<u>1,944</u>	<u>1,233</u>

6. Operating profit

Operating profit or loss is stated after charging:

	2020 £000	2019 £000
Amortisation of intangible assets	16,517	13,204
Depreciation of tangible assets	1,946	1,897
Loss on disposal of tangible assets	1	2
Loss on disposal of intangible assets	17,913	14,423
Impairment of trade debtors	50,311	31,543
Operating leases	<u>2,018</u>	<u>1,813</u>

Auditor's remuneration is incurred by Utilita Group Limited and no apportionment is made to this company.

7. Staff costs

The average number of persons employed by the company during the year, including the directors, amounted to:

	2020 No.	2019 No.
Administrative staff	<u>777</u>	<u>782</u>

The aggregate payroll costs incurred during the year, relating to the above, were:

	2020 £000	2019 £000
Wages and salaries	19,265	17,706
Social security costs	1,589	1,518
Other pension costs	430	298
	<u>21,284</u>	<u>19,522</u>

All directors' remuneration for the group is incurred by Utilita Group Limited and it is not practicable to apportion between group companies.

Utilita Energy Limited

Notes to the Financial Statements *(continued)*

Year ended 31 March 2020

8. Other interest receivable and similar income

	2020 £000	2019 £000
Interest on cash and cash equivalents	58	35
Interest from group undertakings	266	724
Gain on settlement of renewables obligation certificates	106	156
	<u>430</u>	<u>915</u>

9. Interest payable and similar expenses

	2020 £000	2019 (restated) £000
Other interest payable	13	—
Other financing costs	150	50
	<u>163</u>	<u>50</u>

10. Tax on loss

Major components of tax income

	2020 £000	2019 £000
Current tax:		
UK current tax income	—	(1,922)
Adjustments in respect of prior periods	—	1
Payment for group relief	(547)	(215)
Total current tax	<u>(547)</u>	<u>(2,136)</u>
Deferred tax:		
Origination and reversal of timing differences	(6,041)	(1,907)
Tax on loss	<u>(6,588)</u>	<u>(4,043)</u>

Utilita Energy Limited

Notes to the Financial Statements *(continued)*

Year ended 31 March 2020

10. Tax on loss *(continued)*

Reconciliation of tax income

The tax assessed on the loss on ordinary activities for the year is lower than (2019: higher than) the standard rate of corporation tax in the UK of 19% (2019: 19%).

	2020 £000	2019 <i>(restated)</i> £000
Loss on ordinary activities before taxation	(25,813)	(31,917)
Loss on ordinary activities by rate of tax	(4,900)	(6,009)
Adjustment to tax charge in respect of prior periods	–	1
Effect of expenses not deductible for tax purposes	42	57
Effect of changes of tax rates	(255)	190
Unrecognised deferred tax	(1,475)	1,611
Group relief	–	107
Tax on loss	<u>(6,588)</u>	<u>(4,043)</u>

11. Intangible assets

	Acquisition costs £000	Installation costs £000	Development costs £000	Total £000
Cost				
At 1 April 2019	62,738	10,561	142	73,441
Additions	29,522	9,452	1,705	40,679
Disposals	(21,279)	(3,437)	–	(24,716)
At 31 March 2020	<u>70,981</u>	<u>16,576</u>	<u>1,847</u>	<u>89,404</u>
Amortisation				
At 1 April 2019	20,557	2,399	28	22,984
Charge for the year	13,672	2,826	19	16,517
Disposals	(5,995)	(808)	–	(6,803)
At 31 March 2020	<u>28,234</u>	<u>4,417</u>	<u>47</u>	<u>32,698</u>
Carrying amount				
At 31 March 2020	<u>42,747</u>	<u>12,159</u>	<u>1,800</u>	<u>56,706</u>
At 31 March 2019	<u>42,181</u>	<u>8,162</u>	<u>114</u>	<u>50,457</u>

Utilita Energy Limited

Notes to the Financial Statements *(continued)*

Year ended 31 March 2020

12. Tangible assets

	Short leasehold property £000	Equipment £000	Assets under construction £000	Total £000
Cost				
At 1 April 2019	862	9,302	–	10,164
Additions	637	769	682	2,088
Disposals	–	(489)	–	(489)
At 31 March 2020	1,499	9,582	682	11,763
Depreciation				
At 1 April 2019	262	4,639	–	4,901
Charge for the year	162	1,784	–	1,946
Disposals	–	(488)	–	(488)
At 31 March 2020	424	5,935	–	6,359
Carrying amount				
At 31 March 2020	1,075	3,647	682	5,404
At 31 March 2019	600	4,663	–	5,263

13. Investments

Utilita Energy Limited owns 100% of the issued share capital of Utilita Gas Limited and Hooga Limited. Both companies are incorporated in England and Wales, are dormant and have capital and reserves of £1. Hooga Limited commenced trading in December 2020 providing energy efficiency measures.

14. Stocks

	2020 £000	2019 (restated) £000
Finished goods and goods for resale	4,863	41,654

Finished goods and goods for resale comprise Renewable Obligation Certificates.

Utilita Energy Limited

Notes to the Financial Statements *(continued)*

Year ended 31 March 2020

15. Debtors

	2020	2019 <i>(restated)</i>
	£000	£000
Trade debtors	71,047	58,455
Amounts owed by group undertakings	1,088	11,085
Deferred tax asset	8,209	2,168
Prepayments and accrued income	6,057	20,424
Corporation tax repayable	—	1,880
Other debtors	10,571	3,840
	<u>96,972</u>	<u>97,852</u>

The debtors above include the following amounts falling due after more than one year:

	2020	2019 <i>(restated)</i>
	£000	£000
Deferred tax asset	8,209	2,168
Prepayments and accrued income	556	5,949
	<u>8,765</u>	<u>8,117</u>

The company has placed cash collateral of £7,860k (2019 £3,670k) in respect of the purchase of energy and other services, which are included in other debtors.

16. Creditors: amounts falling due within one year

	2020	2019 <i>(restated)</i>
	£000	£000
Trade creditors	49,293	16,018
Accruals and deferred income	108,039	155,457
Social security and other taxes	—	391
Balances with customers	21,627	19,962
Other creditors	141	355
	<u>179,100</u>	<u>192,183</u>

Utilita Energy Limited

Notes to the Financial Statements *(continued)*

Year ended 31 March 2020

17. Deferred tax

The deferred tax included in the statement of financial position is as follows:

	2020 £000	2019 £000
Included in debtors (note 15)	8,209	2,168

The deferred tax account consists of the tax effect of timing differences in respect of:

	2020 £000	2019 £000
Accelerated capital allowances	140	264
Unused tax losses	8,062	1,900
Pension plan obligations	7	4
	8,209	2,168

18. Employee benefits

Defined contribution plans

The amount recognised in profit or loss as an expense in relation to defined contribution plans was £430,868 (2019: £298,077).

The liability at the year end for pension contributions was £90,219 (2019 £50,729).

19. Prior period adjustments

Share options:

On 30 November 2018 an amendment was made to the preferred supplier agreement ("PSA") and options over the share capital of the parent entity were granted. The directors have re-assessed the accounting for this transaction and having estimated the value of these options, a capital contribution for this value has been created with a corresponding prepayment which is being written off as a financing charge in the company over the life of the PSA. The comparative figures have been restated to include a prepayment of £750,000 and a capital contribution of the same amount on the balance sheet, with an increase in the loss (increase in finance costs) for the comparative year of £50,000.

Renewable obligation certificates:

These have been reclassified as stock rather than other investments as the directors feel this more accurately reflects the nature of the assets. The impact of this on the comparative figures is an increase in stock of £41,654,000 with a corresponding decrease in other investments by the same amount with no impact on net assets or result for the prior year.

Utilita Energy Limited

Notes to the Financial Statements *(continued)*

Year ended 31 March 2020

19. Prior period adjustments *(continued)*

Trade creditors:

Balances with customers, which had been included in trade creditors, have now been separately identified in creditors.

Profit and loss classification:

Having reviewed the classification of financial statement headings in which certain income and costs are included, the directors have made reclassifications to more accurately reflect the nature of the costs and income. Third party commissions have been reclassified in cost of sales rather than turnover, giving rise to an increase in both turnover and cost of sales of £2,156,000 for the comparative period with no impact on the overall loss.

Administrative expenses have been reclassified to include costs of collecting income as cost of sales. This has had the impact of increasing cost of sales and reducing administrative costs by £13,301,000 for the comparative period with no impact on the loss.

20. Called up share capital

Issued, called up and fully paid

	2020		2019	
	No.	£	No.	£
Ordinary shares of £1 each	4,000,000	4,000,000	4,000,000	4,000,000

21. Reserves

Profit and loss account - This reserve records retained earnings and accumulated losses.

Capital contribution - This reserve represents the capital contribution made by Utilita Group Limited as a result of a change to the preferred supplier agreement, a release of the reserve is made as the costs are taken to profit and loss account. Share options comprising 63% (2019 63%) of the ordinary share capital of the parent company, on a fully diluted basis, have been granted. These options were granted in lieu of an amendment to the preferred supplier agreement ("PSA") and the value of these options is amortised over the life of the PSA as a finance cost. During the year, the related financing charge was £150,000 (2019 (as restated) £50,000).

22. Operating leases

The total future minimum lease payments under non-cancellable operating leases are as follows:

	2020 £000	2019 £000
Not later than 1 year	2,011	1,813
Later than 1 year and not later than 5 years	7,785	7,056
Later than 5 years	4,335	6,083
	<u>14,131</u>	<u>14,952</u>

Utilita Energy Limited

Notes to the Financial Statements *(continued)*

Year ended 31 March 2020

22. Operating leases *(continued)*

The company has a commitment to pay utility meter owners rentals for utility meters used by our customers. These arrangements are on a pence per day basis and are only payable while Utilita Energy Limited supplies energy to that customer. The amount paid in respect of this commitment was £42,464k (2019 £40,519k), a proportion of these rentals was paid to Utilita Field Services Limited, a fellow subsidiary.

23. Contingencies

The company's hedging strategy aims to provide the company with protection against sudden and significant increases in energy prices while ensuring that the company is not competitively disadvantaged in a serious way in the event of a substantial fall in the price of energy. The strategy operates within limits set by the Board. The company's policy is not to trade in derivatives but to use these instruments to hedge anticipated expenses.

At 31 March 2020 the company has entered into a portfolio of forward contracts for the purchase of power. These contracts are capable of being bought and sold in an arm's length transaction. At 31 March 2020 the price to which the company is committed is above the market price for such contracts by £43m (2019 £30m). Most of these contracts are for a period of up to one year.

Utilita Energy Limited has guaranteed the banking facilities of Utilita Group Limited and its subsidiaries. At 31 March 2020 the balance outstanding under these guarantees was £nil (2019 £nil).

Utilita Energy Limited has entered into a Wholesale Energy Purchasing Agreement for the purchase of gas and power, the outstanding liability for the purchase of energy by the group to BP Gas Marketing Limited at 31 March 2020 was £24.2m (2019 £nil).

24. Events after the end of the reporting period

In January 2020 Ofgem opened an investigation into Utilita Energy Limited and its compliance with its obligations under the gas and electricity supply licences in respect of the PPM price cap, whereby a small number of customers were affected by an overcollection which was not repaid in a timely manner. Utilita has agreed to pay £500,000 in redress to ensure impacted customers are directly compensated over and above the refunds already issued. As a result, Ofgem has decided not to take formal enforcement action, taking into account the steps Utilita has taken to address its failings and the redress it has agreed to pay. The investigation was closed in October 2020.

25. Related party transactions

During the year the company entered into the following transactions with related parties:

	Transaction value		Balance owed by/(owed to)	
	2020	2019	2020	2019
	£000	£000	£000	£000
Goods and services - Secure Group	<u>—</u>	<u>5,677</u>	<u>—</u>	<u>—</u>

In line with the requirements of Section 33 of FRS 102 the company has not disclosed transactions with other wholly owned entities within the group.

Utilita Energy Limited

Notes to the Financial Statements *(continued)*

Year ended 31 March 2020

26. Controlling party

Throughout both years the company has been controlled by Utilita Group Limited, the immediate parent company. Until 30 November 2018 the ultimate controlling party was Secure Meters Limited through their indirect shareholding in Utilita Group Limited. Since 1 December 2018 W.N. Bullen, the majority shareholder of Utilita Group Limited, has day to day control of the Group, however a preferred supplier has the power to obtain control by exercising options (at certain vesting points) but they have not currently exercised these options.

The ultimate parent company of Utilita Energy Limited at the balance sheet date was Utilita Group Limited. All companies in the Utilita group have the same registered office.

The parent of the smallest and largest group for which group accounts including Utilita Energy Limited are drawn up is Utilita Group Limited. Copies of these accounts may be obtained from the registered office.