Flow Energy Limited

Annual Report and Financial Statements

For the 13 months ended 31 January 2019

Company No. 7489062

Company Information

Company Registration number:	7489062
Registered office:	Cooperative House Warwick Technology Park Gallows Hill Warwick CV34 6DA
Directors:	S R Allsopp C L Booker E Boyle J Feeney P H Gray V Green G W Hayes M D N Lane K E Petersen B Rainford F Ravenscroft H A Richardson W Willis H R Wiseman V S Woodell
Company secretary:	E G Parker
Banker:	HSBC Bank plc Vitrum St Johns Innovation Park Cowley Road Cambridge CB4 0DS
Independent auditor:	KPMG LLP Chartered Accountants & Statutory Auditors One Snowhill Snow Hill Queensway Birmingham B4 6GH

Contents

Strategic report

The directors present their strategic report for the 13 months ended 31 January 2019.

Business review, future developments and post balance sheet events

Flow Energy was acquired by Co-operative Energy in May 2018. Since acquisition a series of changes have been implemented with a focus on improving operational performance and delivering cost savings.

During the period focus was placed on customer service, debt prevention, acquiring customers at a fair margin and a laser focus on cost management. A lot of smaller suppliers have ceased trading as a result of pricing at negative margins in order to obtain customer growth, which led to them being unable to meet industry and regulatory obligations. Flow Energy is rated 4 out of 5 on Trust Pilot reflecting the continued excellent customer service.

Following the balance sheet date of these accounts Flow Energy Limited sold its energy business to Octopus Energy on 17 September 2019, seeing the cessation of activities as an energy supplier. Going forward the entity remains a going concern based on a white label partnership, where the Co-op Energy brand will be retained and The Midcounties Co-operative Limited will retain responsibility for acquiring new customers under this brand and the entity accounts are prepared on this basis. The impacts of the sale will be reflected in subsequent reporting periods.

Financial Review and KPIs

Set out below is an extract of the Financial Statements for the 13 months ended 31 January 2019 and year ended 31 December 2017 together with an analysis of the key performance indicators.

	2018/19	2017
	£000	£000
Turnover	**143,786**	137,549
Gross profit	**7,589**	7,743
Operating loss before significant items	**(11,636)**	(14,122)
Fixed assets	**471**	1,500
Cash at 31 January/31 December	**363**	139
Gross profit %	**5.3%**	5.6%

Results

Turnover during the 13 months ended 31 January 2019 was £143,785,964 and compares to £137,549,498 during 2017.

Gross margin during the period was 5.3% (2017: 5.6%) with a fall in margins arising from weather variations and energy market conditions during the period.

Operating loss before significant items was £11,635,748 down from an equivalent loss of £14,122,480 in 2017 reflecting synergies identified as part of the ongoing integration process in 2018 with Co-operative Energy, along with reductions in the cost of customer acquisition following a period of reduced activity in 2018.

Overall operating profit for the period of £19,004,904 was due to an exceptional items relating to the termination of intercompany balances with Flowgroup plc (£31,160,522) post sale of the business to Co-operative Energy.

Report of the directors

The directors present their report and the audited financial statements of the company for the 13 months ended 31 January 2019.

Disclosures in respect of the Company's performance and position, future outlook and key performance indicators are included in the Strategic report of pages 3 and 4 and are included in this report by cross reference.

Principal activity
The principal activity of the Company during the period was energy supply.

Results and dividends
Turnover for the period was £143,785,964 (31 December 2017: £137,549,498). The profit for the financial period amounted to £19,004,904 (31 December 2017 loss: £16,739,522).

The directors do not recommend the payment of a dividend (31 December 2017: £nil).

Political donations
The company made no political donations during the period (31 December 2017: £nil)

Going concern
The Company manages its capital to maximise the return to its ultimate parent undertaking. The ultimate parent undertaking has given written assurances that it will continue to provide financial support to the Company for at least 12 months from the date of approval of the financial statements and accordingly the directors continue to adopt the going concern basis.

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

A J Beasley (resigned 1 May 2018)
N P Canham (resigned 1 May 2018)
M J Gibson (resigned 1 May 2018)
D A Bird (appointed 1 May 2018, resigned 1 May 2018)
P M Dubois (appointed 1 May 2018, resigned 1 May 2018)
E G Parker (appointed 1 May 2018, resigned 1 May 2018)
S R Allsopp (appointed 1 May 2018)
O Birch (appointed 1 May 2018, resigned 17 October 2019)
C L Booker (appointed 1 May 2018)
GW Hayes (appointed 1 May 2018)
J Feeney (appointed 1 May 2018)
P H Gray (appointed 1 May 2018)
E Boyle (appointed 1 May 2018)
I L Kirkman (appointed 1 May 2018, resigned 17 October 2019)
M D N Lane (appointed 1 May 2018)
D Morrison (appointed 1 May 2018, resigned 17 October 2019)
J E Nunn-Price (appointed 1 May 2018, resigned 17 October 2019)
K E Petersen (appointed 1 May 2018)
H A Richardson (appointed 1 May 2018)
H R Wiseman (appointed 1 May 2018)
V S Woodell (appointed 1 May 2018)
V Green (appointed 17 October 2019)
B Rainford (appointed 17 October 2019)
F Ravenscroft (appointed 17 October 2019)
W Willis (appointed 17 October 2019)

Registered offices: Cooperative House, Warwick Technology Park, Gallows Hill, Warwick, CV34 6DA

Strategic report (continued)

Principal risks and uncertainties

Risk	Category	Mitigating actions
Reputational damage	Brand and reputation	Controls at operational level; policies in place to protect legal and regulatory requirements.
Uncertainty arising from Brexit	Legal and regulatory	Monitor regulation and policies as they are formulated; contingency planning reviewed at weekly Executive Brexit briefings.
Volatility in the market	Strategic	Close evaluation of our market positions and the propositions we offer; detailed reviews of our operating models.
Regulatory non-compliance	Legal and regulatory	Dedicated compliance team.
Failure to maintain IT infrastructure, security and stability	Technology	Manual process to route the network traffic if a link fails. Scheduled backups available for all identified critical systems. Firewalls in place and security threats are monitored through various sources.
Commodity price risk	Finance	Management monitors energy prices and will initiate instruments to manage exposure when it is deemed appropriate.
Cash flow risk	Finance	Management monitors capital movements for seasonality.
Customer credit risk	Finance	Management has policy in place and the exposure to credit risk is monitored on an ongoing basis.

Approved by the Board of Directors
And signed on behalf of the Board

Edward Parker, Secretary
6 February 2020

Report of the directors (continued)

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 period and is currently in force. The Company also purchased and maintained throughout the financial period Directors' and Officers' liability insurance in respect of itself and its Directors.

Statement of disclosure of information to auditors

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

PricewaterhouseCoopers LLP resigned as auditors and the directors appointed KPMG LLP. Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be re-appointed and KPMG LLP will therefore continue in office.

Approved by the Board of Directors
And signed on behalf of the Board

Edward Parker, Secretary
6 February 2020

Statement of directors' responsibilities in respect of the Strategic report, the directors' report and the financial statements.

The directors are responsible for preparing the Strategic Report, 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 period. Under that law they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland.*

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 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;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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 responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

On behalf of the Board.

Edward Parker, Secretary
6 February 2020

Independent auditors' report to the members of Flow Energy Limited

Opinion
We have audited the financial statements of Flow Energy Limited ("the company") for the period ended 31 January 2019 which comprise the profit and loss account, balance sheet, statement of changes in equity and related notes, including the accounting policies in note 2.
In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 January 2019 and of its profit for the period then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland; 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 are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

The impact of uncertainties due to the UK exiting the European Union on our audit
Uncertainties related to the effects of Brexit are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by the directors and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the company's future prospects and performance.
Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. We applied a standardised firm-wide approach in response to that uncertainty when assessing the company's future prospects and performance.
However, no audit should be expected to predict the unknowable factors or all possible future implications for an organisation and this is particularly the case in relation to Brexit.

Going concern
The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease its operations, and as they have concluded that the company's financial position means that this is realistic They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").
We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model, including the impact of Brexit, and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.
However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

Independent auditors' report to the members of Flow Energy Limited (Continued)

Strategic Report and Directors' Report
The directors are responsible for the strategic report and directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

- We have not identified material misstatements in the Strategic report and Directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge.
- In our opinion the information given in those reports for the financial period is consistent with the financial statements; and
- In our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception
Under the Companies Act 2006 we are required 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.

We have nothing to report in these respects.

Directors' responsibilities
As explained more fully in their statement set out on page 7, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; 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 they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities
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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 the financial statements.
A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

Independent auditors' report to the members of Flow Energy Limited (continued)

The purpose of our audit work and to whom we owe our responsibilities

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.

Simon Purkess (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
One Snowhill
Snowhill Queensway
Birmingham
B4 6GH
United Kingdom

6 February 2020

Profit and loss account

for the 13 months to 31 January 2019 and prior period 12 months up to 31 December 2017

	Note	2018/19 Before Significant Items £	2018/19 Significant Items £	2018/19 Total £	2017 Before Significant Items £	2017 Significant Items £	2017 Total £
Turnover	3	143,785,964	-	**143,785,964**	137,549,498	-	137,549,498
Cost of sales		(136,196,477)	-	**(136,196,477)**	(129,806,416)	-	(129,806,416)
Gross profit		7,589,487	-	**7,589,487**	7,743,082	-	7,743,082
Administrative expenses	4	(19,225,235)	31,160,522	**11,935,287**	(21,865,562)	(1,252,448)	(23,118,010)
Operating profit/(loss)		(11,635,748)	31,160,522	**19,524,774**	(14,122,480)	(1,252,448)	(15,374,928)
Interest payable and similar expenses		(519,870)	-	**(519,870)**	(1,364,594)	-	(1,364,594)
Profit/(loss) before taxation	3	(12,155,618)	31,160,522	**19,004,904**	(15,487,074)	(1,252,448)	(16,739,522)
Tax on profit/loss	8	-	-	-	-	-	-
Profit/(loss) for the *financial period / year*		(12,155,618)	31,160,522	**19,004,904**	(15,487,074)	(1,252,448)	(16,739,522)

Following the balance sheet date, the company sold its energy supply operations, see further details in note 19. Significant items in 2018/19 are attributed to elimination of Flowgroup plc intercompany balances, see Notes to Financial Statements 4.

The Company has no items of other comprehensive income in the current period or prior year and consequently no statement of other comprehensive income has been presented.

The notes on pages 14 to 25 are an integral part of these financial statements.

Balance sheet

as at 31 January 2019

	Note	2018/19 £	2017 £
Fixed assets			
Intangible assets	9	**323,471**	1,097,234
Tangible assets	10	**147,425**	402,552
		470,896	1,499,786
Current assets			
Debtors	11	**21,694,409**	26,746,560
Cash at bank and in hand		**362,559**	138,667
		22,056,968	26,885,227
Creditors: amounts falling due within one year	12	**(41,827,985)**	(66,210,038)
Net current liabilities		**(19,771,017)**	(39,324,811)
Total assets less current liabilities		**(19,300,121)**	(37,825,025)
Provision for liabilities and charges	14	**-**	(480,000)
Net liabilities		**(19,300,121)**	(38,305,025)
Capital and reserves			
Called up share capital	15	**1,000**	1,000
Other reserves		**-**	487,292
Accumulated losses		**(19,301,121)**	(38,793,317)
Total shareholders' deficit		**(19,300,121)**	(38,305,025)

The notes on pages 14 to 25 are an integral part of these financial statements.

These financial statements on pages 11 to 25 were approved by the board of directors and authorised for issue on 6 February 2020 and are signed on its behalf by:

Vivian Woodell, Director

Flow Energy Limited
Company No: 7489062

Statement of changes in equity
for the 13 months ended 31 January 2019

	Called up share capital £	Other reserves £	Accumulated losses £	Total shareholders' deficit £
Balance at 1 January 2017	**1,000**	**331,923**	**(22,053,795)**	**(21,720,872)**
Share-based payments	-	155,369	-	155,369
Loss for the financial year and total comprehensive loss	-	-	(16,739,522)	(16,739,522)
Balance at 31 December 2018	**1,000**	**487,292**	**(38,793,317)**	**(38,305,025)**
Share-based payments	-	(487,292)	487,292	-
Profit for the financial period and total comprehensive Profit	-	-	19,004,904	19,004,904
Balance at 31 January 2019	**1,000**	**-**	**(19,301,121)**	**(19,300,121)**

Other Reserves

Other reserves relate to the share based programme where employees were granted share options in Flowgroup plc in 2017. In 2018 Flow Energy was sold to Co-operative Energy which resulted in the termination of the programme.

The notes on pages 14 to 25 are an integral part of these financial statements.

Notes to the financial statements

1 General information

Flow Energy Limited is a private company limited by shares incorporated in England and Wales and a provider of energy services primarily to the domestic market. The address of its registered office is disclosed on page 1.

2 Principal accounting policies

Statement of compliance and basis of preparation
The Company Financial Statements of Flow Energy Limited have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102") and the Companies Act 2006.

The Company Financial Statements are prepared on a going concern basis under the historical cost convention.

The company's ultimate parent undertaking, The Midcounties Co-operative Limited includes the company in its consolidated financial statements. The consolidated financial statements of The Midcounties Co-operative Limited are prepared in accordance with International Financial Reporting Standards as adopted by the EU and are available to the public and may be obtained from Co-operative House, Warwick Technology Park, Gallows Hill, Warwick, CV34 6DA. In these financial statements, the company is considered to be a qualifying entity (for the purposes of this FRS) and has applied the exemptions available under FRS 102 in respect of the following disclosures:

- Reconciliation of the number of shares outstanding from the beginning to end of the period;
- Cash Flow Statement and related notes; and
- Key Management Personnel compensation.

As the consolidated financial statements of include the disclosures equivalent to those required by FRS 102, the Company has also taken the exemptions available in respect of the following disclosures:

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

The accounting policies have been consistently applied to all financial periods presented unless otherwise stated.

Going concern
Notwithstanding net liabilities of £19,300,121 as at 31 January 2019 and the sale of all supply operations to Octopus Energy after the balance sheet date, the financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons.

Despite the cessation of the principal activity after the year end, the entity will continue to operate with a white label partnership, where the Co-op Energy brand will be retained and The Midcounties Co-operative Limited will retain responsibility for acquiring new customers under this brand

The directors have prepared cash flow forecasts for a period of 12 months from the date of approval of these financial statements which indicate that, taking account of reasonably possible downsides, the company will have sufficient funds, through funding from its ultimate parent company, The Midcounties Co-operative Limited, to meet its liabilities as they fall due for that period.

Notes to the financial statements

2 Principal accounting policies (continued)

Those forecasts are dependent on The Midcounties Co-operative Limited not seeking repayment of the amounts currently due to the group, which at 31 December 2019 amounted to £7,978,923 and providing additional financial support during that period. This amount is due to the immediate parent undertaking Co-operative Energy Limited which is not considered a going concern, however this liability will transfer to The Midcounties Co-operative Limited upon wind up. The Midcounties Co-operative Limited has indicated its intention to continue to make available such funds as are needed by the company, and that it does not intend to seek repayment of the amounts due at the balance sheet date, for the period covered by the forecasts. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

Consequently, the directors are confident that the company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

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

Use of estimates and judgements

The preparation of financial statements in conformity with FRS 102 requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.
Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected. Information about areas of estimation, uncertainty and critical judgements used in applying

accounting policies that have the most significant effect on the amounts recognised in the Financial Statements is included in the following notes:

(i) Turnover recognition

Turnover from the supply of energy is recognised using customer tariff rates and industry settlement data specific to the energy business. Industry settlement data is the estimated quantity that the relevant system operator deems individual suppliers to have supplied to their customers within its area.

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 and is recognised as the related costs are incurred. Such revenue is derived from industry settlement data and contractual tariff rates.

Intangible assets

Computer software is stated at cost net of amortisation and any provision for impairment.

Amortisation is charged to the profit or loss on a straight-line basis over the estimated useful life of 3 years. Intangible assets are tested for impairment in accordance with Section 27 Impairment of assets when there is an indication that they may be impaired.

Notes to the financial statements

2 Principal accounting policies (continued)

Customer acquisition costs are reflected in prepayments in compliance with group policies, they were classified as an intangible in the 2017 financial statements. Customer acquisition costs paid to third parties are included at cost and amortised over the first year of the customer contract.

Tangible assets
Tangible fixed assets are stated at cost 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

Basic financial instruments

Trade and other debtors
Trade and other debtors are recognised initially at fair value. Subsequent to initial recognition, they are measured at amortised cost using the effective interest rate method.

Trade and other creditors
Trade and other creditors are recognised initially at fair value. Subsequent to initial recognition, they are measured at amortised cost using the effective interest rate method, less any impairment losses

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

Taxation
Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income. Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.
Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax balances are not discounted.
Unrelieved tax losses and other deferred tax assets are recognised only to the extent that is it probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Notes to the financial statements

2 Principal accounting policies (continued)

Employee benefits

The company provides a range of benefits to employees, including annual bonus arrangements, paid holiday arrangements and defined benefit pension plans.

Short term benefits, including holiday pay and other similar non-monetary benefits, are recognised as an expense in the period in which the service is received.

The company operates an annual bonus plan for employees. An expense is recognised in the profit and loss account when the company has a legal or constructive obligation to make payments under the plan as a result of past events and a reliable estimate of the obligation can be made.

The company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the company pays fixed contributions into a separate entity. Once the contributions have been paid the company has no further payment obligations. The contributions are recognised as an expense when they are due. Amounts not paid are shown in accruals in the balance sheet. The assets of the plan are held separately from the company in independently administered funds.

Notes to the financial statements

3 **Turnover and profit before taxation**

Turnover and profit before taxation are attributable to the principal activity of the company and arose entirely within the United Kingdom.

The profit before taxation is stated after charging:

	2018/19	2017
	£	£
Impairment allowance on trade debtors	**6,925,012**	6,503,446
Depreciation of owned fixed assets	**264,624**	282,802
Amortisation of intangible assets	**832,831**	2,871,605
Operating lease payments	**586,200**	478,267

Auditors' remuneration of £32,000 (31 December 2017: £20,000 to PriceWaterhouseCoopers) has been borne without recharge by the ultimate parent undertaking Co-operative Energy Limited (31 December 2017: Flowgroup plc).

Fees for non audit services paid to the Company's auditors in the period were nil (31 December 2017:£7,500).

4 **Significant Items**

Significant items are non-underlying items of income and expenditure that are one-off in nature, of significant magnitude and/or their volatility would otherwise distort the underlying financial performance of the Company.

	2018/19	2017
	£	£
Exceptional write off of intangible assets	-	772,448
Exceptional reorganisation costs	-	480,000
Exceptional write back of Intercompany liabilities (Flowgroup plc)	**(31,160,522)**	-
	(31,160,522)	1,252,448

5 **Employee information**

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

	2018/19	2017
	£	£
Wages and salaries	**5,367,716**	6,107,763
Social security costs	**448,777**	452,256
Other pension costs	**135,510**	151,152
	5,952,003	6,711,171

The monthly average number of employees of the Company during the period was 199 (year ended 31 December 2017: 255) all of which were engaged in sales and administrative activities.

The cost of share options granted to employees during the period was nil (year ended 31 December 2017: £155,369).

Notes to the financial statements

6 Share based payments

Prior to acquisition by Co-operative Energy, employees of the Company participated in the Flowgroup plc SAYE Share Option Scheme and senior management were members of the executive share option schemes. Under all Schemes options were granted over the ordinary shares of Flowgroup plc with an exercise value of not less than the market value on grant except that SAYE options carry a discount of 20% to the market price on grant.

At the point of acquisition Flow Energy employees were no longer able to participate in the Flowgroup plc scheme and as such all schemes were suspended with funds returned to employees

The movement in the number of share options is set out below:

	2018/19 Number	Weighted average exercise price (pence)	2017 Number	Weighted average exercise price (pence)
Number of outstanding share options at 1 January	23,415,297	1.8	4,037,329	12.9
Granted during the period / year	-	1.0	28,497,600	1.0
Lapsed during the period / year	(23,415,297)	1.8	(9,119,632)	4.2
Number of outstanding share options at 31 January/31 December	-	1.8	23,415,297	1.8

The cost of share options is based on the total cost attributed for all options given to employees of Flowgroup plc and subsidiary companies with the cost being allocated on the basis of the number of participating employees. The charge for the period ended 31 January 2019 was nil (year ended 31 December 2017: £155,369). This programme was terminated in 2018 as a result of the sale of Flow Energy to Co-operative Energy.

7 Directors' emoluments

	2018/19	2017
	£	£
Aggregate emoluments	282,450	98,961

Up to 1st May 2018 one director (year ended 31 December 2017: three) did not receive any remuneration in respect of their services to the company, the remuneration they received being borne by another group company. The emoluments above relating to the highest paid director were £223,949. After 1st May 2018 no directors received any remuneration in respect of their services to the company in respect of the current period, the remuneration they receive being borne by another group company.

Notes to the financial statements

8 Tax on profit/loss

	2018/19	2017
	£	£
Current tax charge	-	-

Factors affecting the tax charge for the period

The tax assessed for the period is higher than (year ended 31 December 2017: higher) the standard rate of corporation tax in the United Kingdom of 19% (year ended 31 December 2017 19.25%). The differences are explained as follows:

	2018/19	2017
	£	£
Profit/(loss) after taxation	**19,004,904**	(16,739,522)
Tax expense	-	-
Profit/(loss) before taxation	**19,004,904**	(16,739,522)
Profit/(loss) before taxation multiplied by standard rate of corporation tax in the United Kingdom of 19% (year ended 31 December 2017: 19.25%)	**3,610,932**	(3,222,358)
Effect of:		
Expenses not deductible for tax purposes	**(6,064,698)**	98,337
Tax rate differences	**262,066**	305,857
Movement in deferred tax not provided	**2,191,700**	2,818,164
Tax charge for financial period	-	-

Unrelieved tax losses of £40,251,113 (year ended 31 December 2017: £24,377,463) 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 13).

Factors affecting current and future tax charges

Reductions in the rate of UK Corporation tax from 20% to 19% with effect from 1 April 2017 and from 19% to 17% with effect from 1 April 2020 were substantively enacted on 26 October 2015 and 6 September 2016 respectively. As the Company currently has no recognised deferred tax assets the change in tax rates has had no impact on the Financial Statements.

Notes to the financial statements

9 Intangible assets

	Customer acquisition costs	Software	Total
	£	£	£
Cost			
At 1 January 2018	5,882,031	1,594,323	7,476,354
Additions	-	59,068	59,068
At 31 January 2019	**5,882,031**	**1,653,391**	**7,535,982**
Accumulated amortisation			
At 1 January 2018	5,060,769	1,318,351	6,379,120
Charge for the period	668,762	164,069	832,831
At 31 January 2019	**5,729,531**	**1,482,420**	**7,211,951**
Net book value			
At 31 January 2019	**152,500**	**170,971**	**323,471**
At 31 December 2017	821,262	275,972	1,097,234

Notes to the financial statements

10 Tangible assets

	Property, plant & equipment £
Cost	
At 1 January 2018	1,127,945
Additions	9,497
Disposals	(13,493)
At 31 January 2019	**1,123,949**
Accumulated depreciation	
At 1 January 2018	725,393
Charge for the period	264,624
Disposals	(13,493)
At 31 January 2019	**976,524**
Net book value	
At 31 January 2019	**147,425**
At 31 December 2017	402,552

11 Debtors

	2018/19 £	2017 £
Trade debtors	**11,155,394**	20,629,918
Amounts owed by group undertakings	**-**	175,400
Tax and other social security	**65,489**	-
Other debtors	**1,705,253**	4,555,104
Prepayments and accrued income	**8,768,273**	1,386,138
	21,694,409	26,746,560

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

Trade debtors are stated after provisions for impairment of £8,586,476 (31 December 2017: £11,978,149)

Customer acquisition costs are reflected in prepayments in compliance with group policies, they were classified as an intangible in the 2017 financial statements.

Notes to the financial statements

12 Creditors: amounts falling due within one year

	2018/19	2017
	£	£
Trade creditors	**1,746,536**	3,139,610
Amounts owed to Flowgroup plc	**-**	30,435,106
Amounts owed to Co-operative Energy Ltd	**7,978,923**	-
Accruals and deferred income	**32,102,526**	32,635,322
	41,827,985	66,210,038

Amounts owed to the parent company are unsecured, interest free and repayable on demand.

13 Deferred taxation

The unprovided deferred tax asset at 17% (31 December 2017: 17%) comprises:

	2018/19	2017
	£	£
Short term timing differences	**(1,484,073)**	(2,036,285)
Accelerated capital allowances	**(241,465)**	(196,073)
Trade losses	**(6,842,689)**	(4,144,169)
	(8,568,227)	(6,376,527)

14 Provision for liabilities and charges

	2018/19	2017
	£	£
Due within one year	-	174,747
Due after more than one year	-	305,253
	-	480,000
Charged to the profit and loss account and carried forward at 31 January 2019 / 31 December 2017	-	480,000

The provisions comprise empty property and redundancy costs in 2017.

Notes to the financial statements

15 **Called up share capital**

Allotted and fully paid.

	2018/19	2017
	£	£
1,000 (31 December 2017: 1,000) Ordinary shares of £1 each	1,000	1,000
	1,000	1,000

16 **Agreements with Shell Energy Europe Limited**

The wholesale energy agreement with Shell Energy Europe Limited entered into during December 2015 contained a number of financial covenants, warranties and representations and in particular includes security over the business and assets of Flow Energy Limited and a charge over the shareholding in Flow Energy Limited held by Flowgroup plc. This arrangement was terminated in May 2018 as a result of the acquisition of the company by Co-operative Energy Limited. The indebtedness under these arrangements on 31 January 2019 was nil (31 December 2017: £8,474,000).

17 **Related party transactions**

	2018/19	2017
	£	£
Management charges from Flowgroup plc	-	1,350,000
Funding received from Flowgroup plc	900,816	18,806,104
Intercompany liabilities with Flowgroup plc, written off in the period (Note 4)	(31,160,522)	-

18 **Lease commitments**

The future aggregate minimum lease payments under non-cancellable lease arrangements are:

	2018/19	2017
	£	£
Within one year	143,306	143,306
Within 2 – 5 years	457,305	535,803
More than 5 years	121,566	329,680
	722,177	1,008,789

Following the sale of the energy business the leases are expected to be surrendered.

Notes to the financial statements

19 Post balance sheet events

Following the balance sheet date of these accounts Flow Energy Limited sold its energy business to Octopus Energy on 17 September 2019, seeing the cessation of activities as an energy supplier. Going forward the entity remains a going concern based on a white label partnership, where the Co-op Energy brand will be retained and The Midcounties Co-operative Limited will retain responsibility for acquiring new customers under this brand and the entity accounts are prepared on this basis. The impacts of the sale will be reflected in subsequent reporting periods.

20 Ultimate parent company and controlling related party

From 1 May 2018 the immediate parent undertaking is Co-operative Energy Limited, which the directors regard to be the ultimate controlling entity. Copies of the parent's consolidated financial statements may be obtained from the Secretary, Co-operative House, Warwick Technology Park, Gallows Hill, Warwick, CV34 6DA. Prior to this date the ultimate and immediate parent undertaking was Flowgroup plc. As the company is a wholly owned subsidiary of Midcounties Co-operative limited, the company has taken advantage of the exemption contained in FRS102 and has therefore not disclosed transactions or balances with wholly owned subsidiaries which form part of the group.