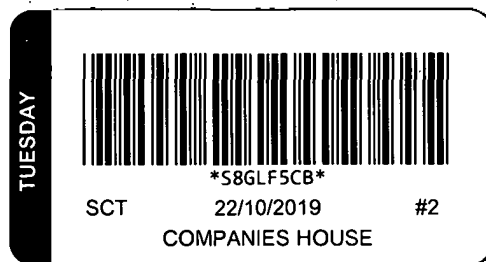


Company Registration No. 06053905 (England and Wales)

## **I Supply Energy Limited**

Annual Report and Financial Statements

for the Period Ended 31 December 2018



**COMPANIES HOUSE  
EDINBURGH**

**22 OCT 2019**

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# I Supply Energy Limited

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# I Supply Energy Limited

## Company Information

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**Directors** Mr B G Clark  
Mr M F Hagens  
Mr E A Hagland  
Mr Ian Cain (Appointed 1 April 2019)

**Company number** 06053905

**Registered office** Richmond House  
Richmond Hill  
Bournemouth  
Dorset  
England  
BH2 6EZ

**Auditor** Ernst & Young LLP  
Wessex House  
19 Threefield Lane  
Southampton  
Hampshire  
SO14 3QB

# **iSupply Energy Limited**

## **Strategic Report**

**For the period ended 31 December 2018**

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### **Introduction**

This report provides an overview of the business performance, business developments and main issues that have been considered by the directors during the period 1 January 2018 to 31 December 2018 (hereafter referred to as the period). The previous set of accounts were prepared using a 15-month reporting period in order to align the year end of iSupply to the Vattenfall Group. With the year-end now aligned a 12-month reporting period has been used for 2018.

### **Business review**

During 2018 the business continued to invest for the future, ensuring the company is well positioned to meet its growth ambitions. A key investment was the decision to implement a Work Force Management platform, which will support both the quality and efficiency of the Customer Services team. Good progress was also made preparing the business for the roll out of second-generation smart meters – ensuring iSupply is well placed to meet its future obligations and provide customers with the opportunity to benefit from smart technology.

Following a negative gross profit for the previous reporting period the directors note a positive gross profit for this period of £2.9m. Supporting this result was the ability to hedge commodity price risk via the Vattenfall Group. During the year the directors took the decision to increase the provision for bad debt in order to better reflect anticipated recovery rates. This has resulted in a £3.8m increase to the bad debt provision. The loss for the period of £13.9m was consistent with the directors' expectations.

The directors are particularly pleased with the improvements to customer service levels. Improvements have been seen across all our internal customer service key performance indicators (KPIs) – in particular the number of complaints resolved on a "next day" basis which increased from 13% to 40%. Looking forward, the directors are committed to providing the best possible service levels to our customers.

### **Principle risks and uncertainties**

#### **Commodity Price Risk**

Wholesale electricity and gas prices vary to reflect developments in demand and supply drivers such as temperature and power plant availability. In order to protect its margins from increases in wholesale prices iSupply buys its expected energy supply obligations on the forward market thereby securing the cost of this energy in advance.

#### **Competitor Actions**

iSupply is operating in a competitive market and is constantly monitoring its price levels versus those of our key competitors. We are seeing an increasing number of competitors offer prices at negative gross margin as they target market share. iSupply aims to minimise the impact of this on its own profitability levels by offering an excellent service to its customer and with careful management of its cost base.

#### **Bad Debt**

iSupply aims to minimise bad debt by collecting payments from its customers via monthly direct debits paid in advance. In addition, a dedicated Collections team monitors customer balances and takes action to collect payments if required.

#### **Operational Risks**

Operational risk is well understood across the business – with a range of controls and procedures in place to mitigate the risk of an event negatively impacting the business operations.

# **i Supply Energy Limited**

## **Strategic Report (Continued)**

**For the period ended 31 December 2018**

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### **Financial and Non-Financial Key Performance Indicators**

The directors of iSupply monitor a set of financial and non-financial KPIs on an ongoing basis. These KPIs encompass a range of customer numbers, customer satisfaction and profitability metrics. Of note:

	December 2017	December 2018
Contract Numbers	195,271	182,234
Customer Complaints resolved by the following day	13%	40%

During the year iSupply introduced Net Promoter Score as a measure. Our December 2018 NPS survey result was +14 indicating a greater proportion of iSupply's customers would recommend the company than not.

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



Mr B G Clark  
Director

Date: 17 Dec 19

# **I Supply Energy Limited**

## **Directors' Report**

**For the period ended 31 December 2018**

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The directors present their annual report and financial statements for the Period ended 31 December 2018.

### **Principal activities**

The Company's principle activity is the supply of electricity and gas to UK based consumers. The Company is a private limited company, domiciled in the United Kingdom and incorporated in England and Wales. Following the acquisition by Vattenfall (1st July 2017) iSupply's immediate parent undertaking is Vattenfall UK Sales Limited and the ultimate parent undertaking of the company is Vattenfall AB.

### **Going Concern**

After making enquiries, the directors have a reasonable expectation that the company has access to adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

The company is currently loss making (2018: £-13,854, 2017: £-12,928) and continues to require funding from its parent to enable it to reach break even. The directors have received a letter of support from Vattenfall AB and have satisfied themselves that Vattenfall AB is able to provide financial support to the company for a period of at least one year from the approval of these financial statements and whilst the company remains part of the Vattenfall Group. In light of the challenging market conditions the directors, in consultation with the ultimate parent (Vattenfall AB) are evaluating a number of options to restructure the company. At the date of signing these accounts, the results of this evaluation are not known, therefore the directors are unable to assess all scenarios for the company's future, including its funding or potential future ownership and legal structure. The directors consider that this constitutes a material uncertainty which may cast doubt about the company's ability to operate as a going concern.

The financial statements do not contain the adjustments that would result if the company was unable to continue as a going concern.

### **Directors**

The directors who held office during the Period and up to the date of signature of the financial statements were as follows:

Mr R J H Richmond (Resigned 1 October 2018)

Mr B G Clark

Mr M F Hagens

Mr E A Hagland

Mr. R G Gildert

(Resigned 1 October 2018)

Mr Ian Cain

(Appointed 1 April 2019)

### **Results and dividends**

The results for the Period are set out on page 10.

No ordinary dividends were paid. The directors do not recommend payment of a final dividend.

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

The company has made qualifying third party indemnity provisions for the benefit of its directors during the period. These provisions remain in force at the reporting date.

### **Future developments**

As referenced within the Going Concern section of these accounts the Company, in conjunction with its owner Vattenfall AB, is considering its future structure.

# I Supply Energy Limited

## Directors' Report (Continued)

For the period ended 31 December 2018

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### Auditor

In accordance with the company's articles, a resolution proposing that Ernst & Young LLP be reappointed as auditor of the company will be put at a General Meeting.

### Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

This report has been approved by the board and signed on its behalf by:



Mr B G Clark  
Director

Date: 17<sup>th</sup> Oct 19

# **I Supply Energy Limited**

## **Directors' Responsibilities Statement**

**For the period ended 31 December 2018**

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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 financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

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

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



## **Independent Auditor's Report**

### **Report to the Shareholders on the preparation of the audited statutory accounts of I Supply Energy Limited**

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#### **Opinion**

We have audited the financial statements of I Supply Energy Limited for the year ended 31 December 2018 which comprise the Statement of comprehensive income, the Balance Sheet, the Statement of changes in equity and the related notes 1 to 24, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 "The Financial Reporting Standard applicable in the UK" (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its loss for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

#### **Basis for opinion**

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

#### **Material uncertainty related to going concern**

We draw attention to Note 1.2 in the financial statements, which indicates that the ultimate parent is evaluating a number of options to restructure the Company. The current Directors do not yet have information as to the outcome of this process and therefore the impact on the company's future, including its funding or potential future ownership and legal structure. As stated in Note 1.2, these events or conditions, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

#### **Other information**

The other information comprises the information included in the annual report set out on pages 4 and 5, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this 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 the other information, we are required to report that fact.

We have nothing to report in this regard.

## **Independant Auditor's Report (Continued)**

### **Report to the Shareholders on the preparation of the audited statutory accounts of I Supply Energy Limited**

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#### **Opinions on other matters prescribed by the Companies Act 2006**

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

- the information given in the Strategic Report and the Directors' Report for the financial Period for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

#### **Matters on which we are required to report by exception**

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

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

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

#### **Responsibilities of directors**

As explained more fully in the directors' responsibilities statement set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

## **Independant Auditor's Report (Continued)**

### **Report to the Shareholders on the preparation of the audited statutory accounts of I Supply Energy Limited**

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#### **Auditor's responsibilities for the audit of the financial statements**

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

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

#### **Use of our report**

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

*Ernst + Young LLP*

James Harris (Senior statutory auditor)  
for and on behalf of Ernst & Young LLP

**Statutory Auditor**  
Wessex House  
19 Threefield Lane  
Southampton  
Hampshire  
SO14 3QB

Date: 18 / 10 / 19 .

# I Supply Energy Limited

## Statement of Comprehensive Income For the period ended 31 December 2018

		Year ended 31 December 2018	15 month Period ended 31 December 2017 as restated
	Notes	£'000	£'000
<b>Turnover</b>	<b>4</b>	145,504	115,412
Cost of sales		(142,645)	(116,035)
<b>Gross profit/(loss)</b>		<u>2,859</u>	<u>(623)</u>
Administrative expenses		(19,783)	(13,383)
<b>Operating loss</b>	<b>5</b>	<u>(16,924)</u>	<u>(14,006)</u>
Interest receivable and similar income	<b>9</b>	3	6
Interest payable and similar expenses	<b>10</b>	(172)	-
<b>Loss before taxation</b>		<u>(17,093)</u>	<u>(14,000)</u>
Tax on loss	<b>11</b>	3,239	1,072
<b>Loss for the financial Period</b>		<u>(13,854)</u>	<u>(12,928)</u>
<b>Total comprehensive (loss) for the Period</b>		<u><u>(13,854)</u></u>	<u><u>(12,928)</u></u>

The Statement of Comprehensive Income has been prepared on the basis that all operations are continuing operations.

# I Supply Energy Limited

## Statement of Financial Position

As at 31 December 2018

		2018		2017 as restated	
	Notes	£'000	£'000	£'000	£'000
<b>Fixed assets</b>					
Intangible assets	12		1,732		3,187
Tangible assets	13		176		143
			<u>1,908</u>		<u>3,330</u>
<b>Current assets</b>					
Debtors	14	19,797		11,423	
Cash at bank and in hand		11,869		3,260	
		<u>31,666</u>		<u>14,683</u>	
<b>Creditors: amounts falling due within one year</b>	15	(59,673)		(30,244)	
<b>Net current liabilities</b>			(28,007)		(15,561)
<b>Total assets less current liabilities</b>			(26,099)		(12,231)
<b>Provisions for liabilities</b>	16		-		(14)
<b>Net liabilities</b>			<u>(26,099)</u>		<u>(12,245)</u>
<b>Capital and reserves</b>					
Called up share capital	19		100		100
Profit and loss reserves			(26,199)		(12,345)
<b>Total equity</b>			<u>(26,099)</u>		<u>(12,245)</u>

The financial statements were approved by the board of directors and authorised for issue and are signed on its behalf by:



Mr B G Clark  
Director

Date: 17 Oct 19

Company Registration No. 06053905

The notes on pages 13 to 26 form part of these financial statements.

# I Supply Energy Limited

## Statement of Changes in Equity

For the period ended 31 December 2018

	Share capital £'000	Profit and loss reserves £'000	Total £'000
<b>As restated for the period ended 31 December 2017:</b>			
<b>Balance at 1 October 2016</b>	100	583	683
<b>Period ended 31 December 2017:</b>			
Loss and total comprehensive income for the period	-	(12,928)	(12,928)
<b>Balance at 31 December 2017</b>	100	(12,345)	(12,245)
<b>Period ended 31 December 2018:</b>			
Loss and total comprehensive loss for the period	-	(13,854)	(13,854)
<b>Balance at 31 December 2018</b>	100	(26,199)	(26,099)

# I Supply Energy Limited

## Notes to the Financial Statements

For the period ended 31 December 2018

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### 1 Accounting policies

#### Company information

I Supply Energy Limited is a private company limited by shares incorporated in England and Wales. The registered office is Richmond House, Richmond Hill, Bournemouth, Dorset, England, BH2 6EZ.

#### 1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £'000.

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

This company is a qualifying entity for the purposes of FRS 102, being a member of a group where the parent of that group prepares publicly available consolidated financial statements, including this company, which are intended to give a true and fair view of the assets, liabilities, financial position and profit or loss of the group. The company has therefore taken advantage of exemptions from the following disclosure requirements:

- Section 4 'Statement of Financial Position' – Reconciliation of the opening and closing number of shares;
- Section 7 'Statement of Cash Flows' – Presentation of a statement of cash flow and related notes and disclosures;
- Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instrument Issues' – Carrying amounts, interest income/expense and net gains/losses for each category of financial instrument; basis of determining fair values; details of collateral, loan defaults or breaches, details of hedges, hedging fair value changes recognised in profit or loss and in other comprehensive income;
- Section 26 'Share based Payment' – Share-based payment expense charged to profit or loss, reconciliation of opening and closing number and weighted average exercise price of share options, how the fair value of options granted was measured, measurement and carrying amount of liabilities for cash-settled share-based payments, explanation of modifications to arrangements;
- Section 33 'Related Party Disclosures' – Compensation for key management personnel.

The financial statements of the company are consolidated in the financial statements of Vattenfall AB. These consolidated financial statements are available from its registered office, Evenemangsgatan 13, SE-169 79 Solna, Sweden.

# I Supply Energy Limited

## Notes to the Financial Statements (Continued)

For the period ended 31 December 2018

### 1 Accounting policies

(Continued)

#### 1.2 Going concern

After making enquiries, the directors have a reasonable expectation that the company has access to adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

The company is currently loss making (2018: £-13,854, 2017: £-12,928) and continues to require funding from its parent to enable it to reach break even. The directors have received a letter of support from Vattenfall AB and have satisfied themselves that Vattenfall AB is able to provide financial support to the company for a period of at least one year from the approval of these financial statements and whilst the company remains part of the Vattenfall Group. In light of the challenging market conditions the directors, in consultation with the ultimate parent (Vattenfall AB) are evaluating a number of options to restructure the company. At the date of signing these accounts, the results of this evaluation are not known, therefore the directors are unable to assess all scenarios for the company's future, including its funding or potential future ownership and legal structure. The directors consider that this constitutes a material uncertainty which may cast doubt about the company's ability to operate as a going concern.

The financial statements do not contain the adjustments that would result if the company was unable to continue as a going concern.

#### 1.3 Turnover

Revenue arises from the supply of gas and electricity and other related services to domestic consumers. This is recognised as the fair value of the consideration received or receivable for the energy which is supplied during the period and is net of VAT and discounts. Revenue is recognised as costs are incurred and this is based on SF Run (the first settlement run, performed by Elexon, which is used as a basis of monetary settlement between industry parties). An estimate is made for the supply of energy, in terms of sales value from the last bill date to the period end date.

#### 1.4 Intangible fixed assets other than goodwill

Intangible assets acquired separately from a business are recognised at cost and are subsequently measured at cost less accumulated amortisation and accumulated impairment losses.

Intangible assets acquired on business combinations are recognised separately from goodwill at the acquisition date where it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity and the fair value of the asset can be measured reliably.

Amortisation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Accounting software and HR package	5 years straight line
Website development	5 years straight line
Electricity licences and trademarks	5 years straight line
Commissions	Length of the contract plus 8 months

#### 1.5 Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.



# I Supply Energy Limited

## Notes to the Financial Statements (Continued)

For the period ended 31 December 2018

### 1 Accounting policies

(Continued)

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Leasehold land and buildings	3 years straight line
Fixtures and fittings	25% reducing balance
Office equipment	25% reducing balance

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to profit or loss.

#### 1.6 Cash at bank and in hand

Cash and cash equivalents are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

#### 1.7 Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the company's statement of financial position when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

##### Basic financial assets

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

##### Other financial assets

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

# I Supply Energy Limited

## Notes to the Financial Statements (Continued)

For the period ended 31 December 2018

### 1 Accounting policies

(Continued)

#### **Impairment of financial assets**

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

#### **Derecognition of financial assets**

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the company transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

#### **Classification of financial liabilities**

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

#### **Basic financial liabilities**

Basic financial liabilities, including creditors, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

#### **Other financial liabilities**

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or finance income as appropriate, unless hedge accounting is applied and the hedge is a cash flow hedge.

Debt instruments that do not meet the conditions in FRS 102 paragraph 11.9 are subsequently measured at fair value through profit or loss. Debt instruments may be designated as being measured at fair value through profit or loss to eliminate or reduce an accounting mismatch or if the instruments are measured and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

# I Supply Energy Limited

## Notes to the Financial Statements (Continued)

For the period ended 31 December 2018

---

### 1 Accounting policies

(Continued)

#### Derecognition of financial liabilities

Financial liabilities are derecognised when the company's contractual obligations expire or are discharged or cancelled.

#### 1.8 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

##### Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

##### Deferred tax

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the company 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.

#### 1.9 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

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

#### 1.10 Retirement benefits

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

#### 1.11 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessees. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets at the lower of the assets fair value at the date of inception and the present value of the minimum lease payments. The related liability is included in the statement of financial position as a finance lease obligation. Lease payments are treated as consisting of capital and interest elements. The interest is charged to profit or loss so as to produce a constant periodic rate of interest on the remaining balance of the liability.

# **iSupply Energy Limited**

## **Notes to the Financial Statements (Continued)**

**For the period ended 31 December 2018**

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### **1 Accounting policies**

**(Continued)**

Rentals paid under operating leases are charged to the Statement of Comprehensive Income on a straight line basis over the lease term.

#### **1.12 Own-use Exemptions**

iSupply uses forward commodity contracts to protect itself from energy price volatility. When commodity contracts have been entered into as part of the Company's normal business activity, the Company seeks to classify them as "own use contracts" outside the scope of Section 12 of FRS 102. This is achieved when:

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

In the case of iSupply, the energy procurement contracts entered into fulfil the above requirements.

### **2 Change in accounting policy**

During 2018 the company concluded that commission paid to price comparison websites for the acquisition of a customer contract would be better reflected as an intangible asset rather than a pre-payment. This change better reflects the business rationale of investing to acquire a customer and developing a strong relationship which yields future economic benefits. Furthermore, this change aligns iSupply Energy's accounting treatment with the Vattenfall Group as well as other energy suppliers in the UK.

Previously such payments were considered as prepayments and the cost expensed to the P&L (Cost of Sales component) over the expected lifetime of the customer relationship. With the change the cost is treated as an intangible asset and amortised over the expected lifetime of the customer. See note 24 for the impact of this change in accounting policy on the financial statements.

### **3 Judgements and key sources of estimation uncertainty**

#### **Critical judgements**

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

#### **Energy supplied and costs**

Energy supplied to residential homes and the associated costs are subject to estimation and revision over a period of 14 months in accordance with industry practice. Where validated meter readings are not available iSupply applies standardised industry models to forecast energy supplied and the associated costs.

Direct acquisition costs, such as commission paid to third parties, are amortised over the expected lifetime of the customer. This lifetime is based on historical analysis of customer retention levels.

#### **Bad debts**

The company makes allowances for doubtful debts based on an assessment of the recoverability of receivables. Allowances are applied against receivables where events or changes in circumstances indicate that the carrying amounts may not be recovered. Management specifically analysed historical bad debts and changes in customer payment terms when making a judgement to evaluate the adequacy of the allowance of doubtful debts of receivables. Where the expectation is different from the original estimate, such differences will impact the carrying value of receivables.

# I Supply Energy Limited

## Notes to the Financial Statements (Continued)

For the period ended 31 December 2018

### 4 Turnover and other revenue

An analysis of the company's turnover is as follows:

	2018 £'000	2017 £'000
<b>Turnover analysed by class of business</b>		
Electricity sales	105,316	84,101
Gas sales	40,159	31,133
Non-energy income	29	178
	<u>145,504</u>	<u>115,412</u>

	2018 £'000	2017 £'000
<b>Other significant revenue</b>		
Interest income	3	6
	<u>3</u>	<u>6</u>

	2018 £'000	2017 £'000
<b>Turnover analysed by geographical market</b>		
United Kingdom	<u>145,504</u>	<u>115,412</u>

### 5 Operating loss

	2018 £'000	2017 £'000
Operating loss for the period is stated after charging:		
Depreciation of owned tangible fixed assets	127	47
Amortisation of intangible assets	2,831	2,360
Operating lease charges	225	90
	<u>3,183</u>	<u>2,497</u>

### 6 Auditor's remuneration

	2018 £'000	2017 £'000
Fees payable to the company's auditor and associates:		
<b>For audit services</b>		
Audit of the financial statements of the company	<u>81</u>	<u>78</u>

# I Supply Energy Limited

## Notes to the Financial Statements (Continued)

For the period ended 31 December 2018

### 7 Employees

The average monthly number of persons (including directors) employed by the company during the Period was:

	2018 Number	2017 Number
Directors	2	2
Other staff	208	165
	<u>210</u>	<u>167</u>

Their aggregate remuneration comprised:

	2018 £'000	2017 £'000
Wages and salaries	5,760	3,799
Social security costs	473	325
Pension costs	52	20
	<u>6,285</u>	<u>4,144</u>

### 8 Directors' remuneration

	2018 £'000	2017 £'000
Remuneration for qualifying services	174	185
Company pension contributions to defined contribution schemes	-	3
	<u>174</u>	<u>188</u>

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 2 (2017 - 2).

### 9 Interest receivable and similar income

	2018 £'000	2017 £'000
Interest income		
Interest on bank deposits	3	6
	<u>3</u>	<u>6</u>

### 10 Interest payable and similar expenses

	2018 £'000	2017 £'000
Other interest on intergroup loans	172	-
	<u>172</u>	<u>-</u>

# I Supply Energy Limited

## Notes to the Financial Statements (Continued)

For the period ended 31 December 2018

### 11 Taxation

	2018 £'000	2017 £'000
<b>Current tax</b>		
Group tax relief	(3,225)	(1,069)
<b>Deferred tax</b>		
Origination and reversal of timing differences	(14)	(3)
<b>Total tax credit</b>	<b>(3,239)</b>	<b>(1,072)</b>

The actual credit for the Period can be reconciled to the expected credit for the Period based on the profit or loss and the standard rate of tax as follows:

	2018 £'000	2017 £'000
Loss before taxation	(17,093)	(14,000)
Expected tax credit based on the standard rate of corporation tax in the UK of 19.00% (2017: 19.00%)	(3,248)	(2,660)
Tax effect of expenses that are not deductible in determining taxable profit	-	4
Unutilised tax losses carried forward	-	1,585
Permanent capital allowances in excess of depreciation	23	2
Deferred tax	(14)	(3)
<b>Taxation credit for the period</b>	<b>(3,239)</b>	<b>(1,072)</b>

### Factors that may affect future tax charges

In the Budget 2016 the UK Government announced that the main rate of corporation tax would be reduced to 19% with effect from 1 April 2017 and to 17% with effect from 1 April 2020. These rates were substantively enacted before the Balance Sheet date and therefore the closing net deferred tax liability has been calculated at the rate applicable for the period in which the underlying temporary difference is expected to unwind.

# I Supply Energy Limited

## Notes to the Financial Statements (Continued)

For the period ended 31 December 2018

### 12 Intangible fixed assets

	Accounting software and HR package	Website development	Electricity licences and trademarks	Commissions	Total
	£'000	£'000	£'000	£'000	£'000
<b>Cost</b>					
At 1 January 2018	40	92	15	6,026	6,173
Additions - separately acquired	-	-	-	1,376	1,376
At 31 December 2018	40	92	15	7,402	7,549
<b>Amortisation and impairment</b>					
At 1 January 2018	5	25	11	2,945	2,986
Amortisation charged for the Period	7	42	1	2,781	2,831
At 31 December 2018	12	67	12	5,726	5,817
<b>Carrying amount</b>					
At 31 December 2018	28	25	3	1,676	1,732
At 31 December 2017	35	67	4	3,081	3,187

### 13 Tangible fixed assets

	Leasehold land and buildings	Fixtures and fittings	Office equipment	Total
	£'000	£'000	£'000	£'000
<b>Cost</b>				
At 1 January 2018	45	95	105	245
Additions	31	54	75	160
At 31 December 2018	76	149	180	405
<b>Depreciation and impairment</b>				
At 1 January 2018	10	38	54	102
Depreciation charged in the Period	20	61	46	127
At 31 December 2018	30	99	100	229
<b>Carrying amount</b>				
At 31 December 2018	46	50	80	176
At 31 December 2017	35	57	51	143



# I Supply Energy Limited

## Notes to the Financial Statements (Continued)

For the period ended 31 December 2018

### 14 Debtors

	2018 £'000	2017 £'000
<b>Amounts falling due within one year:</b>		
Trade debtors	5	121
Amounts owed by group undertakings	6,455	-
Amounts owed by group undertakings (Tax asset)	4,275	1,069
Other debtors	5,527	5,547
Prepayments and accrued income	3,535	4,686
	<u>19,797</u>	<u>11,423</u>

### 15 Creditors: amounts falling due within one year

	2018 £'000	2017 £'000
Trade creditors	2,194	3,027
Amounts due to group undertakings	31,648	-
Other taxation and social security	159	105
Other creditors	698	4,966
Accruals - amounts due to group undertakings	9,896	6,870
Other accruals and deferred income	15,078	15,276
	<u>59,673</u>	<u>30,244</u>

Amounts due to group undertakings consists of two loans of £10m and £15m each, both repayable on the 29th March 2019 and incurring an interest rate of 1.25119% and 1.24388% respectively.

The remaining balance of £6.6m consists of group payables which are not subject to interest.

### 16 Provisions for liabilities

	Notes	2018 £'000	2017 £'000
Deferred tax liabilities	17	-	14

### 17 Deferred taxation

The following are the major deferred tax liabilities and assets recognised by the company and movements thereon:

	Liabilities 2018 £'000	Liabilities 2017 £'000
<b>Balances:</b>		
Accelerated capital allowances	-	14

# I Supply Energy Limited

## Notes to the Financial Statements (Continued)

For the period ended 31 December 2018

### 17 Deferred taxation

(Continued)

	2018 £'000
<b>Movements in the Period:</b>	
Liability at 1 January 2018	14
Credit to profit or loss	(14)
	<u>          </u>
Liability at 31 December 2018	<u>          </u>

The company has losses of £8,344,986 (2017: £8,344,357) available to carry forward against future trading profits.

This represents a deferred tax asset of £1,586,117 (2017: £1,418,541) which has not been recognised in the financial statements of the company as the criteria for recognition have not been met.

In addition, a deferred tax asset of £9,411 (2017 - £nil) with respect to capital allowances has not been recognised in the financial statements of the company as the criteria for recognition has not been met.

### 18 Retirement benefit schemes

	2018 £'000	2017 £'000
<b>Defined contribution schemes</b>		
Charge to profit or loss in respect of defined contribution schemes	52	20
	<u>          </u>	<u>          </u>

The company operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the company in an independently administered fund.

### 19 Share capital

	2018 £'000	2017 £'000
<b>Ordinary share capital</b>		
<b>Issued and fully paid</b>		
100,002 ordinary shares of £1 each	100	100
	<u>          </u>	<u>          </u>

# I Supply Energy Limited

## Notes to the Financial Statements (Continued)

For the period ended 31 December 2018

### 20 Operating lease commitments

#### Lessee

At the reporting end date the company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2018 £'000	2017 £'000
Within one year	241	135
Between two and five years	964	48
In over five years	1,204	-
	<u>2,409</u>	<u>183</u>

### 21 Events after the reporting date

After the balance sheet date, the amount due to Vattenfall totalling £25,000,000 was converted to 25,000,000 £1 ordinary shares in the company.

### 22 Related party transactions

#### Transactions with related parties

Gilmond Consulting Limited, a company of which Mr R J H Richmond and Mr R G Gildert are directors, provide software to supply I Supply's activities, under a contract reflecting an arms-length relationship. During the period the company made purchases amounting to £3,171,278 (2017: £1,487,743) from Gilmond Consulting Limited. The balance due to Gilmond Consulting Limited by the company at the period end was £nil (2017: £nil).

The company has taken advantage of the exemption in FRS 102 Section 33 from the requirement to disclose transactions with group companies on the grounds that the company is a wholly owned subsidiary within the group.

### 23 Ultimate controlling party

The company is controlled by Vattenfall UK Sales Limited, a company registered in England and Wales, by virtue of its 100% holding in the company's issued share capital. The ultimate parent company is Vattenfall AB and its registered office is Evenemangsgatan 13, SE-169 79 Solna, Sweden. The ultimate controlling party is the Swedish government by virtue of its 100% shareholding in the ultimate parent company.

Consolidated financial statements are prepared by the ultimate parent company and copies are available at its registered office.

# I Supply Energy Limited

## Notes to the Financial Statements (Continued)

For the period ended 31 December 2018

### 24 Prior period adjustment

#### Changes to the statement of financial position

	At 1 October 2016		
	As previously reported	Adjustment	As restated
	£'000	£'000	£'000
<b>Fixed assets</b>			
Other intangibles	6	603	609
<b>Current assets</b>			
Debtors due within one year	9,239	(603)	8,636
Net assets	683	-	683
	<u>        </u>	<u>        </u>	<u>        </u>
<b>Capital and reserves</b>			
Total equity	583	-	583
	<u>        </u>	<u>        </u>	<u>        </u>

	At 31 December 2017		
	As previously reported	Adjustment	As restated at 31 Dec 2017
	£'000	£'000	£'000
<b>Fixed assets</b>			
Other intangibles	106	3,081	3,187
<b>Current assets</b>			
Debtors due within one year	14,504	(3,081)	11,423
Net assets	(12,245)	-	(12,245)
	<u>        </u>	<u>        </u>	<u>        </u>
<b>Capital and reserves</b>			
Total equity	(12,245)	-	(12,245)
	<u>        </u>	<u>        </u>	<u>        </u>

#### Changes to the income statement

	As previously reported	Adjustment	As restated
	£'000	£'000	£'000
<b>Period ended 31 December 2017</b>			
Cost of sales	(118,377)	2,342	(116,035)
Administrative expenses	(11,041)	(2,342)	(13,383)
Loss for the financial period	(12,928)	-	(12,928)
	<u>        </u>	<u>        </u>	<u>        </u>