Flow Energy Limited (formerly Circuit Energy Supply Limited)
Financial Statements
For the period ended 31 December 2012

Company No. 7489062

Index to the financial statements

Company Information

Company Registration number	7489062
Registered office	Felaw Maltings 48 Felaw Street Ipswich IP2 8PN
Directors	A D Stiff A Beasley
Company secretary	P M Barry
Bankers	HSBC Bank plc 4 Hardman Square Spinningfields Manchester M3 3EB
Solicitors	Atticus Legal LLP 3rd Floor Castlefield House Liverpool Road Castlefield Manchester M3 4SB
Independent auditors	PricewaterhouseCoopers LLP Chartered Accountants & Statutory Auditors 1 Embankment Place London WC2N 6RH

Report of the directors

The directors present their report and the audited financial statements for Flow Energy Limited (formerly Circuit Energy Supply Limited) ("the Company"), for the nine months ended 31 December 2012 The previous accounting reference date was 31 March

On 14 December 2012 the Company changed its name from Circuit Energy Supply Limited to Flow Energy Limited

Principal activity
The principal activity of the Company during the period was the business of energy supply In previous reporting periods, the Company was dormant

Results and dividends

The loss for the period amounted to £1,276,441 (2011 £nil) The directors do not recommend the payment of a dividend (2011 £nil)

Business review and future developments

Having built and tested its infrastructure the Company completed controlled market entry in February 2013 Subsequently in April 2013 Flow Energy Limited launched a market leading energy only tariff and has won a significant number of customers The directors are pleased with progress to date and look forward to further progress over the coming months

The directors are therefore satisfied with the result for the period and of its position at the balance sheet date given continuing support from its parent company Flowgroup plc (formerly Energetix Group plc)

It is the directors' general intention to develop the existing activities of the Company as opportunities arise

Key performance indicators
The directors monitor the progress of the overall Company strategy The directors believe that, given the Company's current stage of development, the relevant Key Performance Indicators are customer numbers, income, administrative expenses, capital expenditure and cash management

Financial risk management objectives and policies
The Company manages its capital to ensure that it is able to continue as a going concern whilst maximising the return to its ultimate parent undertaking The Company's strategy is dependent upon the continuing support of its ultimate parent company

The capital structure of the Company consists of trade debtors, trade creditors, other loans, inter-group loans and share capital On this basis, financial risk is considered minimal

Other risk and uncertainties
The directors consider that the Company's other risk and uncertainties are attraction and retention of key employees and energy pricing

Directors
The directors who held office during the period and up to the date of signing the financial statements are given below

A D Stiff
A Beasley (appointed 26 July 2012)
P Richardson (appointed 3 September 2012, resigned 30 April 2013)
A C Hutchings (resigned 11 February 2013)

Report of the directors

Directors' responsibilities Statement

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year Under that law the directors have prepared 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, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business

The directors are 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

Directors' indemnities

As permitted by the Articles of Association, the Directors have the benefit of an indemnity which is a qualifying third party indemnity provision as defined by Section 234 of the Companies Act 2006 The indemnity was in force throughout the last financial year and is currently in force The Company also purchased and maintained throughout the financial year Directors' and Officers' liability insurance in respect of itself and its Directors

Statement of disclosure of information to auditors

In so far as each of the directors is aware

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

Report of the directors

Independent Auditors

During the period, PricewaterhouseCoopers LLP were appointed as external auditors for the Company PricewaterhouseCoopers LLP, having expressed their willingness to continue in office, will be deemed reappointed for the next financial year in accordance with section 487(2) of the Companies Act 2006 unless the Company receives notice under section 488(1) of the Companies Act 2006

ON BEHALF OF THE BOARD

Tony Stiff
Director

19 September 2013

Independent auditors' report to the members of Flow Energy Limited

We have audited the financial statements of Flow Energy Limited for the period ended 31 December 2012 which comprise the profit and loss account, the balance sheet and the related notes to the financial statements The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

Respective responsibilities of directors and auditors
As explained more fully in the Directors' Responsibilities Statement set out on page 4 the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors

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

Scope of the audit of the financial statements
An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements In addition, we read all the financial and non-financial information in the financial statements to identify material inconsistencies with the audited financial statements If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report

Opinion on financial statements
In our opinion the financial statements

- give a true and fair view of the state of the Company's affairs as at 31 December 2012 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

Emphasis of matter
In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosures made in the principal accounting policies to the financial statements concerning the outcome of the Company's ultimate parent company revised strategic approach to its current business model and its consequential impact on the company's ability to continue as a going concern As explained in more detail in the principal accounting policies to the financial statements, in order to implement the new business model the ultimate parent company requires levels of funds greater than its existing cash facilities As these facilities have not yet been secured this indicates the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern The financial statements do not include the adjustments that would result if the company was unable to continue as a going concern

Independent auditors' report to the members of Flow Energy Limited

Opinion on other matter prescribed by the Companies Act 2006
In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

Matters on which we are required to report by exception
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, or
- the directors were not entitled to prepare financial statements in accordance with the small company regime

ALees

Alison Lees (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

19 September 2013

Profit and loss account

	Note	2012 £
Turnover		743
Cost of sales		(643)
Gross profit		100
Administrative expenses		(1,276,541)
Operating loss		(1,276,441)
Loss on ordinary activities before taxation	2	(1,276,441)
Tax on loss on ordinary activities	5	-
Loss for the financial period	11	(1,276,441)

There were no recognised gains or losses other than the loss for the financial period

All activities are derived from continuing operations

Trading commenced during the 9 months ended 31 December 2012 Prior to 1 April 2012 the company was dormant

There is no material difference between the loss on ordinary activities before taxation and the loss for the financial period stated above and their historical cost equivalents

Balance sheet

	Note	31 December 2012	31 March 2012
		£	£
Fixed assets			
Tangible assets	6	276,262	-
		276,262	-
Current assets			
Debtors	7	156,733	1
Cash at bank and in hand		-	-
		156,733	1
Creditors amounts falling due within one year	8	(1,699,566)	-
Net current liabilities		(1,542,833)	-
Total assets less current liabilities		(1,266,571)	1
Net liabilities		(1,266,571)	1
Capital and reserves			
Called up share capital	10	1	1
Other reserves	11	9,869	-
Profit and loss account	11	(1,276,441)	-
Total Shareholders' deficit	12	(1,266,571)	1

These financial statements on pages 8 to 17 were approved by the directors and authorised for issue on 19 September 2013 and are signed on their behalf by

A. D. Stiff

Tony Stiff
Director
Flow Energy Limited
Company No 7489062

Notes to the financial statements

1 Principal accounting policies

Basis of preparation
The financial statements have been prepared in accordance with applicable United Kingdom accounting standards in accordance with the Companies Act 2006 and under the historical cost convention

The principal accounting policies of the Company have remained unchanged from the previous period and are set out below The directors have reviewed the accounting policies in accordance with FRS 18 and consider them to be the most appropriate to the Company's circumstances

Going concern
The continuation of the Company's activities is dependent upon the continuing support of its ultimate parent company, Flowgroup plc (formerly Energetix Group plc)

Flowgroup plc raised £12 9m in October 2012 which based on business plans will, in the directors opinion, be sufficient to fund the initial customer acquisition and working capital requirements of the business through to Q1 2014 Thereafter continued sales will require additional funding to be in place to support sales, supply chain and customer debtors The Directors are considering a number of funding structures in order to meet the Group's requirements and given the nature of the requirements the directors are of the opinion that all necessary funding will be made available at the appropriate time

There is a risk that the Group will not secure the required funding to support future sales indicating the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern Nevertheless, the Directors of Flowgroup plc are confident in the future business strategy and given that decisions do not need to be taken immediately the Group can move forward in a measured way On this basis they have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future and have given assurances that the Parent Company will continue to support the Company for the foreseeable future

Accordingly, the Directors continue to adopt the going concern basis in preparing the Company's Financial Statements which do not include any adjustments that would result if the Company were unable to continue as a going concern

Turnover
Turnover comprises of the fair value of the consideration received or receivable for the supply of energy in the ordinary course of the Company's activities excluding VAT and trade discounts, this is recognised when energy is provided

Notes to the financial statements

Principal accounting policies

Tangible fixed assets
Tangible fixed assets are stated at cost or valuation, net of depreciation and any provision for impairment

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

Property, plant & equipment	-	33 ⅓% on cost

Deferred taxation
Deferred tax is recognised on all timing differences where the transactions or events that give the Company an obligation to pay more tax in the future, or a right to pay less tax in the future, have occurred by the balance sheet date Deferred tax assets are recognised when it is more likely than not that they will be recovered Deferred tax is measured on an undiscounted basis using rates of tax that have been enacted or substantively enacted by the balance sheet date

Share based payments
All share-based payment arrangements granted after 7 November 2002 that have not vested prior to the period end are recognised in the financial statements in accordance with FRS 20

All goods and services received in exchange for the grant of any share-based payment are measured at their fair values Where employees are rewarded using share-based payment, the fair values of employees' services are determined indirectly by reference to the fair value of the instrument granted to the employee This fair value is appraised at the grant date and excludes the impact of non-market vesting conditions (for example, profitability and sales growth targets)

The share based payment charges for share options granted in Flowgroup plc (formerly Energetix Group plc) shares have been recognised within these financial statements with a corresponding increase in equity, as the services provided by the employees were in respect of this Company

Financial instruments
Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into

A financial liability exists where there is a contractual obligation to deliver cash or another financial asset to another entity, or to exchange financial assets or financial liabilities under potentially unfavourable conditions In addition, contracts which result in the entity delivering a variable number of its own equity instruments are financial liabilities Shares containing such obligations are classified as financial liabilities

Finance costs and gains or losses relating to financial liabilities are included in the profit and loss account The carrying amount of the liability is increased by the finance cost and reduced by payments made in respect of that liability Finance costs are calculated so as to produce a constant rate of charge on the outstanding liability

An equity instrument is any contract that evidences a residual interest in the assets of the group/company after deducting all of its liabilities Dividends and distributions relating to equity instruments are debited directly to reserves

Notes to the financial statements

Principal accounting policies

Compound instruments comprise both a liability and an equity component The elements of a compound instrument are classified in accordance with their contractual provisions At the date of issue, the liability component is recorded at fair value, which is estimated using the prevailing market interest rate for a similar debt instrument without the equity feature Thereafter, the liability component is accounted for as a financial liability in accordance with the accounting policy set out above The residual is the equity component, which is accounted for as an equity instrument

Cash flow statement
The Company is a wholly-owned subsidiary of Flowgroup plc (formerly Energetix Group plc) and is included in the consolidated financial statements of Flowgroup plc, which are publically available Consequently the Company has taken advantage of the exemption in FRS 1 (Revised 1996) from including a cash flow statement in the financial statements

Related party transactions

The Company, as a wholly owned subsidiary of Flowgroup plc (formerly Energetix Group plc), is exempt from the requirements of the Financial Reporting Standards (FRS 8) to disclose transactions within the group headed by Flowgroup plc

The directors do not consider there to be a controlling party of the ultimate parent company

Notes to the financial statements

2 Turnover and loss on ordinary activities before taxation

Turnover and loss on ordinary activities before taxation are attributable to the principal activity of the company and arose entirely within the United Kingdom

The loss on ordinary activities before taxation is stated after charging

	2012
	£
Depreciation of owned fixed assets	15,362

Auditors' remuneration has been borne by the ultimate parent undertaking without recharge by the ultimate parent undertaking Flowgroup plc (formerly Energetix Group plc)

3 Employee information

Staff costs, including directors, during the period were as follows

	2012
	£
Wages and salaries	448,609
Social Security costs	46,149
Other Pension costs	11,092
	505,850

The monthly average number of employees of the Company during the period was 9 (2011 nil) all of which were engaged in sales and administrative activities

The share options granted to employees during the period was £9,869 (2011 £nil)

4 Directors emoluments

	2012
	£
Aggregate emoluments	85,063

The remuneration of the highest paid director £85,063

Certain directors are also directors of other Flowgroup plc (formerly Energetix Group plc) companies and the remuneration of these directors was paid by those companies The directors do not believe it is practicable to apportion between their services as directors of the company and their services as directors of the fellow group undertakings

Notes to the financial statements

5 Factors affecting current and future tax charge

The tax assessed for the year is lower than the standard rate of corporation tax in the United Kingdom of 24 50% The differences are explained as follows

	2012 £
Loss on ordinary activities before taxation	(1,276,441)
Loss on ordinary activities before taxation multiplied by standard rate of corporation tax in the United Kingdom of 24 50%	(312,728)
Effect of	
Expenses not deductible for tax purposes	41,250
Capital allowances	21,470
Losses carried forward	250,008
Current tax charge for year	-

Unrelieved tax losses of £1,020,442 remain available to offset against future taxable trading profits No deferred tax asset has been recognised in respect of the losses as the recoverability is uncertain (note 10)

The Finance Act 2012 was substantively enacted on 17 July 2012 and included legislation to reduce the main rate of corporation tax from 25% to 24% from 1 April 2012 and to further reduce the rate to 23% from 1 April 2013 The unrecognised deferred tax asset at 31 December 2012 has been revalued accordingly

Further reductions to the UK corporation tax rate were announced in the 2013 Budget on 20 March 2013 which proposed to reduce the rate by two per cent to 21% from 1 April 2014 and by a further one per cent to 20% from 1 April 2015 The changes had not been substantively enacted at the balance sheet date and therefore are not recognised in these financial statements The impact of the proposed changes is not expected to be material to the balance sheet

Notes to the financial statements

6 Tangible fixed assets

	Property,plant & equipment £
Cost	
At 1 April 2012	-
Additions	291,624
At 31 December 2012	**291,624**
Depreciation	
At 1 April 2012	-
Charge for the period	15,362
At 31 December 2012	**15,362**
Net book value	
At 31 December 2012	**276,262**
At 31 March 2012	-

7 Debtors

	31 December 2012 £	31 March 2012 £
Other debtors	135,292	1
Prepayments and accrued income	21,441	-
	156,733	1

8 Creditors amounts falling due within one year

	31st December 2012 £	31 March 2012 £
Trade creditors	113,649	-
Amounts owed to group undertakings	1,475,451	-
Accruals	110,466	-
	1,699,566	-

Amounts owed by group undertakings are unsecured, interest free, repayable on demand and have no fixed repayment date

Notes to the financial statements

9 Deferred taxation

The unprovided deferred tax asset at 23% comprises

	31 December 2012 £	31 March 2012 £
Accelerated capital allowances	(20,098)	-
Trade losses	(234,702)	-
	(254,800)	-

10 Called up share capital

Allotted and fully paid

	31 December 2012 No	31 March 2012 No	31 December 2012 £	31 March 2012 £
1 Ordinary shares of £1 each	1	1	1	1
	1	1	1	1

11 Reserves

	Other reserves £	Profit and loss account £
At 1 April 2012	-	-
Loss for the financial period	-	(1,276,441)
Share options granted to employees	9,869	-
At 31 December 2012	9,869	(1,276,441)

Other reserves relate to share based payment charges for share options granted in Flowgroup plc (formerly Energetix Group plc) As noted in the accounting policies, details of the share options are disclosed within the financial statements of Flowgroup plc

Notes to the financial statements

12 Reconciliation of movement in shareholders' funds

	2012
	£
Loss for the financial period	(1,276,441)
Share options granted to employees	9,869
	(1,266,572)
Shareholders' funds at 1 April	1
Shareholders' deficit at 31 December	(1,266,571)

13 Ultimate parent company and controlling related party

The immediate and ultimate parent undertaking of this Company is Flowgroup plc (formerly Energetix Group plc), which is the only company to consolidate the company financial statements Consolidated Financial Statements for Flowgroup plc are available from the Company Secretary, Flowgroup plc, 3rd Floor Castlefield House, Liverpool Road, Castlefield, Manchester, M3 4SB