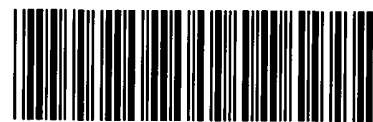


Utilitywise plc

Annual Report and Accounts 2017

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OUR BUSINESS MODEL AND STRATEGY

Our business model

Utilitywise specialises in gas, electricity and most recently water procurement, and in energy management and compliance services for businesses of all shapes and sizes, helping them buy better & use less.

The Group negotiates rates with a wide portfolio of energy and water suppliers on behalf of business customers, provides an account care service, and offers a range of products and services designed to assist customers in managing their energy consumption and energy compliance needs. Customers are based throughout the UK, the Republic of Ireland and certain European markets, across a variety of industry sectors and the public sector, and range in size from small single-site customers to large multi-site customers.

The Group has a range of distribution channels that it utilises to offer and deliver its services to its business customers;

- **Telesales / Telemarketing:** The Group employs a large team of energy consultants who engage prospective customers via inbound or outbound contact. The Group invests in a mixture of digital marketing to drive inbound demand, and in market data, which it then segments to inform contact strategies.
- **The Group also employs 'field based' energy consultants who target organisations that cannot be effectively reached via the core telemarketing channel.**
- **Business Development I&C¹ Market:** The Group has a dedicated business development team that target larger I&C prospective customers. For these prospective customers the process is more consultative and bespoke and whilst it may lead with an energy procurement discussion, it often includes a range of the broader service elements.
- **Digital:** The Group has recently developed digital technology intended to assist customers comparing tariffs. It is specifically for customers with certain smaller consuming meters, enabling them to switch supplier with minimal human intervention, thereby making the service viable for smaller customers.
- **Partner Channel:** Lastly, the Group operates a 'partner channel' where organisations refer customers to Utilitywise and commissions generated from those customers are shared between Utilitywise and the referring organisation.

The Group has continued to develop in all of these areas. The Group is currently organised in two divisions Enterprise and Corporate. The Enterprise Division services Micro market, SME and 'mid-market' customers.

The Corporate Division serves larger clients, sometimes referred to as I&C customers in the market.

The management team, many of whom are relatively new to the Group, believe that the market is a dynamic one, with no lack of potential or opportunity for growth. The market is under-served with high percentages of business customers who have never switched, but with a growing awareness of the ability and ease of which one can, as well as a range of economic incentives to do so. In addition, UK supplier market fragmentation continues, and penetration by third party intermediaries (TPIs) in the UK commercial market is low, yielding opportunity for organic growth.

In addition to the Group's aim of growing its market share of both SME and I&C customers, the Directors believe that there is opportunity to capitalise on the strength of the Group's customer base, cross-selling other energy management and compliance services, and other utilities. In addition, further potential exists to leverage the Group's established relationships with energy suppliers and partners, who continue to show an interest in the Group's energy management products and services for sale into their customer bases.

However, the Group recognises that achieving its ambition and realising the potential in the market will only be possible by bringing about significant change in customer trust of the market (suppliers or TPIs), by adopting a more tailored channel strategy to sell to and serve customers more optimally, and by engaging internal colleagues around a unified goal and purpose.

Strategy

Consequently, the Group's strategy is now focused around the following key strategic pillars which were communicated on 2 March 2017, as the Group announced its Strategy for Growth.

Winning in the market:

Grow the Group's customer base by expanding its service proposition, developing established and new sales channels such as digital to meet changing customer preferences, and continuing to pursue the best possible terms for customers;

Customers for life:

Build on the high levels of customer satisfaction and retention rates through cross and upselling new products and services into our expanding customer base;

Revolutionise markets:

Develop and employ the use of disruptive technology platforms such as WiseLife to help customers save money by reducing energy consumption at the point of use;

Colleagues:

Make Utilitywise a great place to work with opportunity for career progression;

One Utilitywise:

Bring the different parts of the business closer together under a single vision, strategy, set of values and brand.

Accordingly, the Group has set itself some challenging targets, to be delivered by the end of the financial year ending 31 July 2021, namely:

- Increasing its share of the SME and micro SME energy procurement market, by customer number, from 2% to 7%;
- Increasing UK SME customers to c. 130,000; and
- Developing a 5% share of the £1.5bn UK corporate energy controls market.

To this end, the Group intends to gradually introduce new ways of measuring success as the revenue mix evolves over time.

Once progress has been made in implementing the refreshed strategy in the UK, the Group intends to expand across certain international markets.

Market

The needs of customers in the Utilities market are growing and diversifying and Utilitywise is well-positioned to capitalise on an increasingly significant opportunity.

Research by Ofgem² indicates that 16% of businesses in the UK currently use third-party intermediaries to get a better deal on their energy. Only 12% of the businesses that use third-party intermediaries are current Utilitywise customers, so despite being the market leader, there remains a clear opportunity for increased penetration.

The same research also indicates that 47% of businesses in the UK switch supplier direct and 37% have never switched. The latter represents c.700,000 businesses and Group estimates, based upon previous BEIS² research in respect of residential customers, suggest that savings of up to £500 per non-domestic customer are achievable, representing annual savings in excess of c.£300m by seeking an improved deal. Engaging with this combined 84% of UK businesses represents a substantial long-term opportunity for the Group.

For many businesses, energy is one of the top three costs alongside people and property. Whilst getting the best price remains the most obvious way for them to save, a backdrop of rising utility and operating costs, growing awareness of the importance of sustainability, and increasingly stringent legislation means that more and more businesses are turning to technology to help them reduce consumption.

With the emergence of the Internet of Things ("IoT") and "smart" buildings, by connecting once-disparate, energy-expendng systems and devices together and enabling them to interact with one another, businesses can access a level of monitoring, insight and control over their energy consumption that wasn't previously possible. With high barriers to entry, as the largest business energy consultant in the UK, Utilitywise is uniquely placed to take advantage of this growing opportunity. To this end, the Group has invested heavily in its technological capabilities in the past twelve months. Research from BEIS³ shows that the aggregate UK SME annual spend on energy is c. £20bn, giving a savings opportunity of £2bn if energy efficiency was improved by 10%.

At the same time, by providing businesses with a straight-forward and compelling way to create savings, the imminent deregulation of the water market presents Utilitywise with new engagement and revenue opportunities.

¹ Industrial and Commercial

² Office of Gas and Electricity Markets

³ Department for Business, Energy and Industrial Strategy

OUR PRINCIPAL RISKS AND UNCERTAINTIES

The principal risks and uncertainties faced by the Group are outlined below:

Reliance on key suppliers

A significant proportion of the Group's revenues are derived from commissions paid by a small number of utility suppliers. Should these suppliers decide in future not to engage with the Group or with third party intermediaries (TPIs) generally and, instead, engage directly with customers, the Group would suffer a loss in revenues related to the commission payable by such energy suppliers. The Group maintains strong relationships with its suppliers and we will work together to resolve any minor issues before they become significant. The Group ensures that it is in constant dialogue and has trading with all of the major energy suppliers to help mitigate this risk. The Group further aims to mitigate this risk by providing a unique suite of products and services.

Exposure to underlying customers

The Group's end customers pay utility suppliers directly for the energy consumed, with the Group receiving its commissions from the utility supplier, based upon the actual utility consumption levels by the Group's customers, with the final contract value ultimately determined at the end of the contract, when the overall utility consumption level is known. The Group is, therefore, at risk should the customer significantly under-consume against the levels initially assumed when the contract commenced, whether that under-consumption is due to:

- The customer consuming at a lower level across the life of the contract for any other reason, for example a reduction in its own activity or increased focus on energy efficiency; or
- The customer ceasing to trade before the scheduled maturity date of the contract

Should this occur, the Group would suffer a loss in future revenues related to the commissions associated with the future energy consumption of that customer. To the extent that the Group had received the majority of expected commissions on those contracts, there would also be a risk that a partial cash repayment would be necessary.

It should be noted that the utility supplier usually undertakes credit checks on customers prior to entering into a contract to supply utilities. We do not recognise the full value of the revenue recognised for commissions from energy suppliers and provide for the variability in the commissions estimated at the time the contract goes live and the eventual commissions due when actual data is known. This provision and the associated estimate of the variability (sometimes referred to as the under-consumption or "leakage" rate) are reviewed regularly using maturing contracts in order to predict the future variability on all contracts yet to mature.

During 2017, the Group has also introduced additional internal controls to improve the quality of its order book. In particular, this includes additional checks before business, that has been agreed with a customer, is allowed to be added to the order book of the Group. This is to reduce the risk of mis-estimation of the value of the contract and/or that the contract would fail to appropriately commence.

The Group maintains good commercial relationships with its major utility suppliers, which includes discussions regarding levels of under-consumption of live contracts with those suppliers, to ensure that the Group has reasonable visibility of the economic performance of those contracts.

The Group has revised its accounting policy in respect of revenue for the year ended 31 July 2017, as explained in Note 1 and, on 1 August 2017 early-adopted IFRS 15, as explained in Note 29, both of which further reduce the potential revenue impact of any under-consumption on contracts in future.

Customer service and delivery

We expect to deliver exceptional service to the end user of the energy we procure on their behalf. Although we do not in most cases have a contractual relationship with the end consumer, as our contractual customer is the energy supplier, we target the delivery of an exceptional service and overall experience with Utilitywise. The renewal rate is an obvious gauge of our success in retaining customers and this, together with the various additional products and services we can offer, help us differentiate our offering from the competition.

Competition

The Group has a number of competitors. These competitors may announce new services, or enhancements to existing services, that better meet the needs of customers or changing industry standards. Management continues to develop and offer a full range of energy services products to help mitigate competition risk.

Recruitment and retention of the right people

Recruiting and retaining the right people is an important part of the success of the Group in meeting our objectives. Energy Consultant headcount has remained relatively static in the year as a result of increased attrition, which has offset recruitment in the period. To mitigate the attrition risk the Group has invested heavily in recruitment and on boarding processes, management structures and training and development.

Security and resilience of our networks and IT systems

We place significant reliance on the networks and IT systems within our business. The day-to-day running of our Enterprise Division, for instance is reliant on the in-house developed Quantum CRM system and any extended downtime would impact the Group's ability to transact with the end energy consumer. It is therefore essential that we build security and resilience into the networks and systems to mitigate the risk from attacks and system failures. We are continually developing our systems and we continue to make significant investment in our IT infrastructure to improve the resilience of our key systems.

Liquidity

The Group has a revolving credit facility (RCF). The Group's cash flow forecast indicates that there is sufficient headroom in order to fund the Group's strategic objectives.

In January 2018, the Group's single banking lender agreed to amend the Group's suite of financial banking covenants, to move away from a covenant based upon accounting profit and towards cash flow and liquidity, in particular in light of the Group's amended revenue accounting policies which are materially more conservative than previous policies.

It is expected that the Group will be able to refinance its borrowing facilities ahead of the maturity of the current facility in April 2019.

The Group currently receives the majority of its cash inflows from major energy suppliers and the counterparty credit risk attached to them is considered to be low, based upon their scale and credit ratings.

As noted in the "Exposure to underlying customers" risk area above, should contracts under-consume, there is a risk of revenue reversal in future periods. To the extent that the energy supplier has already made a payment for the majority of the expected commission on contracts, there is a risk of partial repayment of commissions falling due back to the energy suppliers. This is particularly true of the largest contracts, which are shown to broadly display larger levels of average under-consumption than the smaller contracts. The Group now gathers regular information from energy suppliers on all live contracts of greater than £50,000 in value and the Board is mindful of that information in managing its cash flows and liquidity. The Group has also implemented additional controls to verify expected values of larger contracts before they go-live and the resulting commissions billed to energy suppliers.

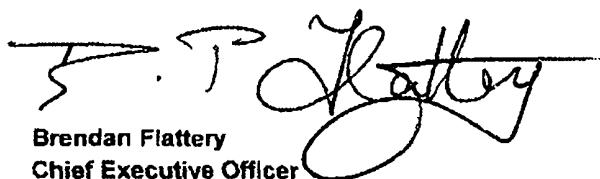
Legislation and Regulatory

Legislation may change in a manner that may require more strict or additional standards of compliance than those currently in effect thereby creating additional costs. In addition, the government may implement legislation requiring changes to current fee structures for TPIs. Should such legislation be passed there may be a material adverse effect on the Group's financial condition and operating results.

Currently, energy procurement is an unregulated market. Should regulation be introduced to cover the Group's activities, the increased regulatory burden could impact on the profits of the Group. We maintain a positive dialogue with all regulatory bodies and look to conduct ourselves in a manner that would be consistent with any likely regulatory change. However, it should be noted that the Board believes that the Group operates in line with best market practice, including the provisions of the OFGEM¹ retail market review, and in its view any such regulation would initially impact on the smaller energy consultancy and brokering businesses. Should such legislation be passed that differs materially from our expectation, there may be a material adverse effect on the Group's financial condition and operating results.

Risks relating to financial instruments are disclosed in the notes to the financial statements.

Approved by the Board of Directors and signed on behalf of the Board on 21 March 2018.



Brendan Flattery
Chief Executive Officer

¹Office of Gas and Electricity Markets

STRATEGIC REPORT

Chairman's statement

I am pleased to deliver my first statement as Chairman of the Group, having taken over the position from Geoff Thompson when he stepped down from the Board at the Annual General Meeting on 30 January 2018.

I would like to pay tribute to Geoff and the Group that he has built and I look forward to working with Brendan Flattery and the rest of the Board as the Group builds on that legacy and continues to execute its strategic priorities.

I would also like to thank Jeremy Middleton, Richard Feigen and Paul Hales, who have all stepped down from the Board in recent weeks, for their contributions to the success of the Company over recent years, and to wish them well for the future.

A process is underway to identify at least one suitable non-executive director to join the Board in the short term.

The past 12 months have been difficult for the Group and all of its stakeholders, not least for its shareholders. The Board has been dealing with a number of challenges, including:

- Increasing the transparency of its capital structure to its stakeholders;
- Dealing with contract under-consumption issues, primarily as a result of legacy issues from earlier years, as previously announced in June 2017; and
- Undergoing a fundamental review of its revenue recognition policies, including independent reviews of both existing contract revenue accounting and also early-adoption of IFRS 15, with those two reviews carried out by two separate major accounting firms.

In particular, the Group's review of its revenue recognition accounting policies which initially arose due to the observation that larger value contracts appear to exhibit higher levels of average under-consumption, and agreement of those with auditors, has led to the following consequences:

- The Group adopting what the Board considers to be a very conservative recognition policy in respect of revenue on procurement contracts - more conservative than the advice received from the independent accounting firm, after subsequent discussions with the Group's auditors, due to the adoption of additional contingency under-consumption rates over and above those recommended by the independent firm.
- An unexpectedly and regrettably drawn out year-end audit process, meaning that these financial results are being announced substantially later than expected and after the Group's AGM. A separate general meeting will be convened in due course to seek shareholder approval for the 2017 Annual Report and Accounts.

I have taken the opportunity to spend time in the business, during my time as both Senior Independent Director and Chairman and, despite the short-term issues of legacy under-consumption and the year-end audit delay as explained above, I am enthusiastic about the future prospects of the business.

The Group has a clearly stated Strategy for Growth for the period 2017-2021, which includes the creation of significant shareholder value from both the Enterprise and Corporate divisions, as well as medium-term plans for international expansion. The growth potential of corporate controls and "intelligent building" enablement, through "internet of things" (IoT) technology is very exciting.

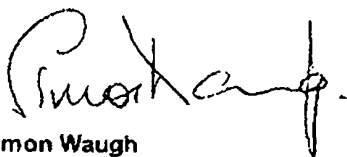
The Group has continued to grow its customer numbers during the year ended 31 July 2017 and we are rightly proud of our strong net promoter score of 60, which has improved since the previous year.

I would like to thank shareholders and other key partners and stakeholders of the Group, both for their patience whilst the above noted short-term issues have been concluded and for their ongoing support of the business.

I would also like to pay tribute to all colleagues in the business, who have continued to perform with great optimism and resilience over the past year and upon whose efforts and endeavours the success of the business depends.

Due to the evolution of the Group's capital structure and the recent amendments to the Group's accounting policies, the Company is not able to declare a final dividend for the year ended 31 July 2017. As previously announced, once the Company has sufficient distributable reserves out of which to pay dividends, it intends to recommence the payment of dividends at an expected dividend cover of 4x, subject to this being supported by the capital structure and free cash flow of the Group in due course.

As set out above, I remain convinced of the growth potential of the Group and the Board looks forward to delivering significant value to our shareholders over the coming years.



Simon Waugh
Non-executive Chairman
21 March 2018

Change in accounting policy – revenue recognition

The Group derives a material element of its revenue from commissions, due to the Group from utility companies, in respect of utility contracts with end customers that the Group delivers to those utility companies. The final value of commission due to the Group on each contract is determined by the actual level of utility consumption of the end customer over the life of that contract. The Group estimates the amount of revenue that it is due at the start of each contract, with the final value ultimately known with certainty once the contract ends.

The Group bases its initial revenue estimates on the data and experience that the Group has in respect of those contracts, in particular in respect of the propensity of those contracts to demonstrate over or under consumption of energy, compared to the initial contractual expectation, across their lives. Historically, the Group has formed this accounting estimate by determining the average level of under-consumption on contracts that have matured in the previous year, with a fundamental assumption that the body of matured contracts is both homogenous within itself and with the contracts that remain live at the balance sheet date. However, upon closer scrutiny than previously, the Board has observed that procurement contracts typically display different levels of under-consumption at different value levels, i.e. that larger contracts, on average, appear to under-consume by greater proportions than smaller contracts.

As a result, the Group has carried out a review of its revenue accounting policies in respect of procurement contracts. That review included the engagement of an independent accounting firm, who issued an accounting opinion to the Board of Directors. The key outcomes of that review were as follows:

- The previous “homogenous” method of estimating expected under-consumption on contracts, was inappropriate, due to the different under-consumption levels between different contract values;
- The matured and live contracts should be split into value cohorts/tranches that are more likely to correlate to one another and an under-consumption rate should be determined separately for each tranche;
- The trend of under-consumption should be observed for each tranche and the accounting rate set at broadly the worst level seen in the past four years, rather than most recently observed; and
- Very high value contracts (subsequently determined to be contracts greater than £50,000 individual value) are sufficiently small in number that it is not possible to use historic data from matured contracts to form a reliable estimate of expected future performance of live contracts. Accordingly, revenue will be recognised on these contracts on an individual contract basis, based upon contract consumption data obtained directly from energy suppliers, in respect of each contract. This includes a minimum number of consumption data points over a minimum period of time before any revenue is now recognised in relation to these contracts.

After further discussion of these points with the Group's auditors, the Board has now adopted a revenue policy which added in a further contingency element, such that the under-consumption rates to be assumed in the accounts are a further degree worse than the worst level seen over the past four years. This policy decision was taken by the Board wholly to achieve a position that was convergent with the external auditor's view of compliance with accounting standards in this area.

Accordingly, as a result of the accounting advice given to the Board by an independent accounting firm, the subsequent discussions with the Group's auditor, including their interpretation of relevant accounting standards and having taken appropriate legal advice, the Board has adopted the above accounting policies in respect of initial revenue recognition on procurement contracts. This was in order to achieve a statutory financial statement outcome that would constitute a true and fair view, thereby discharging the Board's duties under the Companies Act 2006 in this regard.

The Board anticipates that this revised accounting is likely to cause the reported results of the Group to potentially become much more volatile from one accounting period to the next and, therefore, difficult to present on a consistent basis. It is expected that it will continue to do so in future. It also potentially causes a significant divergence between the accounting profit of the Group and its cash flows in any one accounting period. The accounting rates of under-consumption for contracts less than £50,000, used in the 2017 financial results are as follows:

	4-years worst seen %	Actual rate used %	Rates observed 2017 %
Tranche A	21.1%	26.3%	10.8%
Tranche B	21.7%	24.7%	21.7%
Tranche C	26.3%	30.8%	26.3%
Total contracts < £50,000 (FY17)	23.2%	27.7%	18.6%
 Total contracts < £50,000 (FY16)	 21.7%	 24.6%	 16.2%

Each of the under-consumption rates set out in the above table is based on a two-year lookback period. The Board considers that a two-year lookback period is likely to give a more accurate reflection of contract under-consumption as there can be a time delay between a contract reaching maturity and its final value being established with the energy supplier. Accordingly, a two-year look back period offers a wider time period in which to maximise the amount of matured contracts that have had their ultimate values finalised, thereby improving the quality of the data available. Accordingly, the “Rates observed 2017” are those on contracts that have reached maturity in the two-year period 1 August 2015 to 31 July 2017.

The accounting under-consumption rate used in the year for contracts greater than £50,000 was 52.2% (FY16: 73.6%). This compared to the actual leakage rates seen on maturing contracts of 51.0% (FY16: 39.5%). However, historic data is less relevant on contracts greater than £50,000 as leakage rates are determined using latest consumption data on a contract-by-contract basis rather than historic data.

The actual weighted average rates of under-consumption observed on all contracts that have reached maturity in the past four years, using the same two-year lookback data explained above, are as follows:

	All contracts	Less than £50k only
	%	%
FY17/16	21.0%	17.7%
FY16/15	19.3%	16.0%
FY15/14	21.4%	19.3%

As announced in January 2018, these rates are higher than the 15% average under-consumption rate, stated in previous years' results announcements, due to the erroneous extraction and analysis of the contract data in those years.

The adoption of the above accounting policies have had a significant impact on both the accounting profit and the net assets of the Group, in particular due to:

- The potentially significant difference in the leakage rate used in a particular financial year for contracts less than £50,000, compared to the leakage observed in that year
- The need to have a minimum number of data consumption points over a minimum time period in order to recognise any revenue on contracts greater than £50,000.

As an example of the arithmetic sensitivity of the accounting estimates to changes in assumptions, if provision had been made for under-consumption in the financial statements at the actual rates observed on maturing contracts less than £50,000 in the relevant two-year look back periods, the theoretical summary impact would have been as follows:

Financial year	FY17	FY16
Two-year lookback period	FY17/16	FY16/15
Weighted average rate observed on ended contracts	17.7%	16.0%
Actual weighted average rate used	27.7%	24.6%
Arithmetic difference in rates	10.0%	8.6%
Difference applied to live contracts at balance sheet date	£15.6m	£12.1m

For contracts greater than £50,000, at each year-end balance sheet date, there will now be contracts that have gone live during the financial year that have not yet had any revenue recognised on them. The expectation is that some revenue will be recognised on them in the following financial year, once there is sufficient consumption data to trigger the revenue recognition. If the in-year leakage rate was assumed to eventually apply to those contracts at the end of the same financial year, then the impact in the following year would be as follows:

Financial year	FY17	FY16
Value of contracts greater than £50,000 with no revenue yet recognised	£7.0m	£12.3m
Actual weighted average rate used on live contracts > £50,000	52.2%	73.6%
Theoretical revenue to recognise in following financial year	£3.3m	£3.2m

The above tables show that, in the example circumstances shown, the theoretical impact of policies are:

- A £18.9m reduction in the net assets of the Group as at 31 July 2017, being £15.6m in respect of contracts less than £50,000 and £3.3m in respect of contracts greater than £50,000;
- A £15.3m reduction in net assets as at 31 July 2016, on an equivalent basis for all contracts; and
- A £3.6m reduction in the accounting profit of the Group in FY17, being the difference between the two balance sheet impacts, on an equivalent basis for all contracts.

Business review

The summary adjusted³ financial results for the Group for the year ended 31 July 2017 showed the following:

- Revenue of £67.8m, broadly unchanged compared to FY16 (as restated), which was impacted by a £6.0m non-cash negative adjustment due to the adjustment in under-consumption ("leakage") rates on live contracts less than £50,000 as at 31 July 2016 to the FY17 leakage rate
- EBITDA of £(8.6)m, a decrease of £10.2m compared to FY16 (as restated), impacted by the £6.0m non-cash adjustment to revenue noted above, along with a £1.7m negative impact from new contracts in the year having a higher leakage accounting rate than in FY16.
- Loss before tax of £(8.5)m, a decrease of £10.2m compared to FY16 (as restated), primarily due to the same reasons that impacted EBITDA, as set out above
- Adjusted fully diluted loss per share of 9.2 pence (FY16: loss per share of 1.1 pence, as restated)
- Group net liabilities of £15.6m (FY16: net assets of £16.3m, as restated), the £31.9m reduction in equity impacted by:
 - Non-cash goodwill and intangible asset impairment losses of £17.3m
 - Non-cash negative revenue adjustment of £6.0m to procurement contracts as set out above
- Group net liabilities exclude unrecognised deferred tax assets of £7.2m, relating to tax losses

The statutory equivalents of the above are set out in the financial review below.

As well as the leakage rate change impacts, summarised above, in accordance with the revised revenue accounting policy of the Group, the above revenue and profit figures also exclude contracts greater than £50,000 of total value £7.0m that went live during the current year where no revenue has been recognised at the balance sheet date, in accordance with the Groups accounting policy. Once further consumption data points are obtained, it is expected that some level of revenue will be recognised on those contracts in FY18, based upon that consumption data.

The Group's cash flows are not impacted by the above accounting policy changes and the Net Debt of the Group as at 31 July 2017, increased from £5.5m (as restated) to £19.0m, including the impact of £4.8m repayment to an energy supplier and £2.8m of exceptional payments in the year, as set out in the financial review.

The above results were underpinned by a number of achievements, including:

- Growth in total customer numbers of c. 4,000
- Growth in closing order book of Enterprise division of £4.5m
- An improvement in efficiency from the Group's team of Energy Consultants, with an increase in Gross Enterprise (UK & Ireland) order book additions of £15.6m from an increase in closing headcount of 30
- Energy Consultant attrition reduced to 59% from 72%
- A further increase in net promoter score from 58 to 60.

³ Adjusted means stated before exceptional income and costs, non-cash accounting charges for share based payments and amortisation of intangible assets acquired through business combinations, as set out in the financial review

Divisional performance

During the year, the Group operated from two main divisions. The performance of both divisions is reported separately. All references to Adjusted EBITDA below refer to Earnings before interest, taxation, depreciation and amortisation (EBITDA), stated before exceptional income and costs and non-cash accounting charges for share based payments, as defined above. Divisional revenues are stated before the elimination of intersegment revenue.

Enterprise division

The total number of Enterprise customers increased in the UK and Ireland by 8% to 33,106 and in Europe by 23% to 7,985, equating to an overall Enterprise Division increase of 11% equating to 4,039.

Enterprise revenue added to order book increased by 18% to £30.1m (2016: £25.6m) in the year. This was from an increase in Energy Consultant headcount of 5% as at 31 July 2016, compared to the same position in the prior year, in line with the aim of the business to move away from a direct correlation between headcount numbers and revenue volumes, upon which an element of the Group's growth had been based in previous years. Energy Consultant staff turnover was 59% compared to 72% in the previous year.

The revenue and EBITDA of the division were as follows:

	FY17 £'m	FY16 (restated) £'m	Change £'m
Revenue	54.8	52.1	2.7
EBITDA	(9.1)	0.3	(9.4)
EBITDA margin	(16.6)%	0.6%	(17.2)%

The year-on-year change is summarised as follows:

	Revenue £'m	EBITDA £'m
FY16 (as restated)	52.1	0.3
Change in leakage rates on live contracts less than £50,000 as at 31 July 2016	(6.0)	(6.0)
FY16 with closing live contracts less than £50,000 adjusted to FY17 leakage rates	46.1	(5.7)
Other changes	8.7	(3.4)
FY17	54.8	(9.1)

It can be seen that after adjusting the opening live contracts to the current year leakage rate, that revenue increased by 19% from £46.1m to £54.8m and negative EBITDA worsened by 60% from £(5.7)m to £(9.1)m. This £3.4m worsening of EBITDA includes a negative £1.7m year-on-year impact of new contracts in FY17 recognised at a lower initial revenue rate than equivalent contracts in FY16, as a result of the change in leakage rate on contracts less than £50,000.

FY17 EBITDA was also impacted by a change in costs mix compared to FY16 (as restated). No costs have been deferred to future periods as a result of the change in revenue accounting policy.

Corporate division

The Corporate division offers a comprehensive portfolio of products and services designed to assist larger companies with more complex energy needs in managing their energy consumption. These include both energy procurement and services designed to give customers enhanced control over their energy. This includes the use of Utilitywise IoT-enabled hardware and software intelligent platform that can provide customers with a single gateway and control over every operational system within their building, regardless of what devices they comprise.

The revenue and EBITDA of the division were as follows:

	FY17 £'m	FY16 (restated) £'m	Change £m
Revenue	13.6	17.1	(3.5)
EBITDA	0.4	1.2	(0.8)
EBITDA margin	2.9%	7.0%	(4.1)%

FY17 was a year of transition for the Corporate division, as it has sought to change its mix to drive an increasing proportion of its revenue and EBITDA from the delivery of energy services rather than procurement.

The division exited the prior year in a loss-making position, with negative EBITDA in the second half of FY16 of £0.45m. That annualised exit rate of negative £0.9m EBITDA became a profit of £0.4m EBITDA in the current year, which was split equally at £0.2m in each half of FY17. This has positioned the division for significant future growth as it entered FY18 and the Board retains significant growth ambitions for this business in the medium term.

However, the view of future revenues, required to be used in line with accounting standards for the purposes of impairment, has caused the Group to recognise aggregate impairment losses of £17.3m against its investments in two cash generating units, which both form part of the Corporate division. Details of those impairments are set out in the financial review. That non-cash accounting loss has been recognised as an exceptional item within the Group's income statement in the current year. Despite this adjustment, the Corporate division forms a key part of the Group's Strategy for Growth, as announced in March 2017.

Financial review

Group overview

A summary of the Group's performance, where "adjusted" means excluding exceptional items, amortisation of intangible assets acquired in business combinations and share-based payment charges in the year ended 31 July 2017 ("FY17"), along with the change compared to the prior year ("FY16"), as restated, is as follows:

Adjusted basis:

£'m except where stated	FY17	FY16 (restated)	Change
Revenue	67.8	67.7	0.1
Adjusted EBITDA (defined below)	(8.6)	1.5	(10.1)
Adjusted (loss)/profit before tax	(8.5)	1.6	(10.1)
Diluted earnings per share	(9.2)p	(1.1)p	(8.1)p

Statutory basis:

£'m except where stated	FY17	FY16 (restated)	Change
Revenue	67.8	67.7	0.1
(Loss)/profit before tax	(30.4)	2.3	(32.7)
Diluted earnings per share	(34.9)p	0.7p	(35.6)p
Cash flow from operating activities	(3.4)	13.6	(17.0)
Group (liabilities)/net assets	(15.6)	16.3	(31.9)

The above profit before tax is stated after charging £0.6m (FY16: £0.1m) for fees paid to the Group's external auditor in respect of the year-end audit. The current year figure includes £0.5m of additional audit fees, over and above the fees originally agreed by the Audit Committee, as a result of the significantly elongated and delayed year-end audit process. This additional fee will be a cash outflow during FY18.

Trading and EBITDA

During FY17, Group revenue was broadly unchanged at £67.8m (FY16: £67.7m, as restated).

Adjusted Earnings before interest, taxation, depreciation and amortisation (EBITDA) is calculated as follows:

£'m except where stated	FY17	FY16 (restated)	Change
Operating (loss)/profit	(31.4)	1.4	(32.8)
Exceptional items	20.9	(3.2)	24.1
Share option (credit)/expense	(0.3)	0.6	(0.9)
Depreciation	0.7	0.8	(0.1)
Amortisation of intangible assets	1.5	1.9	(0.4)
Adjusted EBITDA	(8.6)	1.5	(10.1)

The main changes in the Adjusted EBITDA of the Group are as follows:

	£'m
FY16 adjusted EBITDA (as restated)	1.5
Non-cash change in Enterprise EBITDA due to change in leakage rate on contracts less than £50,000 live as at 31 July 2016	(6.0)
Other changes in Enterprise division	(3.3)
Changes in Corporate division	(0.8)
FY17 adjusted EBITDA	(8.6)

Exceptional items

Exceptional items in the year comprise the following:

- £17.3m aggregate non-cash impairment losses, which relates to goodwill and intangible assets, of which £13.4m was in respect of the t-Mac Technologies cash generating unit and £3.9m was in respect of the Corporate (excluding t-mac) cash generating unit.
- £3.4m of charges for legal and restructuring events
- £0.5m of additional audit fees, over and above the annual fee originally agreed by the Audit Committee, as a result of the significant additional work carried out in respect of revenue accounting policy adjustments
- £0.2m credit in respect of an adjustment to a historic dilapidations provision

Earnings per share

Diluted adjusted earnings per share, with Adjusted earnings stated before exceptional items, non-cash accounting charges for share-based payments and amortisation of intangible assets acquired in business combinations and the associated tax impact of these adjustments was a loss per share of 9.2 pence (2016: loss per share of 1.1 pence, as restated). Adjusted Earnings, stated on the same basis as above, were £(7.1)m (FY16: £(0.8)m, as restated) and the weighted average number of shares in issue, on a diluted basis, increased by 1% from 78,099,000 to 78,946,000 shares.

Dividend

An interim dividend of 2.3p per share was declared in April 2017. No final dividend has been declared.

Balance sheet

As explained above, the updated revenue accounting policy has the effect of reducing the net assets of the Group. The Group balance sheet is summarised below on a statutory basis:

£'m	31 July 2017	31 July 2016 (restated)	Change
Goodwill and intangible assets	16.9	34.2	(17.3)
Property, plant and equipment	5.4	5.6	(0.2)
Accrued revenue	34.5	34.7	(0.2)
Deferred revenue	(47.0)	(42.7)	(4.3)
Other net liabilities (excluding net debt)	(6.4)	(10.0)	3.6
Net debt	(19.0)	(5.5)	(13.5)
Net (liabilities)/assets	(15.6)	16.3	(31.9)

The Group balance sheet has moved to a negative net assets position at 31 July 2017. This is summarised as follows:

£'m	31 July 2017
Net assets excluding impairment losses and tax asset not -recognised	8.9
Non-cash impairment losses recognised in FY17	(17.3)
Aggregate deferred tax assets not recognised as at 31 July 2017	(7.2)
Net liabilities (as above)	(15.6)

The non-cash impairment losses relate to the write down of goodwill and other intangible assets during FY17, as explained above.

As a result of the cumulative revenue adjustments made by the Group, additional tax losses arise which can be used by the Group to relieve against taxable profits in future periods. A change in UK tax legislation during 2017 means that it is expected that those losses will be recovered more quickly than before. However, as the relevant legislation was not substantively enacted until after the 31 July 2017 balance sheet date, accounting standards require that the impact of that legislation cannot be considered in determining the level of recovery of these tax assets. Accordingly, deferred tax assets of £7.2m have been derecognised in the balance sheet. Those assets remain available to offset future taxable profits of the Group.

As explained in the accounting policy section above, the change in the Group's revenue accounting policy has also caused a significant reduction in the net assets of the Group. The FY17 Annual Report and Accounts of the Group includes a note that considers key judgements and sensitivities in the preparation of the financial results. This indicates that, if the live contracts less than £50,000 as at 31 July 2017 subsequently all matured at the rates observed during FY16/17, then the net assets of the Group would ultimately increase by £15.6m in the future.

Cash flows and net debt

The cash flow of the Group is summarised as follows:

£'m	FY17	FY16	Change
Cash flow from operating activities	(3.4)	13.6	(17.0)
Interest and corporate tax payments	(3.3)	(2.5)	(0.8)
Capital expenditure	(1.9)	(0.8)	(1.1)
Dividend payments	(5.1)	(4.2)	(0.9)
Receipts from issue of equity	0.5	1.3	(0.8)
Net cash flow	(13.2)	7.4	(20.6)
Opening net debt – as restated (#)	(5.5)	(13.0)	7.5
Non cash movement in net debt	(0.3)	0.1	(0.4)
Closing net debt	(19.0)	(5.5)	(13.5)

(#) See prior period adjustments below

The negative operating cash flow in the current year was impacted by a £4.8m repayment to an energy supplier in respect of projected under-consumption on certain contracts, the substantial majority of which the Group had originally received commissions for in 2015 and 2016 and which had previously been announced in June 2017. Further exceptional cash flows, in respect of legal and restructuring etc. totalled £2.8m in the year.

The closing net debt balance is made up as follows:

£'m	31 July 2017	31 July 2016	Change
Bank loans	24.7	13.1	11.6
Cash	(10.1)	(12.2)	2.1
Net bank debt	14.6	0.9	13.7
Other loans	4.4	4.6	(0.2)
Net debt	19.0	5.5	13.5

The contractual maturity date of the bank debt is April 2019. As explained below, as a result of the changes in accounting policy, the Group was in breach of certain banking covenants as at the balance sheet date and those breaches were subsequently waived by the bank.

However, in accordance with accounting standards, the loan balances are presented as current liabilities in the balance sheet as at 31 July 2017. As at the date of approval of the FY17 financial statements, these loans are considered to be non-current liabilities.

The other loans are due for repayment between the year ended 31 July 2018 and the year ended 31 July 2022.

Financing and banking covenants

The activities of the Group are substantially funded by a £25m revolving credit facility (RCF) with a single lender, Royal Bank of Scotland plc. The RCF facility matures in April 2019.

As at 31 July 2017, the undrawn committed facilities of the Group were £10.4m, net of cash and cash equivalents.

At the balance sheet date, the Group had two main financial performance covenants:

- Ratio of earnings before interest, taxation, depreciation and amortisation (EBITDA) to net debt ("leverage") not to exceed 2.0x
- Ratio of earnings before interest, taxation and amortisation (EBITA) to interest charges ("interest cover") not to be less than 5.0x

The Group certified compliance with the above covenants based upon its internal management reporting. However, the significant changes to the Group's revenue recognition policy mean that the final, audited results of the Group for FY17 show breaches of both of the above covenants.

Prior to the approval of the FY17 accounts, the bank confirmed waivers of these breaches and replaced the above covenants with amended covenants as follows:

- Minimum liquidity covenant, which sets out maximum balance sheet positions on a monthly basis, taking into account the Group's net debt as well as amounts due back to energy suppliers in respect of projected under-consumption
- EBITA interest cover, with EBITA determined on an assumed constant under-consumption rate of 20% on procurement contracts.

As at the date of approval of the FY17 financial statements, the Group is in compliance with these covenants and expects to remain so in future.

The Group is also required to have capital expenditure less than £1.5m in any one financial year. The final audited accounts for FY17 indicated cash flow in respect of capital expenditure of £1.9m. Prior to the approval of the FY17 accounts, the bank also confirmed a waiver of this breach.

Prior period adjustments

The Group has made prior period adjustments in respect of Revenue of procurement contracts, Own shares and Fixed-payment liabilities, as set out in the notes to the accounts.

The Revenue adjustments have a material impact on the reported revenue and profit of the Group, as explained above. They have no impact on the cash flows or other underlying economic performance of the Group.

The Own shares and Fixed-payment liabilities have not had a material impact on either the profit and loss account or the cash flow statement of the Group but do materially amend the restated net debt of the Group as at 31 July 2016 as follows:

£'m	31 Jul 2016
Net debt (as originally stated in FY16 Annual Report and Accounts)	0.2
Reclassification of liabilities from trade and other payables	4.0
Correction of loan balances	0.5
Reclassification of own shares out of cash	0.8
Net debt (as restated)	5.5
Net restatement	5.3

Adoption of IFRS 15

Subsequent to the balance sheet date, on 1 August 2017 the Group early-adopted IFRS 15 (Revenue from Contracts with Customers). The summary qualitative impact of the adoption of this standard is set out in the notes to the accounts.

Principal risks and uncertainties

The principle risks and uncertainties of the Group are set out on page 4 & 5.

Board changes

On 13 December 2017, Jeremy Middleton stepped down from the Board.

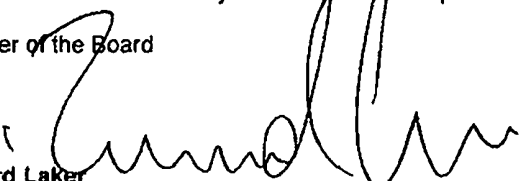
On 30 January 2018, Geoff Thompson stood down from the Board. He was replaced as Chairman by Simon Waugh, who himself was replaced as Senior Independent Director by Kathie Child-Villiers.

On 30 January 2018, Richard Feigen and Paul Hailes retired from the Board by rotation at the Annual General Meeting and did not stand for re-election.

Outlook

The Group has traded in line with the Board's expectation during the first half of the year ended 31 July 2018. The Board is particularly pleased with the performance of the Corporate division which has seen continued growth in the first half and is expected to continue to grow in the second half of the year. However, the significant delay in the completion of the 2017 year-end audit has had a somewhat destabilising effect on several key stakeholders of the Group, including colleagues in the short-term. Accordingly, the Board now expects the Enterprise division, in particular, to have a softer second half of the financial year, due to these short-term uncertainties. The Board remains confident of the long-term growth prospects of all parts of the business and is working to ensure that the impact on the business is a short-term one. However, it is now expected that the trading and, therefore, profit of the Group as whole in the second half of the financial year will be below expectation and will be lower than the first half of the year.

By order of the Board


Richard Laker
Director
21 March 2018

BOARD OF DIRECTORS

Simon Waugh, 59
Non-executive Chairman

Simon was appointed to the Board as a Non-Executive Director and Senior Independent Director on 1 November 2016, before becoming Non-executive Chairman on 30 January 2018. Simon has extensive experience in senior leadership roles, including seven years between 1997 and 2004 on the executive committee at Centrica plc as Sales & Marketing Director, helping transform British Gas into an international business with a market capitalisation of more than £10 billion. He was also Chief Executive Officer, Centrica Financial Services, in the early part of his tenure, before later becoming Deputy Managing Director, British Gas. He now holds a number of non-executive appointments.

Simon is the Chairman of the Remuneration and Nomination Committees.

Brendan Flattery, 53
Chief Executive Officer

Brendan joined the Company as CEO on 1 October 2016. Prior to his appointment, he was at The Sage Group plc for 13 years, where he held roles including CEO, UK & Ireland and Managing Director, Small Business & Mid-Market Divisions. In his role as President, Europe he was responsible for leading a 7,000-person business unit operating across 11 countries and generating annual revenues of around £800 million from a customer base of more than two million. Prior to joining Sage, Brendan held senior positions at Yates Group plc, Intercare plc and Park Group plc, and has also run his own small business.

Kathie Child-Villiers, 52
Senior Independent Director

Kathie was appointed to the Board as a Non-Executive Director on 1 February 2017 before becoming Senior Independent Director on 30 January 2018. She has had an extensive career as a corporate finance adviser to the energy sector in the UK, Europe and the US. Key roles include eight years as Managing Director, Resources and Energy Group at HSBC plc Global Banking, where she led the advisory work on a range of major European utility consolidation transactions which transformed and shaped the sector; and Managing Director, Energy and Power Group at Merrill Lynch & Co, where she advised on numerous transactions within the utility industry. Kathie is currently a Non-Executive Director of Bank of Montreal Capital Markets Limited and Chairman of Constantine Group Limited.

Kathie chairs the Audit Committee.

Richard Laker, 41
Chief Financial Officer

Richard was appointed as a Director and CFO on 1 January 2017. He joined Utilitywise from Augean plc where, in his role as Group Finance Director, he helped oversee the implementation of a new strategy, delivering double-digit annual growth in profit, operating cash flow and ROCE. Richard was previously at Northgate plc, where he held a number of senior finance roles between 2004 and 2014 including Group Financial Controller and, most recently, UK Finance Director. Prior to joining Northgate plc, Richard was at PricewaterhouseCoopers LLP where he qualified as a Chartered Accountant in 2001.

Brin Sheridan, 53
Managing Director – Corporate Division

Brin joined Utilitywise in November 2015. He has extensive experience in the field of energy management within the built environment space, having joined The Energy Solutions Group as Managing Director in 2006, where he led the growth and development of the business. Brin previously held UK and European leadership positions with Satchwell Control Systems and Schneider Electric, and is an expert in the deployment of energy-saving technologies.

CORPORATE GOVERNANCE STATEMENT

The Board recognises that the purpose of corporate governance is to enable the Company to deliver growth in long term shareholder value by maintaining a flexible, efficient and effective management framework – an architecture of accountability - within an entrepreneurial environment.

The responsibilities of the Board include setting the Company's strategic aims, providing the leadership to put them into practice, overseeing the management of the business, maintaining sound risk management and internal control systems, and reporting to shareholders on their stewardship. The Board's role also encompasses establishing the culture, values and ethics of the Company and setting the 'tone from the top'.

The Board firmly believes that well-run companies achieve sustained success and that this is, ultimately, predicated on a sound system of governance, which is in itself a powerful management tool. The Company therefore complies with the UK Corporate Governance Code to the extent practicable for a business of its size and complexity.

Board Composition and Meetings

As at the date of this report, The Board comprises the Non-Executive Chairman, three Executive Directors (the CEO, the CFO and the Managing Director-Corporate Division) and the Senior Independent Director. The Board currently intends to appoint one further non-executive director.

The Executive Directors are responsible for the implementation of strategy and policies and for the day-to-day decision making and administration of the Company.

The Non-Executive Directors, whom are considered independent, have a diverse range of skills and backgrounds to ensure an appropriate spread of experience in their representation on the Board and Board Committees. They provide valuable oversight, challenge constructively and provide balance such that no individual or small group of Directors can dominate the Board's decision making.

All the Directors recognise the unitary board structure and that under UK law their duties are identical. The Board meets formally around eight times a year and on an ad hoc basis as necessary.

Matters Reserved for the Board and Matters to be Delegated

The Directors have approved and adopted a schedule of matters reserved for the Board, in respect of which decisions must be taken by the Board as a whole. This is a detailed list of items which fall under the following headings:

- Strategy and Management
- Structure and Capital
- Financial Reporting, Controls and Systems
- Risk Management and Internal Controls
- Commercial Contracts and Tenders
- Communications
- Board Membership and Other Appointments
- Remuneration & Benefits and Employment Matters
- Company Policies
- Legal and Insurance

Under the same headings the Board has developed an approvals matrix for matters to be delegated, which states to whom the item can be delegated (for example, to the CEO / CFO / individual Director / Company Secretary / senior executive) and, if appropriate, at what level of cost or risk.

The schedule is reviewed and updated from time to time by the Board.

Risk Management and Internal Controls

Risk management and internal control is a key pillar of effective corporate governance. It is the Board's responsibility to determine the Company's appetite for risk in relation to its strategic aims and objectives, to maintain sound risk management and internal control systems, and, through the Audit Committee, to review the effectiveness of these on an annual basis.

Board Committees

Audit Committee

Members during the year: Kathie Child-Villiers (Chairman) – appointed 1 February 2017
Paul Hailes
Richard Feigen
Tom Maxfield – stood down 1 February 2017

Subsequent to the year end, Paul Hailes and Richard Feigen both stood down from the Committee on 30 January 2018 and Simon Waugh was appointed to the Committee on the same date.

The Audit Committee is responsible (inter alia) for:

- monitoring the integrity of the financial statements of the Company, including its annual and half yearly reports, interim management statements, results announcements and any other formal announcement relating to its financial performance, and reviewing the significant financial reporting issues and judgements they contain;
- reviewing the adequacy and effectiveness of the Company's financial controls and its risk management and internal control systems;
- overseeing the relationship with the external auditor including their appointment, re-appointment or removal, terms of engagement, fees and independence;
- receiving the annual audit plan and reviewing the findings of the audit with the external auditor;
- reporting to the Board and making recommendations on those matters within its remit.

The Audit Committee meets at least three times a year at appropriate intervals in the financial reporting and audit cycle, and has unrestricted access to the Group's external auditor and the services of the Company Secretary. The Chief Financial Officer and other Directors and executives attend Audit Committee meetings by invitation.

Remuneration Committee

Members during the year: Simon Waugh (Chairman) – appointed 1 November 2016
Paul Hailes
Tom Maxfield – stood down 1 February 2017

Subsequent to the year end, Paul Hailes stood down from the Committee on 30 January 2018 and Kathie Child-Villiers was appointed to the Committee on the same date.

The Remuneration Committee is responsible (inter alia) for:

- determining the remuneration policy and approving the individual remuneration packages of the Executive Directors, the Company Secretary and other senior executives, in order to ensure that members of the executive team are recruited, incentivised and rewarded in a fair, consistent and responsible manner;
- approving the design of and targets for any performance related pay schemes operated by the Company;
- reviewing the design of all share incentive plans for approval by the Board and (if appropriate) shareholders and determining the awards to be made under such plans;
- ensuring that the contractual terms on termination of Executive Directors and other senior executives, and any payments made, are fair to both the individual and the Company;
- overseeing any major changes in employee benefits structures throughout the Company;
- selecting, appointing and setting the terms of reference of any remuneration consultants who advise the Remuneration Committee;
- carrying out or commissioning adequate benchmarking and research to enable it to fulfil its obligations;
- reporting to the Board and making recommendations on those matters within its remit.

The Remuneration Committee meets at least twice a year at appropriate intervals in the reward cycle and at other times as required. The Committee has unrestricted access to the Company's external remuneration consultants and the services of the Company Secretary. The CEO, CFO, People Operations Director and other executives attend Remuneration Committee meetings by invitation.

Nomination Committee

Members during the year: Paul Hailes – appointed Chairman 1 February 2017
Richard Feigen
Tom Maxfield – stood down 1 February 2017

Subsequent to the year end, Paul Hailes and Richard Feigen both stood down from the Committee on 30 January 2018. Simon Waugh and Kathie Child-Villiers were both appointed to the Committee on the same date, with Simon Waugh also assuming the Chairmanship of the Committee upon his appointment.

The Nomination Committee is responsible (inter alia) for:

- reviewing the structure, size and composition of the Board, and making recommendations with regard to any changes;
- Board succession planning, taking into account the challenges and opportunities facing the Company;
- preparing a job description and personnel specification in respect of any Board vacancy, having due regard to the balance of skills, knowledge, experience and diversity on the Board, prior to undertaking any search and selection process;
- engaging recruitment consultants as necessary to facilitate the search and selection process;
- interviewing, identifying and nominating candidates to fill Board vacancies;
- recommending to the Board the re-election of Directors by shareholders at the AGM;
- reporting to the Board and making recommendations on those matters within its remit.

The Nomination Committee meets at least twice a year at appropriate intervals in the annual cycle and at other times as required. The Committee has unrestricted access to external recruitment consultants, the People Operations Department and the services of the Company Secretary. The CEO, the People Operations Director and other executives attend Nomination Committee meetings by invitation.

Relationship with Shareholders

The Company values its dialogue with both institutional and private investors. Effective two-way communication with fund managers, institutional investors and analysts is actively pursued and this encompasses issues such as performance, policy and strategy.

Private investors are encouraged to participate in the Annual General Meeting and The Chairmen of the Audit, Remuneration and Nomination Committees are available at all general meetings of the Company to answer any shareholder questions.

DIRECTORS' REPORT

The Directors submit their annual report on the affairs of the Group together with the financial statements and Independent Auditor's Report for the year ended 31 July 2017.

Results and Dividends

The consolidated income statement is set out on page 32 and shows a loss before tax of £30,428,000 for the year.

An interim dividend of 2.3p (2016: 2.2p) per share was paid to shareholders on 20 June 2017. Due to the change in accounting policy, the Group has negative retained earnings and accordingly no final dividend (2016: 4.3p per share) will be recommended for the year, as the Group will have insufficient distributable reserves. The Group will not be in a position to declare interim or final dividends in respect of subsequent financial years until such time as it has sufficient distributable reserves to make such payments.

Principal activity

The principal activity of the Group in the year under review was that of an independent utility cost management consultancy to the business market. Services are provided through negotiating rates with energy and water suppliers on behalf of business customers, and revenue is generated by way of commissions from these suppliers. The Group also provides energy and water management products and services, including energy performance and compliance, carbon reduction, metering and control solutions, intelligent building controls and lighting consultancy.

Directors

The Directors who served throughout the year, except as noted, were as follows:

Name of Director	Board Title	Date of appointment
Geoff Thompson ⁽¹⁾	Non-Executive Chairman	22 January 2008
Brendan Flattery	Chief Executive Officer	1 October 2016
Jon Kempster ⁽²⁾	Chief Financial Officer	15 October 2013
Richard Laker	Chief Financial Officer	1 January 2017
Steve Attwell ⁽³⁾	Managing Director – Enterprise Division	12 August 2015
Brin Sheridan	Managing Director – Corporate Division	16 November 2015
Simon Waugh	Senior Independent Director	1 November 2016
Kathie Child-Villiers	Non-Executive Director	1 February 2017
Richard Feigen ⁽⁴⁾	Non-Executive Director	10 May 2012
Paul Hailes ⁽⁵⁾	Non-Executive Director	10 May 2012
Tom Maxfield ⁽⁶⁾	Non-Executive Director	10 May 2012
Jeremy Middleton ⁽⁷⁾	Non-Executive Director	15 October 2013

⁽¹⁾ Geoff Thompson, previously Chief Executive Officer, was appointed Executive Chairman on 1 October 2016. On 4 April 2017, his role changed to Non-Executive Chairman. He resigned as Non-Executive Chairman and as a Director on 30 January 2018.

⁽²⁾ Jon Kempster resigned as Chief Financial Officer and a Director on 31 December 2016.

⁽³⁾ Steve Attwell resigned as a Director on 8 August 2016.

⁽⁴⁾ Richard Feigen stood down as Non-Executive Chairman on 1 October 2016 and retired from the Board by rotation at the Annual General Meeting on 30 January 2018.

⁽⁵⁾ Paul Hailes retired from the Board by rotation at the Annual General Meeting on 30 January 2018.

⁽⁶⁾ Tom Maxwell resigned as a Non-Executive Director on 1 February 2017.

⁽⁷⁾ Jeremy Middleton resigned as a Non-Executive Director on 13 December 2017.

Substantial shareholdings

As at 19 January 2018, the Group had been notified, in accordance with sections 791 to 828 of the Companies Act, of the following interests in the ordinary share capital of the Group:

Name of holder	Number of shares	% of issued capital
Woodford Investment Management	23,534,413	29.98%
Hargreaves Lansdown	4,920,721	6.27%
Aberdeen Standard Investments	3,867,536	4.93%
Mitton Asset Management	3,750,282	4.78%
Interactive Investor	2,635,155	3.36%

For Directors' substantial shareholdings, please refer to the Directors' interests note in this report.

Directors' Remuneration

The normal remuneration arrangements for Executive Directors consist of Directors' fees, basic salary and annual performance-related bonuses.

In addition, they receive private health care, permanent health insurance, company car or car allowance, and pension contributions.

Directors' Emoluments

	Fees/basic salary £'000	Pension contribution £'000	Benefits in kind £'000	Bonus £'000	Other £'000	2017 total £'000	2016 total £'000
Executive							
B Flattery	385	8	1	-	150 ⁽¹⁾	544	-
J Kempster	125	1	7	-	64 ⁽²⁾	197	283
R Laker	115	8	-	-	68 ⁽³⁾	191	-
S Attwell	4	-	-	-	120 ⁽⁴⁾	124	202
B Sheridan	210	20	4	-	-	234	189
Sub-total	839	37	12	-	402	1,290	674
Non-Executive							
G Thompson	170	24	3	-	-	197	233
S Waugh	34	-	-	-	-	34	-
K Child-Villiers	15	-	-	-	-	15	-
R Feigen	72	1	3	-	-	76	93
P Hailes	30	1	-	-	-	31	31
T Maxfield	18	-	-	-	-	18	30
J Middleton	30	-	-	-	-	30	30
Sub-total	369	26	6	-	-	401	417
Total	1,208	63	18	-	402	1,691	1,091

⁽¹⁾Brendan Flattery was entitled to an additional payment of £150,000 in his first year of service only, as part of his joining package.

⁽²⁾Jon Kempster received a termination package amounting to £64,102.

⁽³⁾Richard Laker was entitled to an additional payment of £68,113 in his first year of service only, as part of his joining package.

⁽⁴⁾Steve Attwell received a termination package amounting to £119,621.

Directors' Interests

The Directors who held office at 31 July 2017 had the following interests in the issued share capital of the Company:

	Ordinary shares	
	2017	2016
Executive		
Brendan Flattery	60,000	-
Richard Laker	-	-
Brin Sheridan	-	-
Non-Executive		
Geoff Thompson	8,559,414	8,559,414
Simon Waugh	-	-
Kathie Child-Villiers	-	-
Richard Feigen	10,000	68,675
Paul Hailes	35,001	45,001
Jeremy Middleton	3,287,559	3,287,559
Total	11,951,974	11,960,649

Directors' Share Options

Aggregate emoluments disclosed above do not include any amounts for the value of options to acquire ordinary shares in the Company granted to or held by the Directors. Options for Directors who served during the year are as follows:

	Scheme	Award date	No of options awarded	Exercise price	No of options at 31/07/16	Exercised in year	Lapsed in year	No of options at 31/07/17	Exercise period
Executive									
B Flattery	CEO Joining Award(*)	21/10/16	700,000	0.1p	-	-	-	700,000	21/10/18 to 20/10/26
	Sharesave	05/05/17	13,432	134p	-	-	-	13,432	01/07/20 to 31/12/20
J Kempster	LTIP	01/07/15	350,000	268p	350,000	-	(350,000)	-	-
	LTIP	18/02/16	200,000	0.1p	200,000	-	(200,000)	-	-
	Sharesave	27/11/14	7,860	229p	7,860	-	(7,860)	-	-
B Sheridan	LTIP	18/02/16	250,000	0.1p	250,000	-	-	250,000	18/02/19 to 17/02/21
S Attwell	LTIP	18/02/16	125,000	0.1p	125,000	(25,000)	(100,000)	-	-
Non-Executive									
G Thompson	Sharesave	27/11/14	3,930	229p	3,930	-	-	3,930	01/01/18 to 30/06/18
T Maxfield	LTIP	12/06/12	31,250	60p	31,250	(31,250)	-	-	-

(*) Following his appointment as Chief Executive Officer, Brendan Flattery was on 21 October 2016 granted awards ('Awards') over a total of 700,000 ordinary shares of 0.1 pence each in the capital of the Company ('Shares') under and subject to the terms of a share award agreement ("LTIP Scheme 8").

The Awards, which are structured as nominal cost options with an exercise price of 0.1 pence per share, are as follows:

- a Performance Award over 350,000 Shares which is subject to the satisfaction of earnings per share and cash flow performance conditions assessed over the three-year period to 31 July 2018. The award will normally vest on the later of the second anniversary of the grant and the determination of the performance conditions, subject to continued employment with the Company.
- a Restricted Share Award over 350,000 Shares which will normally vest on the second anniversary of the date of grant, subject to continued employment with the Company.

The Company's second grant of options under the Sharesave scheme matured on 1 January 2017. On 5 May 2017, the Company granted Sharesave options over a total of 1,545,758 shares, with a three-year vesting period and an exercise price of £1.34 per share.

The price of the Company's Ordinary shares at 31 July 2017 was 48p.

Details of the share options granted by the Company are given in Note 30 to the financial statements.

Directors' Responsibilities

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations. Company law requires the Directors to prepare financial statements for each financial year.

Under that law, the Directors have elected to prepare the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. From 1 August 2017 the Group has early adopted the accounting standard IFRS 15 (Revenue from Contracts with Customers), which is mandatory from 1 August 2018. Accordingly, the results for the year ended 31 July 2017 will be the last results presented under the existing accounting standard, IAS 18 (Revenue), and the year ending 31 July 2018 will be the first financial year of the Group to be prepared under IFRS 15. There is no impact on the commercial activities or cash flows of the Group as a result of the adoption of this accounting standard.

The parent company financial statements for the year ended 31 July 2017 were prepared in accordance with UK Generally Accepted Accounting Practice ('UK GAAP'). The Company has adopted FRS 101 - Reduced Disclosure Framework ('FRS 101') for its parent company financial statements and has taken advantage of the disclosure exemptions allowed under FRS 101.

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 Group and the Company and of the profit or loss of the Group for that period. The Directors are also required to prepare financial statements in accordance with the rules of the London Stock Exchange for companies trading securities on AIM.

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

- select suitable accounting policies and then apply them consistently
- make judgements and accounting estimates that are reasonable and prudent
- state whether they have been prepared in accordance with IFRSs as adopted by the European Union, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company and the Group will continue in business.

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

Colleagues

Equal opportunities and diversity

'Colleagues' is one of our strategic pillars. Our colleagues are integral to our success, and we aim to provide an environment which nurtures a high performing, diverse and committed workforce, enabling all colleagues to reach their full potential.

The Group is committed to achieving a working environment which provides equality of opportunity and freedom from discrimination. All colleagues are required to act in a way that does not subject others to direct or indirect discrimination, harassment or victimisation on the grounds of race, sex, pregnancy and maternity, marital or civil partnership status, gender reassignment, disability, religion or beliefs, age or sexual orientation.

During the year there has been a particular focus on mental health, and we now have colleagues qualified in Mental Health First Aid across the business.

Colleagues with disabilities

We welcome job applications from candidates with a disability or health condition, and make reasonable adjustments to the workplace to support colleagues who become disabled. We will provide additional training where required for all disabled colleagues and ensure that they have equal access to career development and promotion opportunities.

2017 Gender Pay Gap Report

The Company welcomes the UK Government initiative to improve pay equality through collecting and reporting gender pay data, as at April each year.

A gender pay gap is different from equal pay, which is a legal requirement to pay men and women the same amount to do the same job. A gender pay gap refers to the difference in average earnings between men and women.

We have reviewed gender pay across the Group in 2017 and, based on the Government's calculation methodology, our mean gender pay gap is 15.9%, which is lower than the UK average (18.1%).

The gender split we have in our business is 35% female and 65% male. This plus our pay quartile group calculation shows we have an under-representation of:

- women in our business
- men in our less experienced roles
- women in our more experienced roles

We are committed to addressing gender imbalance and the resulting gender pay gap. We are aiming, through a two-year action plan, to achieve a gender split of at least 40% female and 60% male by 2019.

To view the full Utilitywise 2017 Gender Pay Gap Report, please visit utilitywise.com.

Colleague development

During the year we invested significantly in colleague development. Every new UK-based energy consultant goes through Ignite, an intensive training programme for their first eight weeks. Ignite was set up to ensure that everyone is given the tools they need to be successful in their role.

In addition, we launched Supercharge, a technical skills programme designed to help experienced colleagues continue their professional development, and a management development programme focused around leadership and personal development.

In an exciting partnership with Newcastle University, a number of colleagues have also attained a CMI qualification in coaching and mentoring.

The Group also has a thriving apprenticeship programme, and has joined forces with Newcastle College to provide work-based qualifications for over 100 colleagues.

Modern Slavery statement

At Utilitywise we are passionate about doing business the right way, and thousands of businesses trust us to help manage their utilities. We are therefore fully committed to ensuring that our organisation and our supply chain is free from slavery and human trafficking.

Given the nature of our business, the geographical areas in which we operate, and the measures we have in place, we believe that the risk of modern slavery in our supply chain is very low. However, identifying potential victims of modern slavery can be a challenge because the crime can manifest itself in many different ways. Therefore, we are committed to continuing to monitor and, where necessary, improving our policies and procedures to ensure that modern slavery and human trafficking does not take place anywhere in our supply chain. To read our Anti-Slavery and Human Trafficking Statement in full please visit utilitywise.com.

Communities

We aim to contribute and give back to the communities in which we live and work, and we support a variety of local community initiatives and national campaigns. Each year our colleagues vote for an annual charity. In 2017 in the UK we supported Cancer Research UK, and in Prague the Klokane Children's Charity.

Across the Group we also run dress-down days and events such as bake sales, to enable colleagues to raise money for causes close to their hearts.

In June 2017, we were proud to host our first Group-wide annual charity day. Colleagues at our six offices voted to select various charities to support in each local area, and Wateraid as a Group. Each site embarked on host of activities, and raised a significant amount of money for their chosen charities.

A number of colleagues also participated in a day of decorating at a local school.

Donations of up to £500 per month may be made from the Company Donations Fund to small charitable organisations that work in communities close to our office locations, such as hospices and homeless charities.

Environment

We believe that businesses are responsible for achieving good environmental practice and operating in a sustainable manner. We are therefore committed to reducing our environmental impact and continually improving our environmental performance as an integral and fundamental part of our business strategy and operating methods.

Our Environmental Policy includes our commitment to:

- minimise waste and recycle as much as possible
- minimise energy and water usage in our buildings
- operate and maintain company vehicles with due regard to environmental issues as far as reasonably practical, and encourage the use of alternative means of transport and car sharing as appropriate
- ensure that all colleagues understand our environmental policy and conform to the high standards it requires.

Recent initiatives include moving to renewable energy contracts and the introduction of solar panels and rain water tanks at our North Tyneside head office.

Website Publication

The Directors are responsible for ensuring that the Annual Report and the financial statements are made available on a website. Financial statements are published on the Company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Company's website is the responsibility of the Directors. The Directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

The website also contains the information which it is required to disclose under AIM Rule 26.

Auditor

Each of the Directors at the date of approval of this Annual Report confirms that:

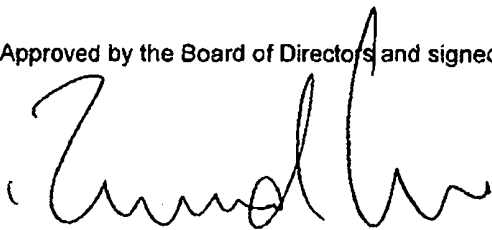
- so far as the Director is aware, there is no relevant audit information of which the Group's auditor is unaware; and
- the Director has taken all the steps that he/she ought to have taken as a Director in order to make himself/herself aware of any relevant information and to establish that the Group's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

Delay in approval of accounts

The Directors acknowledge that this annual report has been approved later than 31 January 2018, which was the statutory deadline for filing this document at Companies House. This breach of the Companies Act 2006 was due to significant delays in the completion of the external audit of the financial statements contained herein, as a result of a fundamental review of, and subsequent amendment to, the Group's revenue accounting policies in respect of procurement contracts, as explained in the Strategic Report and set out in Note 1 to the accounts

Approved by the Board of Directors and signed on behalf of the Board on 21 March 2018



Richard Laker
Company Secretary

INDEPENDENT AUDITOR'S REPORT

to the members of Utilitywise plc

Opinion

We have audited the financial statements of Utilitywise plc (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 July 2017 which comprise the consolidated statement of profit or loss and other comprehensive income, the consolidated and company statements of financial position, the consolidated and company statements of changes in equity, the consolidated cash flow statement and notes to the financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice).

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 July 2017 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements 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 group and the parent 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 as applied to listed entities, 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.

Use of our report

This report is made solely to the parent 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 parent 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 parent company and the parent company's members as a body, for our audit work, for this report, or for the opinions we have formed.

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 group's or the parent 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.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Revenue recognition on energy procurement contracts

Key audit matter

We identified a number of matters in relation to revenue recognition on energy procurement contracts as detailed in the sections below.

Projected under-consumption on contracts with a major energy supplier

As explained in the Strategic Report on page 6 of the financial statements, and as set out in an announcement of the group on 29 June 2017, the directors became aware of a specific issue relating to projected under-consumption of energy on a certain type of contracts sold on behalf of a major energy supplier. These contracts were exhibiting average mid-term under-consumption at a significantly higher level than had been initially expected at the inception of the contracts.

This matter represents a key audit matter due to the significant level of projected under-consumption in relation to both the average level of leakage experienced on ended energy contracts and the assumption of the group that all energy procurement contracts exhibit broadly similar leakage characteristics.

In response to this matter, we planned additional audit procedures to gain the necessary assurance over whether there has been similar projected under-consumption of energy issues arising across contracts arranged on behalf of other energy suppliers and challenge whether different types of contracts might exhibit different leakage characteristics.

Change in accounting policy for revenue recognition

Revenue recognition represents a key audit matter as the accounting policy has been changed in the year and significant judgement is required in making a reliable estimate of revenue on energy procurement contracts.

As explained on pages 7 and 8 of the financial statements, the directors determined that a change in accounting policy in respect of revenue recognition on energy procurement contracts was appropriate in preparing the financial statements for the year ended 31 July 2017.

This is because upon closer scrutiny than previously, the Board has observed that procurement contracts typically display different levels of under-consumption at different value levels.

Details of the change in accounting policy for revenue recognition, together with details of the financial impact of the prior year adjustment arising from the change in accounting policy, are set out in note 28.

Response

Projected under-consumption on contracts with a major energy supplier

We obtained analyses of the affected contracts as provided by the major energy supplier and reviewed the calculation of projected under-consumption used in accounting for this matter.

We considered the timing of the sale of the affected contracts and reviewed the improvements made to the control environment in August 2016 to confirm these were applied to contracts arranged after this time.

The risk that there has been similar projected under-consumption of energy arising across the wider live contract population was addressed by performing various analyses of the contract dataset to identify whether any of the factors giving rise to this matter had impacted contracts arranged on behalf of other energy suppliers. We examined correspondence with key energy suppliers to identify whether any similar projected under-consumption issues have arisen in the year. We examined the affected contracts and related sales records to determine whether there was indication of systematic or fraudulent over-statement of initial commission estimates in selling the contracts.

Our challenge around the leakage characteristics evidenced by the historic ended contract population resulted in management adopting a new accounting policy for revenue recognition as explained below.

Change in accounting policy for revenue recognition

In light of the issues in respect of projected under-consumption on contracts with a major energy supplier detailed above, and the need to assess the appropriateness of the assumption that energy procurement contracts display similar leakage characteristics across the whole population, we challenged management on the continued appropriateness of the group's revenue recognition policy and the ability to make a reliable estimate of revenue.

Our audit challenge resulted in management performing significant additional analysis of the data in respect of both historic ended and live procurement contracts, including obtaining advice from an independent firm of accountants over the ability of the group to make a reliable estimate of the revenue under the previous accounting policy.

Following our challenge and own analysis, the analysis undertaken by management and a review performed by an

independent firm of accountants, the directors determined that the historic accounting policy in respect of revenue recognition was no longer appropriate and that a new accounting policy would be required in order to comply with accounting standards. We examined the appropriateness of the new accounting policy by analysing the historic leakage data available in respect of ended contracts.

We reviewed the calculation of the prior year adjustments applied in restating the financial statements.

Energy contracts with an initial estimated commission value of less than £50k

For energy contracts with an initial estimated commission value of less than £50k, the group's new accounting policy requires that a reliable estimate is made of the level of revenue which is highly probable to arise from the contract. Revenue recognised for each contract is now based on a "floor" level of revenue which is highly probable to arise for all contracts within a given value tranche. The level of final revenue realised typically decreases as the level of initial estimated commission value tranche increases up to £50k.

In making estimates of the level of revenue to be recognised for each contract value tranche, consideration has to be given to the degree of observed volatility in the energy consumption of contracts in those value tranches, as this drives the commission value of that contract. The estimate of the level of revenue that is highly probable to arise for each contract within a given value tranche is made having regard to the actual levels of consumption experienced historically on similar completed energy contracts compared to that expected at the outset of the contracts.

The revenue floor levels are estimated and updated at each year end as latest information becomes available in respect of the actual consumption on ended contracts, and contract revenue is revised accordingly, with changes over previous periods being reflected in revenue in the current year.

Energy contracts with an initial estimated commission value less than £50k

We challenged the methodology applied in calculating a reliable estimate of the level of revenue that is highly probable to arise on contracts with an initial estimated commission value within a given tranche.

We evaluated whether the historic consumption levels on energy contracts in a given value tranche exhibited similar consumption characteristics. In particular, we performed sensitivity analysis on the value tranches to identify whether the consumption levels were stable and reliable across the value tranche.

We performed analysis of the consumption levels on ended contracts to determine the appropriateness of the £50k limit in applying the revenue floors approach.

We considered both the degree of volatility observed in the historic consumption levels across all value tranches in the population of ended contracts used and the resulting revenue floors in the current and prior year to evaluate the stability of the estimates.

We obtained historic ended contract data to re-perform the calculation of revenue floors and recalculated the resulting provision, applying the estimation methodology adopted by the group.

We engaged our internal IT specialists to assess the robustness of the design, development and integrity of a new IT solution developed by the group to process the new revenue floors accounting approach for the majority of contracts with an initial value less than £50k. We also performed testing on the integrity of operation of the IT solution and examined the outputs of the system used in preparing the accounting entries in respect of revenue recognition.

Our internal IT specialists re-performed extractions of the contract data from source records into the IT solution upon which revenue calculations are based, to ensure the completeness and accuracy of the data used in revenue recognition.

Energy contracts with an initial estimated commission value of more than £50k

For those contracts with an initial estimated commission value which exceeds £50k, the group's accounting policy is to recognise revenue at estimated revenue based on current usage data, when such data becomes available from the energy supplier.

The level of revenue that is recognised on each contract is based on the approach outlined in note 1 and is consistently applied.

Following the change of accounting policy in the year, and where practicable, actual consumption data has been obtained from the energy supplier in relation to the historic consumption status on

Energy contracts with an initial estimated commission value more than £50k

For contracts with an initial estimated commission value exceeding £50k, we examined a sample of contracts to determine whether the group had recognised revenue in line with the stated accounting policy.

For the sample selected, we agreed the estimated revenue to supporting evidence obtained from the relevant energy suppliers in respect of energy consumption on those contracts.

We reviewed the procedures in place and the nature of the requests made to the energy suppliers to establish whether the

contracts for the purposes of restating the prior year financial statements. Where it has not been practicable to retrospectively obtain this information, no revenue has been recognised until the time at which consumption data is first available from the energy supplier to apply the new accounting policy.

group had made all reasonable efforts to obtain the appropriate consumption data from the energy suppliers in making estimates of the revenue on these contracts. This included the requests for data relating to both the current year and prior years following the change in accounting policy.

We performed analysis of the average levels of revenue for contracts over the current and prior year to evaluate the stability of the revenue estimates and assess the appropriateness of the methodology applied to reach a reliable estimate.

Valuation of intangibles and goodwill

Key audit matter

As set out in notes 14 and 15, the group recognises goodwill and intangible assets, arising from past business combinations. These are allocated to three cash generating units (CGUs).

Management performs an annual impairment review of these assets in accordance with IAS 36, Impairment of assets, to determine whether the carrying value exceeds the estimated recoverable value at the balance sheet date.

We consider this area to represent a key audit matter due to the level of judgement applied in the preparation of the discounted cash flow impairment models, including forecast cash flows, discount rates, growth rates and working capital assumptions.

Response

We have obtained management's impairment models and calculations and consulted our own internal valuation specialists in reviewing the mechanics of the models.

This included consideration of the discount rates applied and the appropriateness of the model inputs.

We have considered the forecasts against current performance of the respective CGUs and assessed the accuracy of previous forecasts, challenging management on any apparent misstatements of the expected future cash flows.

We traced the resulting goodwill impairment charges to the financial statements and confirmed the appropriateness of the disclosures presented.

Going concern

Key audit matter

The group has a committed revolving credit facility with RBS ("the Bank") of £25m, and had actual bank borrowings of £24.7m at 31 July 2017. The facility, which is committed until April 2019, has various financial and non-financial covenants which are measured periodically.

As set out in note 20, the group breached a covenant at 31 July 2017. Following the change in accounting policy for revenue recognition, the group retrospectively breached additional covenants during the financial year ended 31 July 2017. As a result of the covenant breaches, the group is required to present all bank loans as repayable on demand in the financial statements for the year ended 31 July 2017.

The directors have been in discussions with the Bank in relation to the covenant breaches and waivers have been retrospectively granted by the Bank after the year end in respect of those covenants that were breached during the year, and after the year end. Furthermore, the Bank has reset covenants in respect of the period from 31 January 2018 through to April 2019.

Further details of the banking arrangements, and the directors' consideration of going concern are disclosed in the Financial Review on pages 13 and 14 and in Note 1 to the financial statements.

There is a risk that the forecasts are not achieved and the group breaches bank covenants in future, at which time the Bank could review the group's facilities and seek for its loans to be settled on demand.

Given these circumstances, we have identified that going concern is a Key Audit Matter.

Response

We have obtained and reviewed the financial and cashflow forecasts prepared for the group for the period to July 2019. We have challenged management on the achievability of the forecasts and considered the degree of expected compliance with the bank covenants through to April 2019. We have reviewed the downside scenarios incorporated into the directors' assessment of going concern and had regard to the cash upsides available to the group in the event that cashflow difficulties are experienced.

We have obtained and inspected copies of the waivers provided by the Bank in respect of historic covenant breaches, and examined the revised covenants/facilities that were agreed with the Bank after the year end.

We have reviewed the disclosures made by the directors in respect of going concern and we consider the disclosures to be sufficient and appropriate in light of the forecast future trading of the group, the expected compliance with bank covenants and the adequacy of the committed funding facilities for the group to meet liabilities as they fall due.

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. For planning, we consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements. In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

The materiality for the group financial statements as a whole was set at £600,000 (2016: £825,000) and for the parent company at £480,000 (2016: £622,000). The performance materiality used in our audit for the group financial statements was set at £360,000 (2016: £536,250) and for the parent company at £288,000 (2016: £404,300). The materiality levels were determined with reference to a number of financial benchmarks including revenue, loss before tax and assets of the group. This represents a refinement of our approach to materiality from the prior year where it was based solely on revenue. These financial benchmarks are what we consider to be the key performance measures of the members of the company.

We agreed with the Audit Committee that we would report all individual audit differences in excess of £12,000. We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

An overview of the scope of our audit

Our group audit was scoped by obtaining an understanding of the group and its environment, including the group's system of internal control, and assessing the risks of material misstatement in the financial statements at the group level. This includes certain risks that arise in subsidiaries but have a potentially material impact at a group level.

Financial information relating to the parent company and two other components (one of which was judged to be a significant component) of the group was subject to full scope audit by the group audit team.

Assurance is obtained over insignificant components that are not subject to full scope audit by performing desktop review procedures applying the group materiality level.

Other information

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent 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 parent company 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, 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.

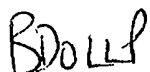
In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent 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 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.



Paul Davies (Senior Statutory Auditor)

For and on behalf of BDO LLP, Statutory Auditor

Leeds

Date: 21 March 2018

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Consolidated statement of profit or loss and other comprehensive income for the year ended 31 July 2017

31 July 2017				31 July 2016 (restated)			
Note	Adjusted £'000	Exceptional and adjusting items ² £'000	Total £'000	Adjusted £'000	Exceptional and adjusting items ² £'000	Total £'000	
Revenue	5	67,756	-	67,756	67,734	-	67,734
Cost of sales		(61,167)	-	(61,167)	(51,638)	-	(51,638)
Gross profit		6,589	-	6,589	16,096	-	16,096
Total operating income		192	249	441	493	5,740	6,233
Total administrative expenses		(16,316)	(22,154)	(38,470)	(15,850)	(5,097)	(20,947)
(Loss)/profit from operations		(9,535)	(21,905)	(31,440)	739	643	1,382
EBITDA¹ (excluding share based payments)		(8,645)	(20,865)	(29,510)	1,528	3,191	4,719
Depreciation		(696)	-	(696)	(757)	-	(757)
Amortisation		(194)	(1,287)	(1,481)	(32)	(1,909)	(1,941)
Share option credit/(expense)		-	247	247	-	(639)	(639)
(Loss)/profit from operations		(9,535)	(21,905)	(31,440)	739	643	1,382
Finance income	9	1,777	-	1,777	1,566	-	1,566
Finance expense	9	(765)	-	(765)	(674)	-	(674)
(Loss)/profit before tax		(8,523)	(21,905)	(30,428)	1,631	643	2,274
Taxation	10	1,325	1,920	3,245	(2,451)	678	(1,773)
(Loss)/profit for the year attributable to equity holders of parent company		(7,198)	(19,985)	(27,183)	(820)	1,321	501
Other comprehensive income							
Items that may be reclassified to profit or loss							
Exchange difference on translation of foreign operation		56	-	56	12	-	12
Total comprehensive income attributable to equity holders of parent company		(7,142)	(19,985)	(27,127)	(808)	1,321	513
Earnings per share:							
Basic	11	(9.2)	(34.9)	(34.9)	(1.1)		0.7
Diluted	11	(9.2)	(34.9)	(34.9)	(1.1)		0.7

¹ EBITDA means earnings before interest, taxation, depreciation and amortisation.

² Exceptional and adjusting items before tax consist of £20,865,000 (2016: £3,191,000 credit) of exceptional items as detailed in Note 8 and £1,040,000 (2016: £2,548,000) of other adjusting items relating to amortisation and share option credit/expense as detailed above.

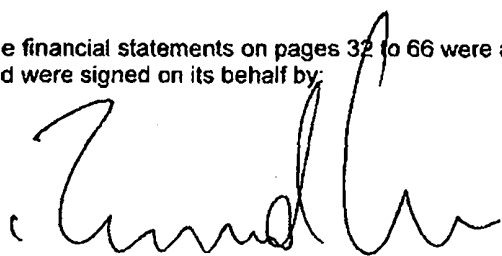
The notes on pages 36 to 66 form part of these financial statements.

Consolidated statement of financial position

as at 31 July 2017

	Note	As at 31 July 2017 £'000	As at 31 July 2016 (restated) £'000	As at 31 July 2015 (restated) £'000
Non-current assets				
Property, plant and equipment	13	5,380	5,589	5,899
Goodwill	14	10,903	23,808	25,123
Intangible assets	15	5,992	10,423	12,047
Accrued revenue	18	20,545	15,677	13,002
Total non-current assets		42,820	55,497	56,071
Current assets				
Inventories	17	342	559	643
Trade and other receivables	18	23,782	27,827	22,405
Corporation tax debtor		3,729	—	—
Cash and cash equivalents		10,076	12,237	5,745
Total current assets		37,929	40,623	28,793
Total assets		80,749	96,120	84,864
Current liabilities				
Trade and other payables	19	38,136	41,567	31,650
Corporation tax liability		—	1,172	501
Loans and other borrowings	20	26,301	1,572	1,025
Current provisions	22	—	526	704
Total current liabilities		64,437	44,837	33,880
Non-current liabilities				
Trade and other payables	19	28,468	16,857	12,296
Loans and other borrowings	20	2,732	16,187	17,759
Deferred tax liability	21	753	1,909	2,380
Non-current provision		—	—	168
Total non-current liabilities		31,953	34,953	32,603
Total liabilities		96,390	79,790	66,483
Net (liabilities)/assets		(15,641)	16,330	18,381
Equity attributable to equity holders of the parent company				
Called-up share capital	23	79	79	77
Share premium		14,667	14,129	12,873
Merger reserve		9,532	9,532	9,532
Share option reserve		890	1,359	1,600
Own shares reserve		(748)	(748)	(748)
Foreign currency reserve		26	(30)	(42)
Retained earnings		(40,087)	(7,991)	(4,911)
Total equity		(15,641)	16,330	18,381

The financial statements on pages 32 to 66 were approved by the Board of Directors and authorised for issue on 21 March 2018 and were signed on its behalf by:



Richard Laker
Chief Financial Officer

The notes on pages 36 to 66 form part of these financial statements.

Registered number: 05849580

Consolidated statement of changes in equity

31 July 2017

	Share capital £'000	Share premium £'000	Share option reserve £'000	Own shares reserve £'000	Merger reserve £'000	Retained earnings £'000	Foreign currency reserve £'000	Total £'000
At 1 August 2015 (as originally stated)	77	12,873	1,600	—	9,532	22,081	(42)	46,121
Prior period adjustments	—	—	—	(748)	—	(26,992)	—	(27,740)
As at 1 August 2015 (restated)	77	12,873	1,600	(748)	9,532	(4,911)	(42)	18,381
Profit for the period (restated)	—	—	—	—	—	501	—	501
Other comprehensive income	—	—	—	—	—	—	12	12
Total comprehensive income for the year	—	—	—	—	—	501	12	513
Dividends paid	—	—	—	—	—	(4,218)	—	(4,218)
Share option expense	—	—	639	—	—	—	—	639
Deferred tax on share options	—	—	(367)	—	—	—	—	(367)
Tax on equity items	—	—	—	—	—	124	—	124
Issue of shares	2	1,256	—	—	—	—	—	1,258
Reserves transfer relating to share based payments	—	—	(513)	—	—	513	—	—
Total contributions by and distributions to owners	2	1,256	(241)	—	—	(3,581)	—	(2,564)
As at 31 July 2016 (restated)	79	14,129	1,359	(748)	9,532	(7,991)	(30)	16,330
Loss for the period	—	—	—	—	—	(27,183)	—	(27,183)
Other comprehensive income	—	—	—	—	—	—	56	56
Total comprehensive income for the year	—	—	—	—	—	(27,183)	56	(27,127)
Dividends paid	—	—	—	—	—	(5,136)	—	(5,136)
Share option credit	—	—	(247)	—	—	—	—	(247)
Deferred tax on share options	—	—	—	—	—	—	—	—
Tax on equity items	—	—	—	—	—	1	—	1
Issue of shares	—	538	—	—	—	—	—	538
Reserves transfer relating to share based payments	—	—	(222)	—	—	222	—	—
Total contributions by and distributions to owners	—	538	(469)	—	—	(4,913)	—	(4,844)
As at 31 July 2017	79	14,667	890	(748)	9,532	(40,087)	26	(15,641)

The notes on pages 36 to 66 form part of these financial statements.

Consolidated cash flow statement

for the year ended 31 July 2017

	31 July 2017 £'000	31 July 2016 (restated) £'000
Operating activities		
(Loss)/profit before tax	(30,428)	2,274
Finance income	(1,777)	(1,566)
Finance expense	765	674
Depreciation of property, plant and equipment	696	757
Share option (credit)/expense	(247)	639
Loss on disposal of fixed assets	—	22
Amortisation of intangible fixed assets	1,481	1,941
Exceptional release of contingent consideration	—	(5,740)
Impairment of goodwill and intangible assets	17,315	1,315
	(12,195)	316
Change in trade and other receivables	948	(6,615)
Change in inventories	216	84
Change in trade and other payables	8,191	20,182
Change in provisions	(526)	(345)
	8,829	13,306
Cash flows from operating activities	(3,366)	13,622
Income taxes paid	(2,810)	(1,814)
Net cash flows from operating activities	(6,176)	11,808
Investing activities		
Purchase of property, plant and equipment	(489)	(467)
Purchase of intangible assets	(1,460)	(318)
Finance income	8	18
Net cash flows used in investing activities	(1,941)	(767)
Financing activities		
Issue of shares	539	1,258
Loans repaid	(5,700)	(5,025)
Loans received	16,700	4,000
Finance expense	(503)	(674)
Dividends paid	(5,136)	(4,218)
Net cash flows used in financing activities	5,900	(4,659)
Net (decrease)/increase in cash and cash equivalents	(2,217)	6,382
Translation gain on cash and cash equivalents	56	110
Cash and cash equivalents at beginning of period	12,237	5,745
Cash and cash equivalents at end of period	10,076	12,237

The notes on pages 36 to 66 form part of these financial statements.

Notes to the consolidated financial statements

for the year ended 31 July 2017

1. Accounting policies

Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs), as adopted by the European Union (EU). The parent company has elected to prepare its Company accounts in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework. These are presented on pages 67 to 76.

Utilitywise plc is incorporated and domiciled in the United Kingdom.

The principal accounting policies have been applied consistently to all years and are set out below.

Basis of consolidation

The consolidated financial statements comprise the financial statements of Utilitywise plc and its subsidiaries. Where the Company has control over an investee, it is classified as a subsidiary. The Company controls an investee if all three of the following elements are present: power over the investee, exposure to variable returns from the investee, and the ability of the investor to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

The consolidated financial statements present the results of the Company and its subsidiaries ('the Group') as if they formed a single entity. Intercompany transactions and balances between Group companies are therefore eliminated in full.

The consolidated financial statements incorporate the results of business combinations using the acquisition method. In the statement of financial position, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the consolidated statement of profit or loss and other comprehensive income from the date on which control is obtained. They are deconsolidated from the date on which control ceases.

Going concern

The directors are required to prepare these financial statements on a going concern basis unless it is inappropriate to presume that the Company and the Group will continue in business.

The likelihood that the group has the ability to meet liabilities as they fall due for at least a period of 12 months from the date of these accounts has been assessed. The Group is almost wholly funded from a bank facility with a single lender. Therefore, the ability of the group to pay its liabilities, as they fall due, is dependent upon two primary factors:

- i) Availability of bank facility headroom
 - The directors conclude that, based on the forecasts of the group, there is significant enough headroom to conclude there would not be an expected issue in this regard
- ii) Compliance with loan covenants
 - At the balance sheet date, the Group had two main financial performance covenants:
 - a. Ratio of earnings before interest, taxation, depreciation and amortisation (EBITDA) to net debt ("leverage") not to exceed 2.0x
 - b. Ratio of earnings before interest, taxation and amortisation (EBITA) to interest charges ("interest cover") not to be less than 5.0x

The Group certified compliance with the above covenants based upon its internal management reporting. However, the significant changes to the Group's revenue recognition policy mean that the final, audited results of the Group for FY17 show breaches of both of the above covenants.

Prior to the approval of the FY17 accounts, the bank confirmed waivers of these breaches and replaced the above covenants with amended covenants as follows:

- Minimum liquidity covenant, which sets out maximum balance sheet positions on a monthly basis, taking into account the Group's net debt as well as amounts due back to energy suppliers in respect of projected under-consumption
- EBITA interest cover, with EBITA determined on an assumed constant under-consumption rate of 20% on procurement contracts.

As at the date of approval of the FY17 financial statements, the Group is in compliance with these covenants and following a review of the forecasts, expects to remain so in future.

The Group is also required to have capital expenditure less than £1.5m in any one financial year. The final audited accounts for FY17 indicated cash flow in respect of capital expenditure of £1.9m. Prior to the approval of the FY17 accounts, the bank also confirmed a waiver of this breach.

As the amendment and waivers were received after the balance sheet date, the entire bank loan has been reclassified as a current liability at the balance sheet date, in accordance with IAS 1.

All covenants and the ability of the Group to settle its liabilities as they fall due have been reviewed to forecast assumptions and have been assessed for sensitivity. Based on this review, the directors consider that the preparation of these financial statements on a going concern basis is appropriate.

Revenue recognition

– Enterprise procurement contracts

The Enterprise division provides services through negotiating rates on energy contracts with energy suppliers (“procurement contracts”) on behalf of business customers and generates revenues from those procurement contracts by way of commissions from the energy suppliers.

Those contracts typically have no requirement to deliver further services attached to them and, therefore, no further contractual obligation to deliver services exists once the energy supply to the end customer has commenced from the energy supplier under the contract (i.e. when a contract has “gone live”).

Commission values due to the Group in respect of procurement contracts are initially calculated based on expected energy use by the end customer, at agreed commission rates with the energy suppliers. Where actual energy use by the end customer differs to that initially expected, an adjustment is subsequently made to the contract value, as this will represent an increase or decrease in the total amount of commission due to the Group in respect of a procurement contract.

The variability in energy consumption on an energy contract by an end customer can arise in two main instances:

- i. On contracts that run to maturity, variability arises due to under or over consumption over the life of the contracts against the initial estimate of the contract value, due to the activity of the end customer, leading to either additional revenue or a reversal of revenue in a subsequent period; and
- ii. Due to certain contracts failing to reach their scheduled maturity date, for example due to early termination by the end customer or customer delinquency/default, usually leading to a reversal of revenue in a subsequent period.

Initial revenue is recognised on new procurement contracts when all of the following conditions are satisfied:

- The Group has satisfied its contractual delivery commitment:
 - For new contracts, this is when the contract has “gone live”; and
 - For existing customers, where a previous contract is already live, the market can provide pricing opportunities to extend that existing contract with the same supplier (“same supplier renewals”). In those circumstances, the contractual delivery commitment is satisfied when that contract extension is signed.
- The value of the revenue can be reliably estimated. The total value of the revenue on each individual contract remains variable until that contract matures and the final level of energy consumption and, therefore, commission value is ultimately known. Accordingly, estimation is required in this area, as explained in Note 2.
- It is probable that there will be an inflow of economic benefit to the Group.

The Group forms a reliable estimate of revenue on procurement contracts as follows:

- For contracts of less than £50,000 initial value, the Group has a significant amount of historic data which shows the final values of previous procurement contracts that have matured in previous periods. That data is used as a guide to form an estimate of the probable outturn of live contracts, where those contracts are expected to exhibit similar economic characteristics as the matured contracts. To do this, the live and matured contracts are organised into matching tranches, by initial contract value, such that the determined tranches of matured contracts are considered to be representative of the characteristics of the live contracts in the equivalent tranche. Each ended tranche is populated by all matured contracts, in that initial value range, that have reached maturity in the previous four years.
- For contracts of greater than £50,000 initial value, the number of historic matured contracts is much smaller than for contracts of less than £50,000 initial value and, as such, those contracts have typically exhibited greater volatility on their range of over/underconsumption. Accordingly, it is considered that the use of matured contract data would be less reliable for the purposes of forming an estimate of revenue for these contracts. Therefore, revenue on contracts of greater than £50,000 initial value is determined on a contract-by-contract basis, when sufficient evidence exists to allow a reliable estimate to be made. Such evidence would include, inter alia, consumption data from energy suppliers and the Group's systems.
- For all procurement contracts, as estimate is made of the proportion of those contracts that will fail to reach their contractual maturity date. As explained above, this is likely to lead to a reduction in the final value of those contracts and, therefore, additional provision is taken at each balance sheet date, to estimate the impact of such early-terminations occurring. This estimate is based upon the historic incidence of such occurrences observed by the Group, including on individual tranches of contracts, for contracts of less than £50,000 initial value.

Previously, the Group recognised revenue on all of its procurement contracts at the point of go-live, for new contracts, and at point of signature for same supplier renewals, regardless of the initial value of contracts. The amount of initial revenue recognised was the same for all procurement contracts, regardless of the initial value of contracts and was based upon the average consumption rate observed on contracts that matured in the previous year.

The change in the Group's contract base and analysis of data means that it is now considered that the previous accounting policy was inappropriate. Therefore, in accordance with IAS 8, the above represents a change in accounting policy, as explained in Note 2.

Revenue recognition – Corporate and other services

Revenue for the Corporate Division is derived from both procurement contracts and sales of energy management products to business customers.

Where the Corporate division delivers procurement contracts with additional services and account management included in the commercial terms with the end customer, the revenue on those contracts is recognised over the term of the contract at the expected fair value of those contracts. Where procurement contracts are delivered without any other services, they are accounted for in the same way as Enterprise procurement contracts, as described above.

Revenue in respect of energy management products is recognised at fair value once the work has been completed.

Revenue recognition – procurement contract discounting

The timing of cash receipts, in respect of procurement contract commissions, differs according to the contractual terms in place with relevant energy supplier counterparties and can fall due for billing before a contract goes live, when a contract goes live or spread over the term of the contract, which can be for a period of up to five years.

Where cash falls contractually due for billing later than revenue is recognised in the income statement, the difference is recognised in the balance sheet as an accrued revenue asset. Long-dated accrued revenue assets are discounted at an appropriate rate to reflect the time value of money and counterparty credit risk associated with those receivables.

Where cash falls contractually due for billing earlier than revenue is recognised in the income statement, the difference is recognised in the balance sheet as a deferred revenue liability. Deferred revenue balances of this nature are not discounted.

Expenditure

Provision is made when an obligation exists for a future liability relating to a past event and where the amount of the obligation can be reliably estimated.

Exceptional items

The Group seeks to highlight certain items as exceptional costs and income. These are considered to be exceptional in size and/or nature rather than indicative of the underlying trade of the Group. These may include items such as restructuring costs, material profits or losses on disposal of property, plant and equipment, impairment of goodwill, profits or losses on the disposal of subsidiaries or other non-recurring items that are considered exceptional in nature. All of these items are charged or credited before calculating profit or loss before taxation. Material profits or losses on disposal of property, plant and equipment, impairment of goodwill, and profits or losses on the disposal of subsidiaries are shown as separate items in arriving at operating profit or loss whereas other exceptional items are charged or credited within operating or finance costs and highlighted by analysis. Management applies judgement in assessing the particular items which, by virtue of their size and nature, are disclosed separately in the consolidated statement of profit or loss and other comprehensive income and the notes to the financial statements as exceptional items. Management believes that the separate disclosure of these items is relevant to the understanding of the Group's financial performance. To the extent that items of this nature occur in more than one financial year, the treatment of such items is consistent between years.

Foreign currencies

Transactions in foreign currencies are initially recorded at the rates of exchange prevailing on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated into the Group's functional currency at the rates prevailing on the balance sheet date. Non-monetary items measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in the income statement for the period.

Retirement benefits: defined contribution schemes

The Group operates a defined contribution pension scheme. Contributions to the Group's pension scheme are charged to the consolidated statement of profit or loss and other comprehensive income in the year to which they relate.

Share based payments

Where share options are awarded to employees, the fair value of the options at the date of grant is charged to the income statement over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each balance sheet date so that, ultimately, the cumulative amount recognised over the vesting period is based on the amount that eventually vest.

Fair value is measured by use of a Black-Scholes option pricing model. The expected life used in the model has been adjusted, based on the Directors' best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

Dividends

Dividends paid are recognised in the Group financial statements in the period in which they become legally payable. In the case of interim dividends this is when they are actually paid. In the case of final dividends, it is when they are approved by shareholders.

Goodwill

Goodwill represents the excess of the costs of a business combination over the total acquisition date fair values of the identifiable assets, liabilities and contingent liabilities acquired. Goodwill is capitalised as an intangible asset and is tested for impairment annually. Any impairment in carrying value is charged to the consolidated statement of profit or loss and other comprehensive income.

Costs of a business combination are defined as the fair value of assets given, liabilities assumed and equity instruments issued. Any direct costs of acquisition are recognised immediately as an expense.

Other intangible assets

Expenditure on internally developed products is capitalised if it can be demonstrated that:

- it is technically feasible to develop the product for it to be sold;
- adequate resources are available to complete the development;
- there is an intention to complete and sell the product;
- sale of the product will generate future economic benefits; and
- expenditure on the project can be measured reliably.

Development expenditure not satisfying the above criteria and expenditure on the research phase of internal projects are recognised in the consolidated statement of profit or loss and other comprehensive income as incurred.

Externally acquired intangible assets are initially recognised at cost and subsequently amortised on a straight line basis over their useful economic lives. Where intangible assets are acquired on business combinations, these assets are initially recognised at the fair value at the date of acquisition and subsequently amortised on a straight line basis over their useful economic lives.

The significant intangibles recognised by the Group, their useful economic lives and the methods used to determine the cost of the intangibles acquired in a business combination are as follows:

Intangible asset	Useful economic life	Valuation method
Trademarks	10 years	Cost
Website development and developed software	5 years	Cost
Customer relationships	2 years/10 years	Cost
Technology based intangible assets	4 years/8 years	Cost
Non-compete agreement	2 years	Cost
Marketing	10 years	Cost
Order backlog	1 year	Cost
Intellectual property	2 years	Cost

The subsequent measurement basis of the intangible asset is amortised cost. The amortisation expense is recognised within administrative expenses in the consolidated statement of profit or loss and other comprehensive income.

Property, plant and equipment

Items of property, plant and equipment are initially recognised at cost. As well as the purchase price, cost includes directly attributable costs. Where items of property, plant and equipment are acquired on business combinations, these assets are initially recognised at the net book value at the date of acquisition.

Depreciation is provided on all items of property, plant and equipment so as to write off their carrying value over their expected useful economic lives on a straight line basis. It is provided at the following rates:

Improvements to property	–	period of lease
Freehold property	–	2% on cost
Plant and machinery	–	10–20% on cost
Fixtures and fittings	–	25% on cost or 15% on reducing balance
Motor vehicles	–	33% on cost or 25% on reducing balance
Computer equipment	–	20–33% on cost
Computer software	–	20–25% on cost

Impairment of non-financial assets

Intangible and other non-financial assets with indefinite useful economic lives are subject to impairment tests annually at the financial year end. The carrying values of non-financial assets are reviewed for impairment when there is an indication that assets might be impaired. When the carrying value of an asset exceeds its recoverable amount, the asset is written down accordingly.

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the asset's cash generating unit (i.e. the smallest group of assets in which the asset belongs for which there are separately identifiable cash flows).

Impairment charges are included in the consolidated statement of profit or loss and other comprehensive income, except to the extent they reverse previous gains recognised in the consolidated statement of profit or loss and other comprehensive income. An impairment loss recognised for goodwill is not reversed.

Financial assets

The Group classifies its financial assets into the categories, discussed below, according to the purpose for which the asset was acquired. The Group has not classified any of its financial assets as held to maturity.

Loans and receivables

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of services to customers (e.g. trade receivables), but also incorporate other types of contractual monetary asset. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, with any subsequent release of discounting being charged or credited to the consolidated statement of profit or loss and other comprehensive income.

The Group's loans and receivables comprise trade and other receivables and accrued revenue included within the consolidated statement of financial position.

Cash and cash equivalents include cash held at bank.

Impairment provisions are recognised when there is objective evidence (such as significant financial difficulties on the part of the counterparty or default or significant delay in payment) that the Group will be unable to collect all of the amounts due under the terms receivable, the amount of such a provision being the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable. For trade receivables, which are reported net, such provisions are recorded in a separate allowance account with the loss being recognised within administrative expenses in the income statement. On confirmation that the trade receivables will not be collectable, the gross carrying value of the asset is written off against the associated allowance.

Financial liabilities

The Group classifies its financial liabilities as other financial liabilities, which include the following:

- bank loans, which are initially recognised at fair value net of any of transaction costs directly attributable to the issue of the instrument. Such interest bearing liabilities are subsequently measured at amortised cost ensuring the interest element of the borrowing is expensed over the repayment period at a constant rate; and
- trade payables, other borrowings and other short-term monetary liabilities, which are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method.

Share capital

Financial instruments issued by the Group are treated as equity only to the extent that they do not meet the definition of a financial liability. The Group's ordinary shares are classified as equity instruments.

Costs associated with the issue of new ordinary shares are deducted from share premium. Costs associated with the listing of shares on a public market are allocated on a pro rata basis to the consolidated statement of profit or loss and other comprehensive income for existing shares listed and to the share premium for new shares listed.

Leased assets

Where substantially all of the risks and rewards incidental to ownership of a leased asset have been transferred to the Group (a 'finance lease'), the asset is treated as if it had been purchased outright. The amount initially recognised as an asset is the lower of the fair value of the leased property and the present value of the minimum lease payments payable over the term of the lease. The corresponding lease commitment is shown as a liability. Lease payments are analysed between capital and interest. The interest element is charged to the consolidated statement of profit or loss and other comprehensive income over the period of the lease and is calculated so that it represents a constant proportion of the lease liability. The capital element reduces the balance owed to the lessor.

Where substantially all of the risks and rewards incidental to ownership are not transferred to the Group (an 'operating lease'), the total rentals payable under the lease are charged to the consolidated statement of profit or loss and other comprehensive income on a straight line basis over the lease term. The aggregate benefit of lease incentives is recognised as a reduction of the rental expense over the lease term on a straight line basis.

Deferred taxation

Deferred tax assets and liabilities are recognised where the carrying amount of an asset or liability in the consolidated statement of financial position differs from its tax base, except for differences arising on:

- the initial recognition of goodwill;
- the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting nor taxable profit; and
- investments in subsidiaries and jointly controlled entities where the Group is able to control the timing of the reversal of the difference and it is probable that the difference will not reverse in the foreseeable future.

Recognition of deferred tax assets is restricted to those instances where it is probable that taxable profit will be available against which the difference can be utilised.

The amount of the asset or liability is determined using tax rates that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the deferred tax liabilities or assets are settled or recovered. Deferred tax balances are not discounted.

Deferred tax assets and liabilities are offset when the Group has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority on either:

- the same taxable Group company; or
- different Company entities which intend either to settle current tax assets and liabilities on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax assets and liabilities are expected to be settled or recovered.

The deferred tax charge or credit can be allocated to the consolidated statement of profit or loss and other comprehensive income, equity or goodwill, dependent upon the nature of the asset or liability it relates to.

Inventories

Inventories are initially recognised at cost, and subsequently at the lower of the cost and net realisable value. Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Government grants

Government grants received in respect of tangible fixed assets are credited to the income statement over the expected useful economic lives of the relevant assets to which they relate. Grants for revenue expenditure are netted against the cost incurred by the Group. Where retention of a government grant is dependent on the Group satisfying certain criteria, it is initially recognised as deferred income. When the criteria for retention have been satisfied, the deferred income is released to the consolidated statement of profit or loss and other comprehensive income.

Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker has been identified as the management team including, amongst others, the Chief Executive Officer, the Non-executive Chairman and the Chief Financial Officer.

During the year, the Group serviced both corporate and enterprise (SME) businesses. The Board considers that the services were offered from two distinct segments in the current year, and as such has taken the decision to report separately on these operating segments.

Operating segments are determined based on the internal reporting information and management structure within the Group. Information regarding the results of the reportable segment is included within this report. Performance is based on segment operating profit or loss before share based payment charges, depreciation, amortisation and acquisition costs, as reported in the internal management reports that are reviewed by the chief operating decision maker (CODM). The segment Earnings before interest, taxation, depreciation and amortisation (EBITDA), is used to measure performance. Revenues represent revenues to external customers.

The Enterprise Division derives its revenues from energy procurement by negotiating rates with energy suppliers for small and medium-sized business customers throughout the UK, the Republic of Ireland and certain European markets. The Corporate Division derives its revenues from energy procurement of larger industrial and commercial customers, often providing an account care service and offering a variety of utility management products and services designed to help customers manage their energy consumption.

2. Critical accounting estimates and judgements

The Group makes certain estimates and assumptions regarding the future. Estimates and judgements are continually evaluated based on historical experience and other factors, including the expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions. 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 discussed below.

Judgements and accounting estimates and assumptions

(a) Revenue recognition

The Group recognises revenue in accordance with its accounting policies, as set out in Note 1. The main elements of revenue are as follows:

- Procurement contracts (without any further service delivery) – primarily in the Enterprise division but with these contracts also existing in the Corporate division
- Procurement contracts (with further service delivery) – mainly existing in the Corporate division
- Sales of energy management products to business customers.

Revenue from procurement contracts, with future service delivery, is recognised over the term of the contract at the expected fair value of those contracts, with limited need for estimation or risk of adjustment or revenue reversal.

Revenue in respect of energy management products is recognised at fair value once the work has been completed. At the point of revenue recognition, there is limited scope for any subsequent change in the fair value of the revenue recognised and, therefore, minimal need for estimation of revenue values.

The main area of accounting estimation for the Group therefore relates to procurement contracts without any further service delivery. This is because the Group recognises revenue upon the commencement of those contracts but the final contract value remains variable until a future date. The Group must, therefore, take account of a number of variables in forming a reliable estimate of revenue values to be recognised on these contracts. The full details of how the Group forms its estimates of revenue values are set out in Note 1 and the key areas of estimation in respect of those contracts are as follows:

Point of satisfaction of contractual delivery commitment

This is deemed to be the commencement of energy delivery from the energy supplier to the end customer, for new contracts, and is deemed to be the signature of a contract extension for contracts with existing customers with the incumbent supplier.

These are based upon the Group's view of its contractual terms with energy suppliers, as set out in the contracts that the Group has with those suppliers.

Use of historical data on matured contracts to form a reasonable and reliable expectation of consumption levels of contracts of initial value less than £50,000 yet to mature

Contracts of initial value less than £50,000 have been grouped into value cohorts/tranches that are considered to remain sufficiently stable over historic periods as to give a high degree of confidence that the live contracts, in those tranches, are likely to also display similar rates of average under/overconsumption when they eventually reach maturity. This allows the Group to use that historic data to determine initial revenue recognition rates at each balance sheet date and make adjustments to the level of revenue over the life of a contract as set out in Note 1.

Should management's overall estimated rate of initial revenue recognition on contracts of initial value less than £50,000, taken as an average across all value tranches, change by 1%, the cumulative impact on the equity of the Group as at 31 July 2017 and the impact on the income statement of the Group for the year ended 31 July 2017 would be £0.7m

The initial revenue recognition rates are different between value tranches. Taking all of the tranches together, the range of under-consumption provision rates used in the financial statements for the year ended 31 July 2017 is 24.7% to 30.8% (i.e. initial revenue rates are 69.2% to 75.3%), representing a weighted average of 26.4%. The actual weighted average rate of under-consumption, observed on contracts less than £50,000 that matured in the two-year period ended 31 July 2017 was 17.7%. If all of the contracts less than £50,000, that are live as at 31 July 2017, on average subsequently matured at this rate of under-consumption, the impact on the equity of the Group would be to increase it by £13.1m. The impact of each 1% change in this rate on the equity of the Group is set out in the paragraph above.

Use of consumption data on contracts of initial value greater than £50,000 yet to mature

Contracts of initial value more than £50,000 are not deemed to have sufficient volumes of historic matured contract data to determine whether a reliable estimate of likely under/overconsumption levels of live contracts can be made. Therefore, the amount of revenue recognised on these contracts is determined on a contract-by-contract basis, based upon review of available data for those contracts from energy suppliers. It is not considered practicable to use this estimation methodology for contracts of initial value less than £50,000 due to the volume of contracts involved.

Should management's estimated rate of initial revenue recognition on contracts of initial value more than £50,000 change by 1%, the cumulative impact on the equity of the Group as at 31 July 2017 and the impact on the income statement of the Group for the year ended 31 July 2017 would be £0.2m.

The average level of under-consumption provision in the financial statements for the year ended 31 July 2017 for these contracts is 52.2%. The impact of each 1% change in this rate on the equity of the Group is set out in the paragraph above.

Expected rate of contracts that will fail to reach maturity and recognition rate thereon

As explained in Note 1, certain of the procurement contracts are expected to fail to reach their contractual maturity date. Accordingly, the Group must make an estimate of the proportion of its live contracts that will fail to reach maturity, as the experience of the Group indicates that those contracts typically have a final value significantly lower than originally expected upon the commencement of the contract. This means that the overall value of the Group's revenue from those contracts is significantly lower than contracts that run to maturity. The Group forms its estimates in this regard by reviewing historic rates of contracts that fail to reach maturity and contract under-consumption rates and applying those to its live contracts.

In the case of contracts with initial value less than £50,000, this is carried out on the identified tranches of contracts, described above, and for contracts with initial value greater than £50,000, this is based upon the behaviour observed on that contract set as a whole.

The amount of revenue recognised on contracts expected to fail to reach maturity is determined using a similar methodology to contracts that are expected to mature, as described above, except using the final values of the contracts that early-terminated in the same historic period, where it has been practicable to identify this historic information.

Should the estimated proportion of live contracts that are expected to fail to reach maturity change by 1%, the cumulative impact on the equity of the Group as at 31 July 2017 and the impact on the income statement of the Group for the year ended 31 July 2017 would be £2.3m.

The proportion of contracts of value less than £50,000 expected to fail to reach maturity has been set based upon the worst rate seen across the period 2014 to 2017. Should the rate remain unchanged then there will be no impact on the equity of the Group. The impact of each 1% change in this rate on the equity of the Group is set out in the paragraph above.

Should the estimated blended average rate of under-consumption on contracts expected to fail to reach maturity change by 1%, the cumulative impact on the equity of the Group as at 31 July 2017 and the impact on the income statement of the Group for the year ended 31 July 2017 would be £0.7m.

It is less practicable to determine a reasonably possible outcome on early-terminating contracts, given that they will terminate at different points in their contractual lives. Accordingly, disclosure in respect of expected resolution of uncertainty, as contemplated by IAS 1, has not been given in respect of this variable.

Discount rate on accrued revenue assets

Where cash falls contractually due for billing later than revenue is recognised in the income statement, the difference is recognised in the balance sheet as an accrued revenue asset. Long-dated accrued revenue assets are discounted at an appropriate rate to reflect the time value of money and counterparty credit risk associated with those receivables.

The discount rate used is based upon the cost of debt of the relevant energy supplier counterparties. A change of 1% in the discount rate would have a cumulative impact on the equity of the Group as at 31 July 2017 and the impact on the income statement of the Group for the year ended 31 July 2017 would be £0.4m.

(b) Goodwill impairment and determination of cash generating units

The Group recognises the need to consider the carrying value of goodwill on an annual basis. The Group has prepared an estimation of the value in use of the cash generating units to which goodwill has been allocated. This has been performed by estimating the future cash flows expected to arise from each cash generating unit and applying a suitable discount rate in order to calculate present value. An impairment review has been performed at 31 January 2017 and the reporting date and an impairment of £12.9m has been identified. More details, including carrying values, are included in note 14.

In determining cash generating units (CGUs) we have considered sales mechanisms, operating mechanisms and delivery mechanisms. Goodwill is allocated on initial recognition to each of the Group's CGUs that are expected to benefit from a business combination that gives rise to goodwill.

(c) Other intangible assets

As set out in Note 1, intangible assets acquired in a business combination are capitalised and amortised over their useful lives. Both initial valuations and valuations for subsequent impairment tests are based on risk-adjusted future cash flows discounted using appropriate discount rates. These future cash flows will be based on forecasts which are inherently judgemental. Future events could cause the assumptions to change, which could have an adverse effect on the future results of the Group.

Under IFRS 3 all assets and liabilities acquired as part of a business combination have been recorded at fair value.

(d) Share based payments

The Group has equity-settled share based remuneration schemes for employees. Employee services received, and the corresponding increase in equity, are measured by reference to the fair value of the equity instruments (shares) at the date of grant. The fair value of share options is estimated by using the Black-Scholes valuation model on the date of grant based on certain assumptions. Those assumptions are described in note 30 and include, among others, expected volatility, expected life of the options and number of options expected to vest.

(e) Property, plant and equipment

Property, plant and equipment are depreciated over the useful lives of the assets. Useful lives are based on management's estimates of the period that the assets will generate revenue, which are reviewed annually for continued appropriateness. The carrying values are tested for impairment when there is an indication that the value of the assets might be impaired. When carrying out impairment tests these would be based upon future cash flow forecasts and these forecasts would be based upon management's judgement. Future events could cause the assumptions to change; therefore, this could have an adverse effect on the future results of the Group.

Changes in accounting policies

Forthcoming new or revised accounting standards

In the current year, the following new and revised standards and interpretations have been adopted and have not resulted in any significant impact on the results or net assets of the Group:

- IAS 12 *Recognition of Deferred Tax Assets for Unrealised Losses* (1 January 2017)
- IAS 7 *Disclosure Initiative* (1 January 2017)

The Group has decided against early adoption of the following new and amended IFRSs, IASs and IFRIC interpretations which are mandatory for future accounting periods and which are potentially relevant to the Group:

- IFRS 2 *Classification and Measurement of Share Based Payment Transactions* (1 January 2018)
- IFRS 9 *Financial Instruments* (1 January 2018)
- IFRS 16 *Leases* (1 January 2019)

No detailed assessment or quantification of the impact of these standards has yet been conducted by the Group.

The Group is required to adopt IFRS 9 from 1 August 2018. The directors acknowledge the potential impact on the carrying value of trade receivables and accrued revenue in the balance sheet, in particular through the requirement to consider future expected losses, once this standard is adopted. It has not yet been determined whether these impacts would be material to the results of the Group.

The Group is required to adopt IFRS 16 from 1 August 2019. The Directors have not yet undertaken a full review of the implications of that adoption. However, it is anticipated that there will be a significant increase to the value of lease liabilities recognised on the balance sheet, reflecting the level of operating leases to which the Group is party, along with an increase in the value of property, plant and equipment. The most significant impact is likely to be the Group's head office property, which will impact lease liabilities and land & buildings assets in the balance sheet, with the remaining leases likely to be in respect of motor vehicles and IT equipment.

From 1 August 2017, the Group has decided to early adopt IFRS 15 (*Revenue from Contracts with Customers*), interpretations of which are mandatory for future accounting periods from 1 January 2018.

The year ended 31 July 2018 will be the first financial year of the Group to be prepared under IFRS 15. The financial statements for earlier years will also be restated to reflect the change in accounting policy. Following the decision to adopt early, and after taking appropriate professional advice including from an independent accounting firm, the Board has determined that the revenue and profit of the Group will be materially impacted by the implementation of IFRS 15. Relevant summary qualitative GAAP differences are set out in Note 29.

There is no impact on the commercial activities or cash flows of the Group, as a result of the adoption of this accounting standard.

Other changes in accounting policy

During the year ended 31 July 2017, the Group has also made a change to the methodology for estimating initial revenue recognition amounts on procurement contracts. The Group has previously based its entire rate of revenue recognition on contracts upon the overall consumption rates and final value of contracts that have matured in the previous year. The previous method of estimation is considered flawed due to both the erroneous extraction of data on matured contracts from the Group's systems and the way in which that data was subsequently analysed for the purposes of estimating revenue. Further explanation of the revised policy is set out in Note 1.

The need to change the estimation methodology is considered to have arisen through the incorrect previous application of accounting standards and through the inappropriate interpretation of data. Therefore, in accordance with IAS 8, this has been treated as an error and a prior period restatements are required, as set out in Note 28.

3. Financial instruments: risk management

The Board has overall responsibility for the determination of the Group's risk management objectives and policies. The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Group's competitiveness and flexibility. The Group reports in sterling. All funding requirements and financial risks are managed based on policies and procedures adopted by the Board of Directors. The Group does not use derivative financial instruments such as forward currency contracts, interest rate swaps or similar instruments. The Group does not issue or use financial instruments of a speculative nature.

The Group is exposed to the following financial risks:

- credit risk;
- liquidity risk; and
- foreign currency risk.

In common with all other businesses, the Group is exposed to risks that arise from its use of financial instruments. The principal financial instruments used by the Group, from which financial instrument risk arises, are as follows:

- trade and other receivables;
- cash and cash equivalents;
- trade and other payables; and
- bank loans.

To the extent financial instruments are not carried at fair value in the consolidated statement of financial position, book value approximates to fair value at 31 July 2017 and 31 July 2016.

Trade and other receivables are measured at book value and amortised cost. Book values and expected cash flows are reviewed by the Board and any impairment is charged to the consolidated statement of profit or loss and other comprehensive income in the relevant period.

Cash and cash equivalents are held in sterling and euro and placed on deposit in UK and European banks.

Trade and other payables are measured at book value and amortised cost.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or a counterparty to a financial instrument fails to meet its contractual obligations. The Group is mainly exposed to credit risk from credit sales. At 31 July 2017 the Group had trade receivables and accrued revenues of £40.7m (2016: £41.3m as restated).

Commissions are earned from large blue-chip energy suppliers; therefore, in this respect, credit risk is considered low. However, there is credit risk between the energy supplier and the end user that may impact commissions received if the energy supplier is unable to collect cash balances due from the end user. However, this is taken into account when measuring the initial value of revenues. The Group attempts to mitigate credit risk by assessing the credit rating of new customers prior to entering into contracts and by entering contracts with customers with agreed credit terms.

The Group's most significant financial asset is cash and cash equivalents of £10.1m (2016: £12.2m) which at 31 July 2017 were held on deposit with Royal Bank of Scotland (which is rated P-2/A-2 with Moody's and Standard and Poor's respectively). These deposits are held with maturities of less than three months.

The Directors are unaware of any factors affecting the recoverability of outstanding balances at 31 July 2017 and consequently no further provisions have been made for bad and doubtful debts.

Liquidity risk

Liquidity risk arises from the Group's management of working capital. It is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due. The Group's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due. To achieve this aim, it seeks to maintain cash balances to meet expected requirements for a period of at least 30 days.

The Board receives rolling twelve-month cash flow projections on a monthly basis as well as information regarding cash balances. At the balance sheet date, the Group had cash balances of £10.1m (2016: £12.2m) and the financial forecasts indicated that the Group expected to have sufficient liquid resources to meet its obligations under all reasonably expected circumstances.

Foreign currency risk

Foreign currency risk arises from the Group's transactions in currencies other than the Group's functional currency. No external hedge is entered into as the Group does not believe this risk to be significant due to the low volume of transactions in other currencies. This will continue to be reviewed on an ongoing basis.

Capital management

The Group's capital is made up of share capital, share premium, share option reserve, merger reserve, own shares reserve, foreign currency reserve and retained earnings totalling (£15.6)m as at 31 July 2017 (2016: £16.3m as restated).

The Group's objectives when maintaining capital are:

- to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk.

The capital structure of the Group consists of shareholders' equity as set out in the consolidated statement of changes in equity. All working capital requirements are financed from existing cash resources.

Bank Loans

The Group's bank loan facility is subject to a variable LIBOR-linked rate of interest. No external hedge is entered into as the Group does not believe this risk to be significant. Should the balance as at 31 July 2017 remain unchanged throughout the year, interest payable would be £551,000. Should the LIBOR rate increase by 0.5% and the balance as at 31 July 2017 remain unchanged, interest payable would be £674,000.

4. Segmental reporting

	31 July 2017 £'000	31 July 2016 (restated) £'000
Revenue		
Enterprise	54,826	52,103
Corporate	13,574	17,104
Intersegment revenue	(644)	(1,473)
Total Group revenue	67,756	67,734

	31 July 2017 Enterprise £'000	31 July 2017 Corporate £'000	31 July 2017 Total £'000
Segment adjusted EBITDA	(8,274)	(371)	(8,645)
Intercompany revenue	(74)	(570)	(644)
Intercompany direct costs	572	72	644
Intercompany management charges	(1,295)	1,295	—
Segment adjusted EBITDA post intercompany adjustments	(9,071)	426	(8,645)
Share option credit	107	140	247
Exceptional income	249	—	249
Exceptional impairment	—	(17,315)	(17,315)
Exceptional charges	(3,485)	(314)	(3,799)
Finance income	1,777	—	1,777
Finance expense	(765)	—	(765)
Depreciation	(565)	(131)	(696)
Amortisation	(16)	(178)	(194)
Taxation	2,183	112	2,294
Segment loss after tax	(9,586)	(17,260)	(26,846)

	31 July 2016 Enterprise (restated) £'000	31 July 2016 Corporate (restated) £'000	31 July 2016 Total (restated) £'000
Segment adjusted EBITDA	(967)	2,685	1,718
Intercompany revenue	—	(1,473)	(1,473)
Intercompany direct costs	1,473	—	1,473
Intercompany dividend income	(191)	—	(191)
Segment adjusted EBITDA post intercompany adjustments	315	1,212	1,527
Share option expense	(444)	(195)	(639)
Exceptional income	—	5,740	5,740
Exceptional charges	(1,233)	(1,315)	(2,548)
Finance income	1,562	4	1,566
Finance expense	(673)	(1)	(674)
Depreciation	(560)	(198)	(758)
Amortisation	(19)	(11)	(30)
Taxation	(2,613)	(479)	(3,092)
Segment profit after tax	(3,665)	4,757	1,092

	31 July 2017 £'000	31 July 2016 (restated) £'000
(Loss)/profit after tax		
Enterprise	(6,350)	(2,432)
Corporate	369	332
Exceptional income	249	5,740
Exceptional charges	(21,114)	(2,548)
	(26,846)	1,092
Group deferred tax adjustments	950	1,319
Amortisation	(1,287)	(1,910)
Total Group (loss)/profit after tax	(27,183)	501

	31 July 2017 £'000	31 July 2016 (restated) £'000
Net assets		
Enterprise	(14,034)	(101)
Corporate	15,366	15,751
Amortisation	(5,562)	(4,275)
Investment costs	(928)	(928)
Exceptional income	5,740	5,740
Exceptional charges	(18,630)	(1,315)
Group tax adjustments	2,407	1,458
Group net assets	(15,641)	16,330

5. Revenue

	31 July 2017 £'000	31 July 2016 (restated) £'000
Analysis of concentration of customers comprising revenues of more than 10%		
Customer 1	13,910	12,928
Customer 2	12,057	7,364
Customer 3	10,144	9,565
Other	34,219	39,909
Discounting	(2,574)	(2,032)
	67,756	67,734

The Group receives revenue from three customers representing more than 10% of Group. A customer is defined as an energy supplier.

Revenues relate to the rendering of services.

Geographical information

	31 July 2017 £'000	31 July 2016 (restated) £'000
Revenue		
United Kingdom	60,039	61,259
Czech Republic	7,717	6,475
	67,756	67,734

6. (Loss)/profit from operations

The operating (loss)/profit is stated after charging/(crediting):

	31 July 2017 £'000	31 July 2016 £'000
Staff costs	56,986	50,114
Share option (credit)/expense	(247)	639
Depreciation of owned fixed assets	696	758
Impairment charge	17,315	1,315
Amortisation	1,481	1,941
Lease payments	1,990	1,899
Auditor's remuneration		
<i>Audit fees:</i>	608	110
Audit of the parent company and consolidated financial statements	573	80
Audit of subsidiary companies	35	30
<i>Other services:</i>		
Other advisory	26	—
Tax advisory	8	9
Interim review	13	5

The above element of Auditor's remuneration in respect of audit fees, totalling £608,000, includes the following amounts, which would not be expected to recur in future years:

- £35,000 in respect of additional work, as a result of issues noted during the year in respect of projected contract under-consumption
- £450,000 in respect of additional work, as a result of the auditors requesting that management carry out additional review work on the Group's revenue recognition policies, which has led to a change in accounting policy, as set out in Note 1 above and are included in exceptional items (Note 8).

7. Staff costs

	31 July 2017 £'000	31 July 2016 £'000
Wages and salaries	49,376	43,812
Social security costs	6,768	5,555
Other pension costs	842	747
	56,986	50,114

The average monthly number of employees during the period was as follows:

	31 July 2017	31 July 2016
Directors	9	8
Staff	1,635	1,621
	1,644	1,629

	31 July 2017 £'000	31 July 2016 £'000
Group Directors' remuneration, included in staff costs		
Salaries	1,610	1,051
Pension contributions	63	82

The number of Directors to whom retirement benefits were accruing was as follows:

	31 July 2017	31 July 2016
Money purchase schemes	6	7

Information regarding the highest paid Director is as follows:

	31 July 2017 £'000	31 July 2016 £'000
Salaries	535	250
Pension contributions	8	24

8. Exceptional items

	31 July 2017 £'000	31 July 2016 000'£
Exceptional income:		
Provision release	(249)	—
Contingent consideration	—	(5,740)
	(249)	(5,740)
Exceptional charges:		
Goodwill impairment	12,905	1,315
Impairment of intangible assets	4,410	—
Legal, restructuring and re-organisation	3,349	1,233
Additional audit fee	450	—
	21,114	2,548
	20,865	(3,192)

The above items are presented as exceptional items by virtue of their nature and in accordance with the Group's detailed accounting policy in respect of exceptional item classification, as set out in Note 2.

The Group seeks to highlight certain items as exceptional operating costs and income. These are considered to be exceptional in size and/or nature rather than indicative of the underlying trade of the Group. Management believes that the separate disclosure of these items is relevant to the understanding of the Group's financial performance. The treatment of such items is consistent year on year.

Exceptional income in the year ended 31 July 2017 relates to an adjustment to a historic dilapidations provision (note 22). Exceptional income items are included within other operating income in the income statement. This treatment as exceptional income is consistent with the treatment of the costs as exceptional on creation of provisions in previous years.

Exceptional charges in the year ended 31 July 2017 comprise:

- An impairment loss in respect of t-mac Technologies Limited CGU of £13,366,000 (Note 14 and Note 15).
- An impairment loss in respect of the Corporate Division (excluding t-mac) CGU of £3,949,000 (Note 14 and Note 15).
- Legal and settlement costs incurred as a result of a disputes with customers and competitors of £2,110,000.
- Restructuring and re-organisation costs of £984,000;
- Other non-recurring legal and professional fees of £255,000; and

- Additional non-recurring costs incurred in connection with the 2017 year-end audit of £450,000.

Exceptional items in the year ended 31 July 2016 relate to:

- An impairment loss in connection to the acquisition cost of t-mac Technologies Limited
- A credit of £5.7m from the release of deferred consideration where earn-out criteria were not met
- A charge of £509,000 in relation to legal fees incurred as a result of a dispute with a competitor
- Restructuring and re-organisation costs such as settlement payments of £678,000

Exceptional items are included in administrative expenses or other operating income in the consolidated statement of profit or loss and other comprehensive income

9. Finance income and expenses

	31 July 2017 £'000	31 July 2016 (restated) £'000
Finance income		
Bank interest	9	18
Unwinding of discounting income	1,768	1,548
	1,777	1,566
Finance expense		
Unwinding of discounting expense	12	2
Other interest	753	672
	765	674

10. Tax expense

	31 July 2017 £'000	31 July 2016 (restated) £'000
Current tax expense		
Current tax on loss/profits for the period	(2,222)	2,819
Adjustments in respect of previous periods	131	(219)
	(2,091)	2,600
Deferred tax expense		
Origination and reversal of temporary differences	(1,028)	(663)
Adjustment in respect of previous periods	(103)	(36)
Effects of changes in tax rates	(23)	(128)
	(1,154)	(827)
Total tax expense	(3,245)	1,773
Equity items		
Current tax	—	(124)
Deferred tax	(1)	367
	(1)	243

The reasons for the difference between the actual tax charge for the year and the standard rate of corporation tax in the United Kingdom applied to loss/profit for the year are as follows:

	31 July 2017 £'000	31 July 2016 (restated) £'000
(Loss)/profit for the period	(30,428)	2,275
Expected tax charge based on corporation tax rate of 19.67% in 2017 (20% in 2016)	(5,984)	455
Expenses not deductible for tax purposes	2,587	63
Income not taxable for tax purposes	(8)	(954)
Current tax rate difference	(23)	(128)
Impact of change in tax rate in the period	(38)	-
Adjustment to tax charge in respect of previous periods – current tax	131	(219)
Adjustment to tax charge in respect of previous periods – deferred tax	(102)	(36)
Movement on unrecognised deferred tax	258	2,406
Impact of share options	(66)	186
Total tax expense	(3,245)	1,773

11. Earnings per share

	31 July 2017 £'000	31 July 2016 (restated) £'000
(Loss)/profit used in calculating basic and diluted EPS	(27,127)	513
Exceptional items	20,865	(3,192)
Amortisation of intangible assets acquired in business combinations	1,287	1,910
Share-based payment expense	(247)	639
Tax impact of the above adjustments	(1,920)	(678)
Earnings for the purpose of adjusted basic and diluted EPS	(7,142)	(808)
Number of shares		
Weighted average number of shares for the purpose of basic earnings per share	77,829,800	76,889,304
Effects of dilutive potential ordinary shares from share options	1,116,625	1,209,737
Weighted average number of shares for diluted earnings per share	78,946,425	78,099,041
Earnings per share		
Basic	(34.9)	0.7
Diluted	(34.9)	0.7
Adjusted earnings per share		
Basic	(9.2)	(1.1)
Diluted	(9.2)	(1.1)

In accordance with IAS33, a diluted loss per share cannot be a lower loss per share than a basic loss per share

12. Dividends

	31 July 2017 £'000	31 July 2016 £'000
Dividends paid	5,136	4,218

In the year a final dividend in relation to the year ended 31 July 2016 of 4.3p was paid on 78,080,963 shares. An interim dividend in relation to the year ended 31 July 2017 of 2.3p per share was paid on 78,481,680 shares, being the number of shares in issue on the record date. The dividend was waived on 500,000 shares for both the final dividend in relation to the year ended 31 July 2016 and the interim dividend for the year ended 31 July 2017.

No final dividend in relation to the year ended 31 July 2017 is proposed.

13. Property, plant and equipment

	Improvements to property £'000	Freehold property £'000	Computer software £'000	Fixtures and fittings £'000	Plant and machinery £'000	Computer equipment £'000	Motor vehicles £'000	Total £'000
Cost								
As at 1 August 2015	1,828	3,328	647	570	90	1,459	224	8,146
Additions	72	—	147	56	3	192	—	470
Disposals	(2)	—	—	(9)	—	(445)	(89)	(545)
As at 31 July 2016	1,898	3,328	794	617	93	1,206	135	8,071
Depreciation								
As at 1 August 2015	329	130	447	286	31	942	82	2,247
Charge for year	130	62	108	127	19	280	31	757
Disposals	(2)	—	—	(9)	—	(444)	(67)	(522)
As at 31 July 2016	457	192	555	404	50	778	46	2,482
Net book value								
As at 31 July 2016	1,441	3,136	239	213	43	428	89	5,589

	Improvements to property £'000	Freehold property £'000	Computer software £'000	Fixtures and fittings £'000	Plant and machinery £'000	Computer equipment £'000	Motor vehicles £'000	Total £'000
Cost								
As at 1 August 2016	1,898	3,328	794	617	93	1,206	135	8,071
Additions	56	16	142	45	—	328	—	587
Disposals	(68)	—	(5)	(3)	—	—	(108)	(184)
As at 31 July 2017	1,886	3,344	931	659	93	1,534	27	8,474
Depreciation								
As at 1 August 2016	457	192	555	404	50	777	47	2,482
Charge for year	122	71	105	115	11	257	15	696
Disposals	(23)	—	—	(3)	—	—	(58)	(84)
As at 31 July 2017	556	263	660	516	61	1,034	4	3,094
Net book value								
As at 31 July 2017	1,330	3,081	271	143	32	500	23	5,380

14. Goodwill

	As at 31 July 2017 £'000	As at 31 July 2016 £'000
Cost		
Opening and closing cost	25,123	25,123
Impairment		
Opening balance	1,315	—
Charge in the year	12,905	1,315
Closing balance	14,220	1,315
Net book value	10,903	23,808

The Group has three cash generating units (CGU), being the Enterprise Division, incorporating Utilitywise and Icon Communication Centres s.r.o.; the Corporate Division, incorporating Eco Monitoring Utility Systems, Clouds Environmental Consultancy, Aqua Veritas Consulting and Energy Information Centre but excluding t-mac Technologies Limited; and t-mac Technologies Limited, which forms the third CGU.

The valuation of the CGUs' goodwill impairment testing has been prepared on a value in use basis. Value in use is calculated as the net present value of the projected risk-adjusted post-tax cash flows plus a terminal value of the CGU. A pre-tax discount rate is applied to calculate the net present value of pre-tax cash flows. The discount rate is based on the CGU's weighted average cost of capital.

Impairment loss t-mac Technologies CGU

At 31 January 2017, as a result of a significant shortfall in financial performance against previous expectations, a potential impairment was identified in the t-mac CGU, which forms part of the Corporate division segment but is determined as a separate CGU.

Accordingly, a discounted cash flow was carried out to determine the value in use of the assets of the t-mac CGU, in accordance with IAS 36 (*Impairment of Assets*).

The following key assumptions were made in the value in use calculation as at 31 January 2017:

- Five-year forecast period;
- Revenues and costs based on past experience and cost estimates, with growth rates based on management estimates and forecasts, from internal and external market information;
- Pre-tax discount rate of 12.9%, based upon the weighted average cost of capital, appropriately adjusted to take account of any risks not already accounted for in the forecast future undiscounted cash flows;
- Terminal growth rate of 2.5%

The resulting value in use calculation was lower than the fair value of those assets less costs to sell, which itself was lower than the carrying value of the assets of the t-mac CGU.

Accordingly, an impairment was identified and the carrying value of the assets was written down to the fair value of those assets less costs to sell, being higher than the value in use, as an impairment loss.

The pre-tax value of the impairment loss was £13.4m which has been recognised as an exceptional item, as set out in note 8. The impairment loss was allocated first against the goodwill of £9.0m. The residual balance of the impairment was then allocated against

the remaining assets on a pro-rata basis, which resulted in an impairment of £4.4m being allocated against intangible assets, as all other assets were already carried at their net realisable value in the balance sheet.

No change to this impairment loss has been noted as at the 31 July 2017 balance sheet date.

At 31 January 2016, there was an impairment loss identified in relation to t-mac Technologies Limited of £1.3m.

The following key assumptions were made in the value in use calculation as at 31 January 2016:

- Five-year forecast period;
- Revenues and costs based on past experience and cost estimates, with growth rates based on management estimates and forecasts, from internal and external market information;
- post-tax discount rate of 11.0%, based upon the weighted average cost of capital, appropriately adjusted to take account of any risks not already accounted for in the forecast future undiscounted post-tax cash flows;
- Terminal growth rate of 2.5%

The resulting value in use calculation was lower than the carrying value of the assets of the t-mac CGU.

Accordingly, an impairment was identified and the carrying value of the assets was written down to the fair value of those assets less costs to sell, being higher than the value in use, as an impairment loss.

The post-tax value of the impairment loss was £1.3m which has been recognised as an exceptional item, as set out in note 8. The impairment loss was allocated against the goodwill of £10.3m.

Impairment loss Corporate (excluding t-mac) CGU

At 31 July 2017, as a result of a significant shortfall in financial performance against previous and expectations, a potential impairment was identified in the Corporate (excluding t-mac) CGU, which forms the other part of the Corporate division segment and is determined as a separate CGU.

Accordingly, a discounted cash flow was carried out to determine the value in use of the assets of the Corporate (excluding t-mac) CGU, in accordance with IAS 36 (*Impairment of Assets*).

The following key assumptions were made in the value in use calculation as at 31 July 2017:

- Five-year forecast period;
- Revenues and costs based on past experience and cost estimates, with growth rates based on management estimates and forecasts, from internal and external market information;
- Pre-tax discount rate of 12.3%, based upon the weighted average cost of capital, appropriately adjusted to take account of any risks not already accounted for in the forecast future undiscounted cash flows;
- Terminal growth rate of 2.5%

The resulting value in use calculation was higher than the fair value of those assets less costs to sell, but lower than the carrying value of the assets of the Corporate (excluding t-mac) CGU.

Accordingly, an impairment was identified and the carrying value of the assets was written down to the value in use as an impairment loss.

The pre-tax value of the impairment loss was £3.95m which has been recognised as an exceptional item, as set out in note 8. The impairment loss was allocated against the goodwill of £14.28m. The remaining recoverable amount of the Corporate (excluding t-mac) CGU is £10.33m

Impairment review Enterprise Division CGU

At 31 July 2017 an annual impairment test was carried out on the Enterprise Division CGU, which forms the whole Enterprise Division segment and is determined as its own separate CGU.

Accordingly, a discounted cash flow was carried out to determine the value in use of the assets of the Enterprise division CGU, in accordance with IAS 36 (*Impairment of Assets*).

The following key assumptions were made in the value in use calculation as at 31 July 2017:

- Five-year forecast period;
- Revenues and costs based on past experience and cost estimates, with growth rates based on management estimates and forecasts, from internal and external market information;
- Pre-tax discount rate of 10.2%, based upon the weighted average cost of capital, appropriately adjusted to take account of any risks not already accounted for in the forecast future undiscounted cash flows;
- Terminal growth rate of 2.0%

The resulting value in use calculation was greater than the fair value of those assets less costs to sell showing significant headroom. Accordingly, no impairment was identified and the carrying value goodwill remains.

The carrying amount of goodwill is allocated to the CGUs as follows:

	As at 31 July 2017 £'000	As at 31 July 2016 £'000
Enterprise Division	569	569
Corporate Division (excluding t-mac)	10,334	14,282
t-mac Technologies	-	8,957
	10,903	23,808

15. Intangible assets

	Software £'000	Intellectual property £'000	Trademarks £'000	Technology based £'000	Customer relationships £'000	Non-compete agreement £'000	Marketing £'000	Order backlog £'000	Total £'000
Cost									
As at 1 August 2015	77	—	128	3,767	9,517	28	856	153	14,526
Additions	1	311	5	—	—	—	—	—	317
Disposals	(9)	—	—	—	—	—	—	—	(9)
As at 31 July 2016	69	311	133	3,767	9,517	28	856	153	14,834
Depreciation									
As at 1 August 2015	74	—	40	285	2,005	16	21	38	2,479
Charge for year	3	—	28	648	1,049	12	86	115	1,941
Disposals	(9)	—	—	—	—	—	—	—	(9)
As at 31 July 2016	68	—	68	933	3,054	28	107	153	4,411
Net book value									
As at 31 July 2016	1	311	65	2,834	6,463	—	749	—	10,423

	Software £'000	Intellectual property £'000	Trademarks £'000	Technology based £'000	Customer relationships £'000	Non-compete agreement £'000	Marketing £'000	Order backlog £'000	Total £'000
Cost									
As at 1 August 2016	69	311	133	3,767	9,517	28	856	153	14,834
Additions	1,460	—	—	—	—	—	—	—	1,460
Disposals	—	—	—	—	—	—	—	—	—
As at 31 July 2017	1,529	311	133	3,767	9,517	28	856	153	16,294
Depreciation									
As at 1 August 2016	68	—	68	933	3,054	28	107	153	4,411
Charge for year	26	143	26	336	907	—	43	—	1,481
Impairment	—	—	—	2,498	1,206	—	706	—	4,410
As at 31 July 2017	94	143	94	3,767	5,167	28	856	153	10,302
Net book value									
As at 31 July 2017	1,435	168	39	—	4,350	—	—	—	5,992

Technology based intangible assets arose on the acquisition of Aqua Veritas Consulting Limited in 2013 and the acquisition of t-mac Technologies Limited in 2015. Under IFRS 3 the fair value of these technology based assets has been assessed at £241,000 and £3,525,900 respectively as at the dates of acquisition. The carrying values of these assets at 31 July 2017 is £nil. The useful life of the technology based intangible assets of Aqua Veritas Consulting Limited came to an end during the year. As a result of significant shortfall in performance the technology based intangible assets of t-mac Technologies Limited have been fully impaired at 31 July 2017 (note 14).

Customer relationships have been valued in relation to both Aqua Veritas Consulting Limited and Energy Information Centre Limited in 2013, Icon Communication Centres s.r.o. in 2014 and t-mac Technologies Limited in 2015. As at the dates of acquisition, under IFRS 3, the fair value of these assets is £443,000, £6,239,000, £1,133,000 and £1,702,300 respectively. The carrying values of these assets at 31 July 2017 is £nil, £3,665,413, £684,521 and £nil respectively. As a result of significant shortfall in performance the

Customer relationships intangible assets of t-mac Technologies Limited have been fully impaired at 31 July 2017 (note 14). It is the opinion of management that all other assets were not impaired at 31 July 2017.

At the year-end management assess the remaining useful life of Customer relationships within Energy Information Centre Limited to be six years.

At the year-end management assess the remaining useful life of Customer relationships within Icon Communication Centres s.r.o. to be five years.

Marketing and order backlog have been valued in relation to t-mac Technologies Limited in 2015. These were valued at £856,100 and £152,900 respectively. The carrying value of marketing and the order backlog within t-mac Technologies Limited at the year end was Nil. As a result of significant shortfall in performance the marketing and the order backlog within t-mac Technologies Limited have been fully impaired at 31 July 2017 (note 14).

16. Subsidiaries

The principal subsidiaries of the Company, all of which have been included in the consolidated financial information, are as follows:

Name	Principal activity	Ownership as at 31 July 2017	Ownership as at 31 July 2016
Eco Monitoring Utility Systems Limited (incorporated – United Kingdom)	Design and implementation of energy services solutions	100%	100%
Clouds Environmental Consultancy Limited (incorporated – United Kingdom)	Energy and environmental consumption consultancy	100%	100%
Aqua Veritas Consulting Limited (incorporated – United Kingdom)	Consultancy services	100%	100%
Energy Information Centre Limited (incorporated – United Kingdom)	Provision of energy information and consultancy services	100%	100%
EIC Energy Trading Limited (incorporated – United Kingdom)	Dormant	100%	100%
Broadfern Properties Limited (incorporated – United Kingdom)	Dormant	100%	100%
Icon Communication Centres s.r.o. (incorporated – Czech Republic)	Provision of contact centre services	100%	100%
Utilitywise Franchising Limited (incorporated – United Kingdom)	Dormant	100%	100%
Utilitywise Deutschland GmbH (incorporated – Germany)	Dormant	100%	100%
t-mac Technologies Limited (incorporated – United Kingdom)	Provision of energy information and consultancy services	100%	100%
Utilitywise Corporate Limited (incorporated – United Kingdom)	Dormant	100%	100%

17. Inventories

	As at 31 July 2017 £'000	As at 31 July 2016 £'000
Finished goods	342	559

18. Trade and other receivables

	As at 31 July 2017 £'000	As at 31 July 2016 (restated) £'000
Current		
Trade receivables	6,232	6,586
Prepayments	3,581	2,223
Accrued revenue	13,969	19,018
	23,782	27,827
Non-current		
Accrued revenue	20,545	15,677
	20,545	15,677

The ageing analysis of trade receivables is as follows:

	As at 31 July 2017 £'000	As at 31 July 2016 (restated) £'000
Up to 3 months	5,130	6,083
3 to 6 months	938	442
Older than 6 months	164	61
	6,232	6,586

Within trade and other receivables, £165,000 is deemed past due but fully recoverable at the year-end date (2016: £61,000). The quality of the credit is identified as high due to the significant amount of debt owed by blue-chip companies. The accrued revenue and balances included within trade and other receivables have been discounted at a range of rates between 4.35% and 5.57%.

19. Trade and other payables

	As at 31 July 2017 £'000	As at 31 July 2016 (restated) £'000
Current		
Trade payables	861	2,259
Accruals	9,445	5,376
Deferred revenue	22,362	27,569
Social security and other taxes	4,609	5,858
Other creditors	859	505
	38,136	41,567
Non-current		
Accruals	1,591	1,719
Deferred revenue	24,669	15,122
Other creditors	2,208	16
	28,468	16,857

Deferred revenue balances substantially comprise amounts received from customers in respect of utility procurement contracts, which exceed the amount of initial revenue recognised on those contracts. Deferred revenue balances are not discounted as it is not considered that they are financial liabilities.

Other creditors, due in more than one year, include an amount of £2.2m in respect of agreed repayments to an energy supplier, in respect of projected under-consumption on certain contracts. This was first referenced in RNS number 5079M released on 29 June 2017 and available at <http://www.londonstockexchange.com/exchange/news/market-news/market-news-detail/UTW/13276985.html>

The table below summarises the maturity profile of the Group's financial liabilities as at 31 July 2017, based on contractual undiscounted payments.

	Less than three months £'000	Three to twelve months £'000	One to five years £'000	Over five years £'000	Total £'000
31 July 2017					
Trade payables	861	—	—	—	861
Accruals	9,311	134	584	1,007	11,036
Other creditors	859	—	2,208	—	3,067
Revolving credit facility	24,675	—	—	—	24,675
Other loans	—	1,626	2,680	52	4,358

The revolving credit facility (RCF) incurs interest as outlined in note 20. The future interest commitments are dependent on the level of drawdown and the resulting interest rate applied. Should the balance as at 31 July 2017 remain unchanged throughout the year, interest payable would be £551,000. As at 31 July 2017, the entire RCF balance is classified as a current liability for the reasons set out in Note 20 below.

	Less than three months £'000	Three to twelve months £'000	One to five years £'000	Over five years £'000	Total £'000
31 July 2016 (restated)					
Trade payables	2,259	—	—	—	2,259
Accruals	5,269	107	569	1,150	7,095
Other creditors	505	—	16	—	521
Revolving credit facility	—	—	13,175	—	13,175
Other loans	—	1,572	2,962	50	4,584

The future interest commitments on the revolving credit facility are dependent on the level of drawdown and the resulting interest rate applied. Should the balance as at 31 July 2016 remain unchanged throughout the year, interest payable would be £274,000.

The ageing analysis of trade payables is as follows:

	As at 31 July 2017 £'000	As at 31 July 2016 £'000
Up to 3 months	667	1,577
3 to 6 months	113	427
Older than 6 months	81	255
	861	2,259

Book values approximate to fair values at 31 July 2017 and 31 July 2016.

20. Loans and other borrowings

	31 July 2017 £'000	31 July 2016 (restated) £'000
Revolving credit facility	24,675	13,175
Other loans	4,358	4,584
Total loans and other borrowings	29,033	17,759

	31 July 2017 £'000	31 July 2016 (restated) £'000
Due in less than 1 year	26,301	1,572
Due in more than 1 year	2,732	16,187
Total loans and other borrowings	29,033	17,759

Book values approximate to fair values at 31 July 2017 and 31 July 2016.

The Group has a revolving credit facility. The maximum drawdown on this facility is £25m (2016: £25m). The Group has undrawn borrowing facilities available at 31 July 2017 of £325,000. Interest is charged on the facility at a rate of LIBOR + 1.60% (2016: LIBOR + 1.60%). The facility expires on 20 April 2019.

The facility is secured by a fixed charge over the Group's freehold property and a floating charge over the assets of the Group.

At the balance sheet date, the Group had two main financial performance covenants:

- Ratio of earnings before interest, taxation, depreciation and amortisation (EBITDA) to net debt ("leverage") not to exceed 2.0x
- Ratio of earnings before interest, taxation and amortisation (EBITA) to interest charges ("interest cover") not to be less than 5.0x

The Group certified compliance with the above covenants based upon its internal management reporting. However, the significant changes to the Group's revenue recognition policy mean that the final, audited results of the Group for FY17 show breaches of both of the above covenants.

Prior to the approval of the FY17 accounts, the bank confirmed waivers of these breaches and replaced the above covenants with amended covenants as follows:

- Minimum liquidity covenant, which sets out maximum balance sheet positions on a monthly basis, taking into account the Group's net debt as well as amounts due back to energy suppliers in respect of projected under-consumption
- EBITA interest cover, with EBITA determined on an assumed constant under-consumption rate of 20% on procurement contracts.

As at the date of approval of the FY17 financial statements, the Group is in compliance with these covenants and expects to remain so in future.

The Group is also required to have capital expenditure less than £1.5m in any one financial year. The final audited accounts for FY17 indicated cash flow in respect of capital expenditure of £1.9m. Prior to the approval of the FY17 accounts, the bank also confirmed a waiver of this breach.

As the amendment and waivers were received after the balance sheet date, the entire bank loan has been reclassified as a current liability at the balance sheet date, in accordance with IAS 1.

Other loans relate to fixed-payment liabilities. The timing and amount of those repayments are not within the control of the Group. These fixed-payment liabilities include implicit financing charges. The amounts are subject to the application of the effective interest rate determined by the timing of fixed repayment terms outside of the control of the Group. The effective interest rate of 8.9% applied up to and including 31 July 2017 and an effective interest rate of 7.2% applies thereafter.

21. Deferred tax

Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of 18%.

The movement on the deferred tax account is as shown below:

	Accelerated tax depreciation £'000	Share based payments £'000	Tax losses £'000	Intangible assets £'000	Short-term temporary timing differences £'000	Total £'000
As at 1 August 2015 (as restated)	610	(610)	—	2,380	—	2,380
Charge/(credit) to income statement	(91)	167	(31)	(471)	(401)	(827)
Charge/(Credit) to equity	—	367	—	—	—	367
Arising on business combination	(6)	—	(4)	—	(1)	(11)
As at 31 July 2016 (as restated)	513	(76)	(35)	1,909	(402)	1,909
Charge/(credit) to income statement	(134)	29	(70)	(1,156)	279	(1,052)
(Credit) to equity	—	(1)	—	—	—	(1)
Prior year adjustments	(100)	—	—	—	(3)	(103)
As at 31 July 2017	279	(48)	(105)	753	(126)	753

The deferred tax has arisen due to the timing difference on accelerated capital allowances, discounting on accrued revenue, deferred tax liabilities acquired on business combinations, tax losses and share based payments.

Deferred tax assets and liabilities at 31 July 2017 have been calculated at the rate applicable to the period in which temporary differences are expected to reverse. Finance Act No2 2015 included provisions to reduce the UK corporation tax rate to 19% with effect from 1 April 2017. Finance Act 2016 introduced further legislation to reduce the main rate of corporation tax to 17% from 1 April 2020 and these rates have therefore been used to measure deferred tax assets and liabilities where applicable.

At the balance sheet date, the group has unused tax losses of £42.4m (2016: £0.1m, as restated) and short term temporary differences connected to the revenue restatement of £nil (2016: £41.8m) available for offset against future profits. A deferred tax asset has been recognised in respect of £0.6m (2016: £0.1m, as restated) of the losses and short term temporary difference of £nil (2016: £1m, as restated). No deferred tax asset has been recognised in respect of the remaining £41.8m (2016: £nil) of losses or the short term temporary difference £nil (2016: £40.8m, as restated) as it is not considered probable that there will be future taxable profits available. All losses may be carried forward indefinitely.

Finance Act 2017, which was substantively enacted on 31 October 2017, introduced new legislation impacting the utilisation of tax losses. The legislation increases the flexibility on how carried forward losses accruing post 31 March 2017 can be utilised but limits the overall utilisation to £5m plus an additional 50% of profits above this level on annual basis. As the legislation was not enacted at the balance sheet date, the impact of the new legislation has not been considered in assessing the extent to which deferred tax assets should be recognised.

22. Provisions

	Onerous lease £'000	Dilapidations £'000	Total £'000
As at 1 August 2016	126	400	526
Utilised in the year	(126)	(151)	(277)
Credit to profit and loss account	—	(249)	(249)
As at 31 July 2017	—	—	—

During the financial year the previous head office continued to be unoccupied whilst the lease is payable until December 2016. Given that the premises will remain empty throughout the remainder of the lease, the full value of remaining lease payments was recognised under IAS 37 as an onerous lease provision in 2014.

A dilapidations provision of £400,000 was recognised on the premises in line with the terms of the lease. The lease expired during the year and successful negotiations resulted in the dilapidations provision being greater than the final sum required. The over provision amount was credited as an exceptional item consistent with the treatment of the original sums.

23. Share capital

	2017		2016	
	Number	£'000	Number	£'000
Share capital issued and fully paid				
<i>Ordinary shares of £0.001 each</i>				
As at 1 August	78,080,963	78	76,592,334	77
SAYE options exercised	119,265	—	539,856	1
CSOP options exercised	179,737	—	820,914	1
LTIP options exercised	132,965	—	127,859	—
As at 31 July	78,512,930	79	78,080,963	79

Ordinary shares carry the right to one vote per share at general meetings of the Company and the rights to share in any distribution of profits or returns of capital and to share in any residual assets available for distribution in the event of a winding up.

Shares issued pursuant to the exercise of options over such shares, leading to additions to share capital and additions to share premium in the year to 31 July 2017 are:

Date	No of Shares	Share Capital £'000	Share Premium £'000
26 October 2016	25,000	—	—
14 November 2017	22,222	—	30
22 November 2016	92,238	—	124
01 December 2016	46,405	—	45
15 December 2016	47,794	—	64
01 January 2017	42,859	—	69
10 January 2017	17,278	—	28
18 January 2017	5,049	—	8
24 January 2017	27,152	—	44
25 January 2017	25,571	—	34
31 January 2017	14,361	—	23
16 February 2017	2,244	—	4
20 February 2017	2,468	—	4
13 March 2017	22,222	—	30
15 March 2017	4,488	—	7
20 March 2017	1,122	—	2
03 April 2017	2,244	—	4
09 June 2017	31,250	—	19
	431,967	—	539

23. Share capital (continued)

Shares issued pursuant to the exercise of options over such shares, leading to additions to share capital and additions to share premium in the year to 31 July 2016 are:

Date	No of Shares	Share Capital £'000	Share Premium £'000
5 November 2015	103,186	—	126
1 December 2015	529,001	1	447
5 January 2016	293,143	—	198
19 January 2016	173,354	—	151
27 January 2016	25,294	—	17
10 February 2016	36,744	—	24
16 March 2016	22,222	—	30
20 April 2016	98,669	—	80
26 April 2016	35,294	—	30
13 May 2016	35,294	—	30
25 May 2016	105,810	—	101
09 June 2016	11,715	—	8
30 June 2016	5,325	—	4
07 July 2016	13,578	—	9
	1,488,629	1	1,255

24. Reserves

Retained earnings are the cumulative net profits in the consolidated statement of profit or loss and other comprehensive income adjusted for tax on equity items and share based payment reserve transfers.

The share option reserve represents the accumulated charge to date for the fair value of share options expected to vest.

Foreign currency reserve is the accumulation of gains/losses on retranslation of the net assets of foreign subsidiaries into Pounds Sterling, being the functional currency of the Group.

During the prior years the Group made a number of acquisitions. Where shares have been issued as part of a business combination the nominal value is held within share capital and the excess of fair value of own shares issued over nominal value is held within the merger reserve.

Movements on reserves are set out in the consolidated statement of changes in equity.

25. Leases

The Group leases a number of vehicles and some computer equipment, as well as its property. The total value of minimum lease payments is due as follows:

	31 July 2017 £'000	31 July 2016 £'000
Not later than one year	1,063	1,468
Later than one year and not later than five years	5,800	5,076
Later than five years	8,755	9,997
	15,618	16,541

The above value of minimum lease payments includes payments in relation to a property lease. These values differ to the rental charge to be included in the profit and loss account as a lease incentive was received by the Group on these premises.

26. Capital commitments

The Group had no material capital commitments at either 31 July 2017 or 31 July 2016.

27. Related party transactions

Compensation of key management personnel (including Directors)

	31 July 2017 £'000	31 July 2016 £'000
Wages and salaries	2,373	1,677
Social security costs	301	210
Pension contributions	131	122
Share option expense	89	153
	2,894	2,162

Individual details of the Directors' remuneration, share options and pension benefits can be found in the Directors' Report.

During the year payments totalling £30,000 (2016: £30,000) were made for services received from J Middleton and this was invoiced through Middleton Enterprises Limited, of which J Middleton is a director. This has been disclosed within Directors' emoluments. The balance outstanding as at 31 July 2017 was £nil (2016: £2,500).

During the year payments totalling £44,266 (2016: £46,476) were made for services received from Capital Access Group, of which R Feigen is CEO. The balance outstanding as at 31 July 2017 was £nil (2016: £24,000).

28. Prior period adjustments

The Group has made prior period adjustments in respect of the following items:

Own shares

In 2013, the Group purchased certain of its own shares through an employee benefit trust, as a hedge against share option exercises. The value of the shares purchased was £748k. As at 31 July 2017, those shares are still held by the Group. The shares have historically been shown within "cash and cash equivalents" in the statement of financial position. In accordance with IAS 32 (*Financial Statements: Presentation*), those shares are required to be shown within equity.

Accordingly, a prior period adjustment has been made, which has the following impacts on the consolidated statement of financial position as at 31 July 2016 and 31 July 2015.

- Reduction in cash and cash equivalents of £748,000, and
- Creation of "Own shares reserve" in equity with a balance of £748,000.

There is no impact on the consolidated income statement or consolidated cash flow statement of the Group in the year ended 31 July 2016.

Fixed-payment liabilities

The Group has maintained certain liabilities within "trade and other payables" within the statement of financial position, which include cash repayments to the counterparty, where the timing and amount of those repayments are not within the control of the Group and which include implicit financing charges. It is now concluded that it is more appropriate to classify those liabilities as "borrowings" rather than "trade and other payables" in the statement of financial position. It was further determined that those liabilities were understated due to the incorrect application of the effective interest rate method as at 31 July 2016 and at 31 July 2015 and, therefore, their carrying value should also be corrected. Accordingly, prior period adjustments have been made, which have the following impacts:

	31 July 2016 £'000	31 July 2015 £'000
Statement of financial position:		
Increase in borrowings	4,584	5,609
Decrease in trade and other payables	3,957	4,980
Decrease in retained earnings	608	548
Decrease in corporation tax liability	126	82
Income statement:		
Increase in interest expense	104	630
Decrease in taxation charge	44	82
Cash flow statement:		
(Decrease)/increase in operating cash flow	1,245	2,603
Increase in interest payments	220	408
Increase in repayment of loans	1,025	3,011

Revenue recognition – estimation methodology

During the year ended 31 July 2017, the Group has made a change to the methodology for estimating initial revenue recognition amounts on procurement contracts. The Group has previously based its entire rate of revenue recognition on contracts upon the overall consumption rates and final value of contracts that have matured in the previous year. The previous method of estimation is considered flawed due to both the erroneous extraction of data on matured contracts from the Group's systems and the way in which that data was subsequently analysed for the purposes of reliably estimating revenue. The need to change the estimation methodology is considered to have arisen through the incorrect previous application of accounting standards and through the inappropriate interpretation of data. Therefore, in accordance with IAS 8, this has been treated as an error and a prior period restatements are required as follows:

	31 July 2016 £'000	31 July 2015 £'000
Statement of financial position:		
Decrease in non-current accrued revenue	13,973	9,977
Increase in trade and other receivables	8,170	6,466
Increase in trade and other payables	36,301	22,454
(Decrease)/increase in deferred tax liabilities	(271)	482
Decrease in corporation tax liabilities	24	3
Decrease in retained earnings	41,704	26,441
Income statement:		
Decrease in revenue	16,694	25,976
Increase/(decrease) in total administrative expense	47	(11)
Increase in finance income	708	-
Decrease in taxation charge	771	(477)

There are no changes to the cash flow statement.

Earnings per share impact of prior period adjustments

The prior period adjustments, noted above, have the following impacts:

	31 July 2016 £'000
Earnings for Basic and Diluted EPS:	
As originally stated	15,832
Adjustment – Fixed-payment liabilities	(60)
Adjustment – Revenue recognition	(15,258)
As restated	514
Earnings for Adjusted Basic and Adjusted Diluted EPS:	
As originally stated	14,510
Adjustment – Fixed-payment liabilities	(60)
Adjustment – Revenue recognition	(15,258)
As restated	(808)
Average number of shares for Basic EPS:	
As originally stated	77,389
Adjustment – Own shares	(500)
As restated	76,889
Average number of shares for Diluted EPS:	
As originally stated	78,599
Adjustment – Own shares	(500)
As restated	78,099
Basic EPS	
As originally stated	20.5p
As restated	0.7p
Diluted EPS	
As originally stated	20.1p
As restated	0.7p

In accordance with IAS 33 (*Earnings per Share*), own shares held are required to be excluded from the average number of shares used in the calculation of basic and diluted EPS.

29. Early Adoption of IFRS 15

On 1 August 2017, the Group early-adopted IFRS 15 (*Revenue from Contracts with Customers*), interpretations of which are mandatory for future accounting periods from 1 January 2018.

Revenue recognition criteria

Until 31 July 2017, the Group recognised revenue in accordance with IAS 18 (*Revenue*), which requires that revenue is recognised when it is "probable that future economic benefit will flow" to the Group. The Group's accounting policy to comply with IAS 18, is set out in Note 1, being the commencement of a new customer contract or upon the signature of a Renewal Contract, respectively.

IFRS 15 requires that revenue is recognised at the "transaction price" when certain contractual obligations are met but with any "variable consideration" elements of the price recognised when it is "highly probable" that there will be no reversal of that revenue.

Initial revenue is recognised on procurement contracts when the transaction price can be reliably estimated and it is highly probable that there will be no material reversal of variable consideration amounts in subsequent periods. Other than the timing of recognition of revenue on same supplier renewal contracts (see below), there are no other material differences in revenue policy and estimation methodology compared to the IAS 18 policy, set out in the accounting policies in Note 1.

Timing of revenue recognition on Renewal Contracts

As detailed above, under IAS 18 the Group recognises revenue upon the signature by a customer of a Renewal Contract with their existing supplier. This is on the grounds that it is considered "probable" that the renewed contract will ultimately be honoured by the customer, which meets the recognition requirements of IAS 18, the Group having no further contractual obligations in respect of those transactions.

Given that there can be a significant time delay between the signature of a Renewal Contract and the contract subsequently commencing, it is considered that the delay means that the likelihood of the contract being honoured remains probable but does not meet the "highly probable" condition of IFRS 15. It is determined that the highly probable condition is met when the renewed contract comes into effect, rather than upon the signature of the Renewal Contract. This has the effect of deferring revenue to later accounting periods, as a result of the adoption of IFRS 15.

Separately identifiable, incremental costs associated with this deferred revenue, primarily relating to attributable commission payments, will also be deferred and recognised in the same accounting period as the revenue to which they directly relate.

The Directors have not identified any further material differences that are expected to arise on the adoption of IFRS15 on 1 August 2017.

The Group previously announced a restatement of the financial results for the years ended 31 July 2014, 2015 and 2016 on 31 July 2017. Following the change in accounting policy for revenue recognition in the financial statements for the year ended 31 July 2017, explained in the Strategic Report and in Note 2, the restated financial information as previously announced is expected to materially change.

Given the change in accounting policy for revenue recognition, the time required to prepare restated information and the detailed disclosures of the financial effect of the adoption of IFRS15 would further delay the finalisation of the financial statements for the year ended 31 July 2017. Given the priority of the Board of Directors to finalise and publish the 2017 Annual Report for the reason set out on page 24 relating to the delay in approval of accounts, separate publication of the financial effects of the adoption of IFRS15 on the Group will be made subsequent to the publication of this annual report.

30. Share based payments

The Group operates equity-settled LTIP remuneration schemes for Directors and certain management. The only vesting condition attached to all of the options other than LTIP 8 is that the individual must remain an employee of the Group for a minimum period.

LTIP 8 includes non-market based performance criteria over one half of the options. The performance criteria over that half of the options are as follows:

The Cumulative Cash Flow Performance Target

No proportion of the cash flow part shall vest unless the Company's cumulative cash flows for financial years ending 31 July 2017 and 31 July 2018 equal or exceed £32,000,000, in which case the cash flow part may vest to the extent as described below:

Cumulative cash flow for financial years ending 31 July 2017 and 31 July 2018	% of the cash flow part that vests
£45,000,000 or greater	100%
Between £32,000,000 and £45,000,000	On a straight line basis between 25% and 100%
Less than £32,000,000	0%

The EPS performance target

No portion of the EPS part shall vest unless the Company's EPS for the financial year ending 31 July 2018 equals 26p, in which case the EPS part may vest to the extent as described below:

EPS for financial year ending 31 July 2018	% of the EPS part that vests
30p or greater	100%
Between 26p and 30p	On a straight line basis between 25% and 100%
Less than 26p	0%

LTIP options were issued on 12 June 2012, 6 August 2013, 20 May 2014, 22 January 2015, 30 April 2015, 30 June 2015 and 18 February 2016.

The Group operates equity-settled Save As You Earn (SAYE) schemes for employees and equity-settled Company Share Option Plan (CSOP) remuneration schemes for Directors and certain management. The only vesting conditions attached to the options are that the individual must remain an employee of the Group for a minimum period. SAYE options were granted on 23 November 2012, 4 December 2013 and 27 November 2014. CSOP options were granted on 23 November 2012, 6 August 2014 and 22 January 2015.

The number of share options in existence during the year was as follows:

LTIP scheme 1

	2017		2016	
	Number of share options	Weighted average exercise price	Number of share options	Weighted average exercise price
As at 1 August	37,500	60p	37,500	60p
Forfeited during the year	-	60p	—	60p
Exercised during the year	31,250	60p	—	60p
Outstanding as at 31 July	6,250	60p	—	60p
Exercisable as at 31 July	6,250	—	37,500	—

LTIP scheme 2

	2017		2016	
	Number of share options	Weighted average exercise price	Number of share options	Weighted average exercise price
As at 1 August	469,316	135p	622,747	135p
Forfeited during the year	(46,580)	135p	—	135p
Exercised during the year	(76,715)	135p	(153,431)	135p
Outstanding as at 31 July	346,021	135p	469,316	135p
Exercisable as at 31 July	346,021	-	469,316	—

30. Share based payments (continued)

LTIP scheme 3

	2017		2016	
	Number of share options	Weighted average exercise price	Number of share options	Weighted average exercise price
As at 1 August	125,000	325p	125,000	325p
Forfeited during the year	(125,000)	325p	—	—
Outstanding as at 31 July	—	—	125,000	325p
Exercisable as at 31 July	—	—	125,000	—

LTIP scheme 4

	2017		2016	
	Number of share options	Weighted average exercise price	Number of share options	Weighted average exercise price
As at 1 August	399,534	219p	431,497	219p
Granted during the year	—	219p	—	219p
Forfeited during the year	(180,362)	219p	(31,963)	219p
Outstanding as at 31 July	219,172	219p	399,534	219p
Exercisable as at 31 July	219,172	—	—	—

LTIP scheme 5

	2017		2016	
	Number of share options	Weighted average exercise price	Number of share options	Weighted average exercise price
As at 1 August	67,779	220p	67,779	220p
Granted during the year	—	220p	—	220p
Outstanding as at 31 July	67,779	220p	67,779	220p
Exercisable as at 31 July	—	—	—	—

LTIP scheme 6

	2017		2016	
	Number of share options	Weighted average exercise price	Number of share options	Weighted average exercise price
As at 1 August	350,000	268p	350,000	268p
Granted during the year	—	—	—	268p
Forfeited during the year	(350,000)	268p	—	—
Outstanding as at 31 July	—	268p	350,000	268p
Exercisable as at 31 July	—	—	—	—

LTIP scheme 7

	2017		2016	
	Number of share options	Weighted average exercise price	Number of share options	Weighted average exercise price
As at 1 August	1,102,500	0.1p	—	0.1p
Granted during the year	—	—	1,102,500	0.1p
Forfeited during the year	(465,001)	0.1p	—	—
Exercised during the year	(25,000)	0.1p	—	—
Outstanding as at 31 July	612,499	0.1p	1,102,500	0.1p
Exercisable as at 31 July	—	—	—	—

LTIP scheme 8

	2017		2016	
	Number of share options	Weighted average exercise price	Number of share options	Weighted average exercise price
As at 1 August	—	0.1p	—	0.1p
Granted during the year	700,000	0.1p	—	0.1p
Forfeited during the year	—	0.1p	—	—
Exercised during the year	—	0.1p	—	—
Outstanding as at 31 July	700,000	0.1p	—	0.1p
Exercisable as at 31 July	—	—	—	—

30. Share based payments (continued)

SAYE scheme 1

	2017		2016	
	Number of share options	Weighted average exercise price	Number of share options	Weighted average exercise price
As at 1 August	-	-	542,356	67.6p
Forfeited during the year	-	-	(2,500)	67.6p
Exercised during the year	-	-	(539,856)	67.6p
Outstanding as at 31 July	-	-	-	67.6p
Exercisable as at 31 July	-	-	-	-

SAYE scheme 2

	2017		2016	
	Number of share options	Weighted average exercise price	Number of share options	Weighted average exercise price
As at 1 August	244,365	160.4p	328,065	160.4p
Forfeited during the year	(118,805)	160.4p	(83,700)	160.4p
Exercised during the year	(119,265)	160.4p	-	160.4p
Outstanding as at 31 July	6,295	160.4p	244,365	160.4p
Exercisable as at 31 July	6,295	-	-	-

SAYE scheme 3

	2017		2016	
	Number of share options	Weighted average exercise price	Number of share options	Weighted average exercise price
As at 1 August	195,394	229p	305,429	229p
Granted during the year	-	229p	-	229p
Forfeited during the year	(117,035)	229p	(110,035)	229p
Outstanding as at 31 July	78,359	229p	195,394	229p
Exercisable as at 31 July	-	-	-	-

SAYE scheme 4

	2017		2016	
	Number of share options	Weighted average exercise price	Number of share options	Weighted average exercise price
As at 1 August	-	-	-	-
Granted during the year	1,545,758	134p	-	-
Forfeited during the year	-	-	-	-
Outstanding as at 31 July	1,545,758	134p	-	-
Exercisable as at 31 July	-	-	-	-

CSOP scheme 1

	2017		2016	
	Number of share options	Weighted average exercise price	Number of share options	Weighted average exercise price
As at 1 August	97,059	85p	873,529	85p
Forfeited during the year	-	85p	-	85p
Exercised during the year	(35,294)	85p	(776,470)	85p
Outstanding as at 31 July	61,765	85p	97,059	85p
Exercisable as at 31 July	61,765	-	97,059	-

CSOP scheme 2

	2017		2016	
	Number of share options	Weighted average exercise price	Number of share options	Weighted average exercise price
As at 1 August	644,447	135p	711,113	135p
Granted during the year	-	135p	-	135p
Forfeited during the year	(66,666)	135p	(22,222)	135p
Exercised during the year	(144,443)	135p	(44,444)	135p
Outstanding as at 31 July	433,338	135p	644,447	135p
Exercisable as at 31 July	433,338	-	-	-

30. Share based payments (continued)

CSOP scheme 3

	2017		2016	
	Number of share options	Weighted average exercise price	Number of share options	Weighted average exercise price
As at 1 August	789,947	219p	872,137	219p
Granted during the year	—	219p	—	219p
Forfeited during the year	(254,565)	219p	(82,190)	219p
Outstanding as at 31 July	535,382	219p	789,947	219p
Exercisable as at 31 July	—	—	—	—

The vesting period of the LTIP remuneration schemes is two years. The vesting period of the CSOP remuneration schemes and SAYE schemes is three years.

The contractual life of the LTIP and CSOP remuneration schemes is five years and the contractual life of the SAYE schemes is 3.75 years.

Options are valued using the Black-Scholes option pricing model. The following information is relevant in the determination of the fair value of options granted.

	LTIP 1	LTIP 2	LTIP 3	LTIP 4	LTIP 5	LTIP 6
Risk free interest rate	0.37%	1.39%	1.84%	0.96%	1.30%	1.51%
Expected volatility	37.0%	40.7%	34.6%	32.7%	32.9%	32.4%
Expected option life (in years)	3	5	5	5	5	5
Weighted average share price (in pence)	60	135	316	215	219	265
Weighted average exercise price (in pence)	60	135	325	219	220	268
Weighted average fair value of options granted (in pence)	15	38	89	51	51	51

	CSOP 1	CSOP 2	CSOP 3
Risk free interest rate	0.83%	1.39%	0.96%
Expected volatility	41.6%	40.7%	32.7%
Expected option life (in years)	5	5	5
Weighted average share price (in pence)	85	135	215
Weighted average exercise price (in pence)	85	135	219
Weighted average fair value of options granted (in pence)	32	38	51

	SAYE 1	SAYE 2	SAYE 3	SAYE 4
Risk free interest rate	0.64%	1.38%	1.29%	0.18%
Expected volatility	39.0%	30.9%	33.1%	40%
Expected option life (in years)	3.75	3.6	5	3.16
Weighted average share price (in pence)	89	240.5	284	1.38
Weighted average exercise price (in pence)	67.6	160.4	229	1.34
Weighted average fair value of options granted (in pence)	36	90	97	34

The 2016 LTIP award (LTIP 7), which has been granted with an exercise price of 0.1p and a conventional option pricing model such as Black-Scholes, would result in an option value equivalent to the share price. Therefore, the value of the awards will be the share price as at the grant date (i.e. 18 February 2016). The share price on 18 February 2016 was £1.74.

The 2017 LTIP award (LTIP 8), which has been granted with an exercise price of 0.1p and a conventional option pricing model such as Black-Scholes, would result in an option value equivalent to the share price. Therefore, the value of the awards will be the share price as at the grant date (i.e. 21 October 2016). The share price on 21 October 2016 was £1.43.

The share based remuneration expense comprises:

	2017	2016
Equity settled – LTIP 1–8	(179,394)	351,055
Equity settled – SAYE 1–4	(69,580)	43,752
Equity settled – CSOP 1–3	1,836	244,548
	(247,138)	639,355

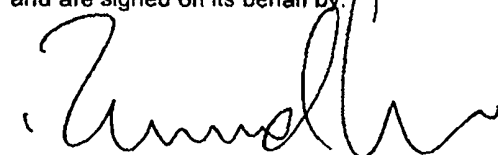
Company statement of financial position

as at 31 July 2017

	Note	As at 31 July 2017 £'000	As at 31 July 2016 (restated) £'000	As at 31 July 2015 (restated) £'000
Non-current assets				
Tangible assets	5	2,141	2,250	2,390
Intangible assets	6	1,301	23	34
Fixed asset investments	7	19,012	38,108	41,092
Debtors	8	20,007	15,659	13,002
Total non-current assets		42,461	56,040	56,518
Current assets				
Debtors	8	24,287	27,249	22,496
Cash at bank and in hand		9,115	10,261	4,033
Total current assets		33,402	37,510	26,529
Current liabilities				
Creditors: amounts falling due within one year	9	68,970	51,281	38,061
Total current liabilities		68,970	51,281	38,061
Net current liabilities		(35,568)	(13,771)	(11,532)
Non-current liabilities				
Creditors: amounts falling due after more than one year	10	30,863	32,609	30,107
Provision for liabilities	12	—	526	872
Total non-current liabilities		30,863	33,135	30,979
Net (liabilities)/assets		(23,970)	9,134	14,007
Equity attributable to equity holders of the parent company				
Called-up share capital	13	79	78	77
Share premium		14,668	14,130	12,873
Merger reserve		9,532	9,532	9,532
Share option reserve		890	1,359	1,600
Own shares reserve		(748)	(748)	(748)
Retained earnings		(48,391)	(15,217)	(9,327)
Total equity		(23,970)	9,134	14,007

Included within the company retained earnings is a loss of £28.3m (2016: £2.3m loss as restated)

The financial statements on pages 67 to 76 were approved by the Board of Directors and authorised for issue on 21 March 2018 and are signed on its behalf by:



Richard Laker
Director

Company statement of changes in equity

31 July 2017

	Share capital £'000	Share premium £'000	Share option reserve £'000	Own shares reserve £'000	Merger reserve £'000	Retained earnings £'000	Total £'000
As at 1 August 2015 (as originally stated)	77	12,873	1,600	—	9,532	17,053	41,135
Prior period adjustments	—	—	—	(748)	—	(26,380)	(27,128)
As at 1 August 2015 (restated)	77	12,873	1,600	(748)	9,532	(9,327)	14,007
Profit for the period (restated)	—	—	—	—	—	(2,302)	(2,302)
Other comprehensive income	—	—	—	—	—	—	—
Total comprehensive income for the year	—	—	—	—	—	(2,302)	(2,302)
Dividends paid	—	—	—	—	—	(4,218)	(4,218)
Share option expense	—	—	639	—	—	—	639
Deferred tax on share options	—	—	(367)	—	—	—	(367)
Tax on equity items	—	—	—	—	—	117	117
Issue of shares	2	1,256	—	—	—	—	1,258
Reserves transfer relating to share based payments	—	—	(513)	—	—	513	—
Total contributions by and distributions to owners	2	1,256	(241)	—	—	(3,588)	(2,571)
As at 31 July 2016 (restated)	79	14,129	1,359	(748)	9,532	(15,217)	9,134
Loss for the period	—	—	—	—	—	(28,259)	(28,259)
Other comprehensive income	—	—	—	—	—	—	—
Total comprehensive income for the year	—	—	—	—	—	(28,259)	(28,259)
Dividends paid	—	—	—	—	—	(5,136)	(5,136)
Share option expense	—	—	(247)	—	—	—	(247)
Deferred tax on share options	—	—	—	—	—	—	—
Tax on equity items	—	—	—	—	—	—	—
Issue of shares	—	538	—	—	—	—	538
Reserves transfer relating to share based payments	—	—	(222)	—	—	222	—
Total contributions by and distributions to owners	—	538	(469)	—	—	(4,914)	(4,845)
As at 31 July 2017	79	14,667	890	(748)	9,532	(48,390)	(23,970)

Notes to the Company financial statements

for the year ended 31 July 2017

1. Accounting policies

Basis of preparation

These financial statements have been prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101). The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all years presented unless otherwise stated.

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

Disclosure exemptions adopted

In preparing these financial statements the Company has taken advantage of all disclosure exemptions conferred by FRS 101. Therefore these financial statements do not include:

- certain comparative information as otherwise required by EU endorsed IFRS;
- certain disclosures regarding the Company's capital;
- a statement of cash flows;
- the effect of future accounting standards not yet adopted;
- the disclosure of the remuneration of key management personnel; and
- disclosure of related party transactions with other wholly owned members of the Group headed by Utilitywise plc.

In addition, and in accordance with FRS 101, further disclosure exemptions have been adopted because equivalent disclosures are included in the consolidated financial statements of Utilitywise plc. These financial statements do not include certain disclosures in respect of:

- share based payments;
- financial instruments; and
- impairment of assets.

The consolidated accounts of Utilitywise plc are available to the public and may be obtained from Companies House, Crown Way, Maindy, Cardiff CF14 3UZ. No other Group accounts include the results of the Company.

Revenue

The company revenue recognition policy is the same as the Group revenue recognition policy as set out on pages 37 and 38.

Tangible fixed assets

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life.

Improvements to property	– period of the lease
Computer software	– 20% on cost
Fixtures and fittings	– 20% on cost
Motor vehicles	– 25% reducing balance
Computer equipment	– 33% on cost

Investments

Investments are stated at cost less any provision for impairment.

Trademarks

Trademarks are amortised over their useful economic lives, which are deemed to be three years.

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, except that:

- deferred tax is not recognised on timing differences arising on revalued properties unless the Group has entered into a binding sale agreement and is not proposing to take advantage of rollover relief; and
- the recognition of deferred tax assets is limited to the extent that the Group anticipated making sufficient taxable profits in the future to absorb the reversal of the underlying timing differences.

Deferred tax balances arising from underlying timing differences in respect of tax allowances on industrial buildings are reversed if and when all conditions for retaining those allowances have been met.

Deferred tax balances are not discounted.

Pension costs

The Company operates a defined contribution pension scheme. Contributions payable to the Company's pension scheme are charged to the profit and loss account in the period to which they relate.

Operating lease agreements

Rentals payable under operating leases are charged to the profit and loss account in the period to which they relate.

Grants

Grants receivable in respect of tangible fixed assets are credited to the profit and loss account over the expected useful economic lives of the relevant assets to which they relate. Grants received but not yet released to the profit and loss account are included as deferred income in the balance sheet.

Dividends

Dividends paid are recognised in the Company financial statements in the period in which they become legally payable. In the case of interim dividends this is when they are actually paid. In the case of final dividends it is when they are approved by shareholders.

Share based payments

Where share options are awarded to employees, the fair value of the options at the date of grant is charged to the income statement over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each balance sheet date so that, ultimately, the cumulative amount recognised over the vesting period is based on the amount that eventually vest.

Fair value is measured by use of a Black-Scholes option pricing model. The expected life used in the model has been adjusted, based on the Directors' best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

Prior period adjustments

The company has made prior period adjustments in respect of Own shares held in trust, Fixed-payment liabilities and revenue recognition as set out in note 17 below.

2. Critical accounting estimates and judgements

The Company makes certain estimates and assumptions regarding the future. Estimates and judgements are continually evaluated based on historical experience and other factors, including the expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions. 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 discussed below.

Judgements and accounting estimates and assumptions

(a) Revenue recognition

The company revenue recognition policy is the same as the group revenue recognition policy as set out on pages 37-38.

(b) Property, plant and equipment

Property, plant and equipment are depreciated over the useful lives of the assets. Useful lives are based on management's estimates of the period that the assets will generate revenue, which are reviewed annually for continued appropriateness. The carrying values are tested for impairment when there is an indication that the value of the assets might be impaired. When carrying out impairment tests these would be based upon future cash flow forecasts and these forecasts would be based upon management's judgement. Future events could cause the assumptions to change; therefore, this could have an adverse effect on the future results of the Company.

(c) Share based payments

The Company has an equity-settled share based remuneration scheme for employees. Employee services received, and the corresponding increase in equity, are measured by reference to the fair value of the equity instruments (shares) at the date of grant. The fair value of share options is estimated by using the Black-Scholes valuation model on the date of grant based on certain assumptions. Those assumptions are described in note 30 to the consolidated financial statements and include, among others, expected volatility, expected life of the options and number of options expected to vest.

3. Loss/profit for the financial year

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own profit and loss account in these financial statements. The Group loss for the year includes a loss after tax of £28.3m (2016: £2.3m loss as restated), which is dealt with in the financial statements of the parent company.

4. Staff costs

	31 July 2017 £'000	31 July 2016 £'000
Wages and salaries	36,803	31,137
Social security costs	4,288	3,348
Other pension costs	652	507
Share options (credit)/expense	(120)	419
	41,623	35,411

The average monthly number of employees during the period was as follows:

	31 July 2017	31 July 2016
Directors	9	8
Staff	1,071	1,068
	1,080	1,076

	31 July 2017 £'000	31 July 2016 £'000
Directors' remuneration, included in staff costs		
Salaries	1,610	1,051
Pension contributions	63	82

The number of Directors to whom retirement benefits were accruing was as follows:

	31 July 2017	31 July 2016
Money purchase schemes	6	7

Information regarding the highest paid Director is as follows:

	31 July 2017 £'000	31 July 2016 £'000
Salaries	535	250
Pension contributions	8	24

5. Tangible fixed assets

	Improvements to property £'000	Computer software £'000	Fixtures and fittings £'000	Computer equipment £'000	Motor vehicles £'000	Total £'000
Cost						
As at 1 August 2015	1,413	516	564	1,168	53	3,714
Additions	70	147	14	173	—	404
Disposals	—	—	—	(244)	(6)	(250)
As at 31 July 2016	1,483	663	578	1,097	47	3,868
Depreciation						
As at 1 August 2015	83	316	289	632	4	1,324
Charge for period	100	85	101	243	12	541
Disposals	—	—	—	(244)	(3)	(247)
As at 31 July 2016	183	401	390	631	13	1,618
Net book value						
As at 31 July 2016	1,300	262	188	466	34	2,250
As at 31 July 2015	1,330	200	275	536	49	2,390

	Improvements to property £'000	Computer software £'000	Fixtures and fittings £'000	Computer equipment £'000	Motor vehicles £'000	Total £'000
Cost						
As at 1 August 2016	1,483	663	578	1,097	47	3,868
Additions	56	142	29	262	—	489
Disposals	(68)	(5)	—	—	(8)	(81)
As at 31 July 2017	1,471	800	607	1,359	39	4,276
Depreciation						
As at 1 August 2016	183	401	390	631	13	1,618
Charge for period	98	102	90	243	11	544
Disposals	(23)	—	—	—	(4)	(27)
As at 31 July 2017	258	503	480	874	20	2,135
Net book value						
As at 31 July 2017	1,213	297	127	485	19	2,141
As at 31 July 2016	1,300	262	188	466	34	2,250

6. Intangible assets

	Trademarks £'000
Cost	
As at 1 August 2015	48
Additions	5
As at 31 July 2016	53
Depreciation	
As at 1 August 2015	14
Charge for period	16
As at 31 July 2016	30
Net book value	
As at 31 July 2016	23

	Software Development £'000	Trademarks £'000	Total £'000
Cost			
As at 1 August 2016	-	53	53
Additions	1,293	-	1,293
As at 31 July 2017	1,293	53	1,346
Depreciation			
As at 1 August 2016	-	30	30
Charge for period	-	15	15
As at 31 July 2017	-	45	45
Net book value			
As at 31 July 2017	1,293	8	1,301

7. Fixed asset investments

	Shares in subsidiaries £'000
Cost	
As at 1 August 2015	41,092
Additions	—
As at 31 July 2016	41,092
Amounts written off	
As at 1 August 2015	—
Charge for period	2,984
As at 31 July 2016	2,984
Net book value	
As at 31 July 2016	38,108

	Shares in subsidiaries £'000
Cost	
As at 1 August 2016	41,092
Additions	—
As at 31 July 2017	41,092
Amounts written off	
As at 1 August 2016	2,984
Charge for period	19,096
As at 31 July 2017	22,080
Net book value	
As at 31 July 2017	19,012

The impairment charge in the year relates to t-mac Technologies Limited £12.6m, Clouds Environmental Consultancy Limited £1.1m, Aqua Veritas Consulting Limited £0.6m and Energy Information Centre Limited £4.8m. T-mac has not hit forecasted profits since acquisition; therefore, an individual entity impairment review was undertaken. As a result of a significant shortfall in financial performance against previous and current expectation within the corporate segment, as disclosed in note 14 to the consolidated financial statements (excluding t-mac) Technologies Limited, an additional impairment review was undertaken.

All subsidiary undertakings are wholly owned and all shares consist of ordinary shares only. All subsidiary undertakings operate in the United Kingdom and are registered in England and Wales, with the exception of Icon Communication Centres s.r.o., which is registered in the Czech Republic, and Utilitywise Deutschland GmbH, which is registered in Germany. For further information on subsidiary undertakings, refer to note 16 of the consolidated financial statements.

8. Debtors

	2017 £'000	2016 (restated) £'000
Amounts falling due within one year		
Trade debtors	3,876	4,140
Prepayments & accrued revenue	16,497	20,324
Amounts owed by subsidiaries	455	2,762
Corporation Tax recoverable	3,262	—
Deferred tax (note 12)	197	23
	24,287	27,249
Amounts falling due after more than one year		
Prepayments & accrued income	20,007	15,659
	20,007	15,659

9. Creditors: amounts falling due within one year

	2017 £'000	2016 (restated) £'000
Trade creditors	420	1,625
Social security and other taxes	3,679	4,798
Corporation tax payable	-	970
Accruals and deferred income	29,541	31,007
Amounts owed to subsidiaries	8,657	11,205
Other creditors	372	103
Revolving credit facility	24,675	-
Other loans	1,626	1,573
	68,970	51,281

10. Creditors: amounts falling due after more than one year

	2017 £'000	2016 (restated) £'000
Accruals and deferred income	25,923	16,406
Other creditors	2,208	16
Revolving credit facility	-	13,175
Other loans	2,732	3,012
	30,863	32,609

The revolving credit facility is secured by a floating charge over the Group's freehold property.

11. Obligations under leases

Operating lease commitments

The Company leases a number of vehicles and some computer equipment, as well as its property. The total value of non-cancellable operating lease rentals is due as follows:

	2017 £'000	2016 £'000
Expiring:		
Not later than one year	646	1,075
Later than one year and not later than five years	5,228	4,226
Later than five years	8,755	9,997
	14,629	15,298

12. Provision for liabilities

	2017 £'000	2016 £'000
Onerous lease	-	126
Dilapidations	-	400
	-	526

	Deferred tax £'000	Dilapidations £'000	Onerous lease £'000
As at 1 August 2016 (as restated)	(23)	400	126
Credited to profit and loss account	(174)	(249)	-
Utilised in the year	-	(151)	(126)
As at 31 July 2017	(197)	-	-

The deferred tax has arisen due to the timing difference on accelerated capital allowances.

During the financial year the previous head office continued to be unoccupied whilst the lease is payable until December 2016. Given that the premises will remain empty throughout the remainder of the lease, the full value of remaining lease payments was recognised in 2014 as an onerous lease provision.

A dilapidations provision of £400,000 was also recognised on the premises in line with the terms of the lease. The lease expired during the year and successful negotiations resulted in the dilapidations provision being greater than the final sum required. The over provision amount was be credited as an exceptional item consistent with the treatment of the original sums.

13. Share capital
Allotted and issued

	2017 £'000	2016 £'000
78,512,930 ordinary shares of £0.001 each	79	79

See note 23 to the consolidated financial statements for details of the movements in called-up share capital.

14. Share based payments

The Company operates an equity-settled LTIP remuneration scheme for Directors and certain management. The only vesting condition attached to the options (with the exception of LTIP Scheme 8) is that the individual must remain an employee of the Company for a minimum period. The Company also operates a number of CSOP and SAYE schemes.

LTIP scheme 8 includes non-market based performance criteria.

For further information on these share based payments see Note 30 of the consolidated financial statements.

15. Transactions with Directors

Individual details of the Directors' remuneration, share options and pension benefits can be found in the Directors' Report.

During the year payments totalling £30,000 (2016: £30,000) were made for services received from J Middleton and this was invoiced through Middleton Enterprises Limited, of which J Middleton is a director. This has been disclosed within Directors' emoluments. The balance outstanding as at 31 July 2017 was £nil (2016: £2,500).

During the year payments totalling £44,266 (2016: £46,476) were made for services received from Capital Access Group, of which R Feigen is CEO. The balance outstanding as at 31 July 2017 was £nil (2016: £24,000).

16. Related party transactions

Related party transactions are disclosed in Note 27 to the consolidated financial statements. There were no other transactions with related parties during the year.

17. Prior period adjustments

The company has made prior period adjustments in respect of the following items:

Own shares

In 2013, the Group purchased certain of its own shares through an employee benefit trust, as a hedge against share option exercises. The value of the shares purchased was £748k. As at 31 July 2017, those shares are still held by the Group. The shares have historically been shown within "cash and cash equivalents" in the statement of financial position. In accordance with FRS101, those shares are required to be shown within equity within the company.

Accordingly, a prior period adjustment has been made, which has the following impacts on the company statement of financial position as at 31 July 2016 and 31 July 2015.

- Reduction in cash and cash equivalents of £748,000, and
- Creation of "Own shares reserve" in equity with a balance of £748,000.

There is no impact on the income statement or cash flow statement of the company in the year ended 31 July 2016.

Fixed-payment liabilities

The Group has maintained certain liabilities within "trade and other payables" within the statement of financial position, which include cash repayments to the counterparty, where the timing and amount of those repayments are not within the control of the Group and which include implicit financing charges. It is now concluded that it is more appropriate to classify those liabilities as "borrowings" rather than "trade and other payables" in the statement of financial position. It was further determined that those liabilities were understated due to the incorrect application of the effective interest rate method as at 31 July 2016 and at 31 July 2015 and, therefore, their carrying value should also be corrected. Accordingly, prior period adjustments have been made, which have the following impacts:

	31 July 2016 £'000	31 July 2015 £'000
Statement of financial position:		
Increase in creditors: amounts falling due within one year	852	767
Increase in creditors: amounts falling due after more than one year	1,460	1,315
Decrease in retained earnings	608	548

Revenue recognition – estimation methodology

During the year ended 31 July 2017, the Group has made a change to the methodology for estimating initial revenue recognition amounts on procurement contracts. The Group has previously based its entire rate of revenue recognition on contract upon the overall consumption rates and final value of contracts that have matured in the previous year. The previous method of estimation is considered flawed due to both the erroneous extraction of data on matured contracts from the Group's systems and the way in which that data was subsequently analysed for the purposes of estimating revenue. The need to change the estimation methodology is considered to have arisen through the incorrect previous application of accounting standards and through the inappropriate interpretation of data. Therefore, in accordance with IAS 8, this has been treated as an error and a prior period restatements are required as follows:

	31 July 2016 £'000	31 July 2015 £'000
Statement of financial position:		
Decrease in non-current debtors	13,973	9,977
Increase in debtors	8,416	7,016
Increase in creditors: amounts falling due within one year	36,301	22,454
Decrease in retained earnings	41,727	25,831

COMPANY INFORMATION

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Secretary

Richard Laker

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