Extra Energy Supply Limited

Report and Financial statements

Year ended

31 December 2016

Company Number 08053154

Extra Energy Supply Limited

Report and financial statements
For the year ended 31 December 2016

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Country of incorporation of Company

England and Wales

Legal form

Private Company limited by share capital

Director

M Ben-Moshe

Registered office

54 Hagley Road, Birmingham, England, B16 8PE

Company number

08053154

Auditors

BDO LLP, Two Snowhill, Birmingham, B4 6GA

Extra Energy Supply Limited

Strategic report
for the year ended 31 December 2016

The Director presents his strategic report for the year ended 31 December 2016.

Business review

The principal activity of the Company is the supply of gas and electricity to domestic customers and small and medium enterprises (SME).

Whereas market conditions have continued to remain favourable throughout the financial year, characterised by an increasing number of customers moving to "independent" brands such as Extra Energy Supply Limited ("Extra Energy"), it is noted that the environment remains highly competitive with incumbent suppliers (the "Big Six") and a number of new entrants vying to retain and build customer bases respectively. Extra Energy remains well placed to compete in this environment with a robust proposition whereby the pricing strategy can benefit from cost efficient and agile use of proprietary technology, lean management and corporate overhead structures.

The Company has continued to make progress in 2016 in terms of the size of its customer base and can report a positive development in underlying performance, having delivered significant sales through on-line, broker and direct acquisition channels. The number of customer accounts on-supply has grown from 404k to 441k, representing an increase of just under 10%.

This strong increase in the customer base during the year, coupled with the full year effect of customers that were gained in the second half of 2015, has seen turnover increase to £359.0m (2015 - £253.7m). Nevermind continued pricing discipline delivering a reasonable gross margin, additional costs to serve customers and professionalise the business has led to an operating loss in the period of £13.6m (2015 – profit of £1.2m (as restated for foreign exchange gain)). Furthermore, given the Company is funded in euros (with a loan from a related party in Germany (ExtraEnergie GmbH)) there is an exceptional foreign exchange loss of £7.8m arising from the revaluation of the loan due to the significant devaluation of sterling post the Brexit event. After foreign exchange and interest charges, reported net income before tax is a loss of £23.3m.

It should be noted that in 2016 the Company achieved a level of operating cash flow which reduced its reliance on support from ExtraEnergie GmbH, with underlying net debt remaining broadly flat in the closing balance sheet versus the opening position of the year (excluding forex translation effects induced by Brexit as explained above).

A significant focus of 2016 has been the continued programme to improve operational resilience and efficiency, coupled with the general professionalisation of the company, given strong historic growth and future aspirations. This has included the recruitment of a number of key individuals to senior roles within the Company, the implementation of workflow solutions across the operation and the redesign and further improvement of key operational processes. Customer number growth has been moderated from early summer 2016 allowing time for the new processes to bed into the operation.

Concerning future developments, Extra Energy expects that market conditions will remain challenging with continued strong competition on both price and service levels for the foreseeable future - driven by both changes in customer behaviour and market stimulus arising from ongoing levels of political and media interest in consumer energy topics (e.g. pricing, efficiency and smart metering – including more generally "the internet of things"). The Director remains confident that his strategic response to the market and medium term plans will continue to promote the success of the company for the foreseeable future.

Principal risks and uncertainties

The principal risk and uncertainties affecting the Company are:

Competition
Due to a growing public awareness of energy prices led by the UK politicians and media, the UK market is experiencing one of its most competitive periods with more new entrants coming to the market. The Company monitors all the different channels to market, associated cost structures and attractiveness. Whilst operating within bounds of firm economic discipline, the Company can remain quick to react to price changes in the market to compete when it is appropriate to do so.

Legislative and regulatory change
The Company's operations are subject to extensive regulatory requirements, particularly in relation to the way it serves customers, the products and services it sells, its advertising, marketing and sales practices, its employment and environmental issues. Changes in laws and regulations and their enforcement may impact on the Company's business in terms of costs, changes to business practices and restrictions on activities. The regulatory framework within the company's market continues to be fast changing with significant activity in the Gas settlement industry codes (Nexus) and major activity required to modify the CRM and billing systems, to enable all customers the opportunity to benefit from the use of a Smart meter by 2020.

It should be noted that the strong growth of the Company has created pressure on certain operational processes (such as billing and complaints handling) which led to Ofgem announcing an investigation into the Company commencing on 1 July 2016. Company management are responding in full concerning both the formal investigation and also ensuring that an extensive Compliance and Assurance programme is delivered to ensure a high degree of resilience going forward. Whereas the exact timetable for the final outcome of the investigation is not confirmed at this time, the Director expects this will extend into the second half of 2018.

More generally, the Company operates a compliance regime which monitors legal and regulatory developments to ensure the appropriate training is provided and the necessary modification to trading practices and policies are made. Regular reviews are conducted to ensure compliance with the increasing number of legal and regulatory developments. Of particular note is the full compliance achieved in ECO2, for which the Company was obligated for the first time starting in April 2016, with the compliance period spanning into March 2017.

Volume and commodity price changes
The Company is exposed to volatile commodity market prices. At any point in time the Company will have energy purchases contracted for up to three years ahead and the Director has led a strategy to try to match customers fixed contracts to the forward purchase of commodities, whilst maintaining some flexibility to benefit from prevailing trends in commodity costs. This approach has generally mitigated the impact of rising commodity costs experienced throughout the period.

Given the relatively short history of the Company, ExtraEnergie GmbH has continued to support the Company with access to the wholesale markets for the procurement of gas and electricity, and will continue to do so for the foreseeable future.

Bad debt risks
Bad debt risk is managed by credit checking new customers and encouraging customers to take up direct debit plans, and by performing a detailed review of all billed and unbilled revenue in the calculation of the debt provision. Given the amount of elapsed time since the business started in 2014, the Director has conducted a comprehensive review of the doubtful debt provision based on both trends and statistical analysis and has reflected this in the financial period accordingly.

Seasonality
The energy business is very seasonal with a strong profitability trend to the winter season, being the first and fourth quarters in the calendar year. This seasonality, coupled with the fact that customer acquisition exhibits a stronger trend of switching in the winter months, can have a material impact on revenue and cash flows.

Extra Energy Supply Limited

Strategic report
for the year ended 31 December 2016 *(continued)*

Financing

The Director manages the business within the frame of a 12 month cash flow projection (within the Business Plan) with near-term cash flows relating to the next three months being updated on a regular basis. Whereas a high take up of downpayment plans (monthly direct debits) gives a good level of confidence on receivables, the seasonality impact on demand from the customer base can lead to some cash flow volatility, particularly during the winter months.

Finance to the Company is provided in the form of a term loan from ExtraEnergie GmbH, a related Company that has been successfully active as an energy supplier in Germany for a number of years. This loan facility is for an amount up to €100 million and is available for the period to March 2023. At the year end the Company had utilised €68m (£58m) in 2016 versus €62m (£45m) in 2015. On a net debt basis the financing position of the Company has remained level as at the end of 2016 (excluding the revaluation impact on the loan following the devaluation of sterling that occurred as a consequence of the outcome of the Brexit vote).

That said, and to ensure appropriate headroom, ExtraEnergie GmbH has extended the loan facility post year end by making available a revolving facility in the amount of €25m dated to 31 March 2019. At the date of this report the Company had utilised €106.9m of this combined facility. ExtraEnergie GmbH have confirmed that repayments of the revolving facility are not required to be made if such repayments would reduce the amount of the combined facility to below the maximum funding requirements shown in the company cash flow forecast for the period to 30 April 2019. ExtraEnergie GmbH have also confirmed that the revolving facility will be extended beyond the current repayment date of 31 March 2019 if required.

As a result of the above arrangements the Director is satisfied that the Company has access to sufficient funding to continue trading and paying its creditors for at least 12 months following the date of signing of this report and accounts.

Financial key performance indicators (KPIs)

The Director has a number of key financial performance indicators that are produced and monitored on a regular basis. These can be seen in the financial statements. Generally, the Director is satisfied that KPIs show a positive trend for the Company.

	Unit	2016	2015
Customers	No'000	441	404
Revenue	£'000	358,950	253,696
Gross profit	%	10.9	12.8

Employee engagement

The Company actively encourages employee involvement throughout the organisation. The Company holds regular Company-wide briefings where the latest information is shared, including financial and operational factors that affect the performance of the Company.

Employee performance and development is reviewed on a semi-annual basis and ensured it is in line with the overall Company's objectives.

One of the Company's core values is treating people fairly, giving equal opportunities to all employees and applicants. The Company ensures all employees get the same chances for training, development and career progression depending on their performance, including any disabled employees. If an employee becomes disabled whilst in employment, the Company will make every effort to give the employee suitable responsibilities with reasonable adjustments in their current role.

On behalf of the board

M Ben-Moshe
Director
Date 19/4/18

Extra Energy Supply Limited

Report of the Director
for the year ended 31 December 2016

The Director presents his report together with the audited financial statements of the Company for the year ended 31 December 2016.

Principal activities

Principal activities are detailed in the Strategic Report on page 1.

Results

The operating loss for the year amounted to £13.6m (2015 – profit of £1.2m (as restated)) from a turnover of £359.0m (2015 - £253.7m). Given the fact that the Company has exhibited a reasonable underlying development coupled with the prospects for future growth, the Director is confident that the Company will continue to operate successfully for the foreseeable future. During the year no dividends were paid to shareholders. The Director does not recommend the payment of a final dividend.

An overview of performance for the year and future developments are detailed in the Business Review section of the Strategic Report on page 1.

Director

M Ben-Moshe held office during the whole of the period from 1 January 2016 to the date of this report.

Director's responsibilities statement

The Director is responsible for preparing the strategic report, the report of the Director and the financial statements in accordance with applicable law and regulations.

Company law requires the Director to prepare financial statements for each financial year. Under that law the Director has elected to prepare the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union. Under Company law the Director must not approve the financial statements unless he is 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 Director is required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable 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 Director is 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 him to ensure that the financial statements comply with the Companies Act 2006. He is 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.

Extra Energy Supply Limited

Auditors

The Director has taken all the steps that he ought to have taken to make himself aware of any information needed by the Company's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The Director is not aware of any relevant audit information of which the auditors are unaware.

BDO LLP have expressed their willingness to continue in office.

Directors indemnity

The Company has a qualifying third party indemnity policy in place for the benefit of the Director, which covered the reporting year and remains in place at the date of this report.

On behalf of the board

M Ben-Moshe
Director
Date 12/4/18

Extra Energy Supply Limited

Independent auditor's report

To the member of Extra Energy Supply Limited

We have audited the financial statements of Extra Energy Supply Limited for the year ended 31 December 2016 which comprise the statement of profit or loss and comprehensive income, the statement of financial position, the statement of cash flows, the statement of changes in equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRS) as adopted by the European Union.

This report is made solely to the Company's member, 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 member those matters we are required to state to them in an Auditors' 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 member as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Director and Auditors

As explained more fully in the Director's Responsibilities Statement, the Director is 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 Financial Reporting Council's (FRC) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the FRC's website at www.frc.org.uk/auditscopeukprivate.

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 2016 and of its loss for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Report of the Director 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 Director's remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

BDO LLP

Thomas Lawton (senior statutory auditor)
For and on behalf BDO LLP
Birmingham
United Kingdom

Date 20 April 2018

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

Extra Energy Supply Limited

Statement of profit or loss and comprehensive income
for the year ended 31 December 2016

	Note	2016	2015 (restated)
		£'000	£'000
Revenue	3	358,950	253,696
Cost of sales		(319,932)	(221,219)
Gross profit		39,018	32,477
Administrative expenses		(52,663)	(31,254)
(Loss)/profit from operations	4	(13,645)	1,223
Finance expense	6	(9,700)	(1,325)
Finance income	6	60	1,188
(Loss)/profit on ordinary activities before taxation		(23,285)	1,086
Tax	7	(3,400)	3,392
(Loss)/profit on ordinary activities after taxation and total comprehensive income		(26,685)	4,478

All amounts relate to continuing activities.
The Company has no other comprehensive income for the period.

The notes on pages 12 to 34 form part of these financial statements.

Extra Energy Supply Limited

Statement of financial position
at 31 December 2016

	Note	2016 £'000	2015 £'000
Assets			
Non-current assets			
Property, plant and equipment	9	1,971	1,391
Intangible assets	8	6,091	9,505
Deferred tax assets	10	-	3,400
		8,062	14,296
Current assets			
Trade and other receivables	11	73,282	62,272
Cash at bank and in hand		6,568	3,770
		79,850	66,042
Total assets		87,912	80,338
Liabilities			
Current liabilities			
Trade and other payables	12	44,108	33,761
Provisions	14	22,325	15,224
		66,433	48,985
Non-current liabilities			
Related party loans	13	58,162	45,114
Provisions	14	3,763	-
		61,925	45,114
Total liabilities		128,358	94,099
Net liabilities		(40,446)	(13,761)
Issued capital and reserves attributable to owners			
Share capital		-	-
Retained earnings		(40,446)	(13,761)
Total equity		(40,446)	(13,761)

The financial statements were approved and authorised for issue by the Director on 19 April 2018

M Ben Moshe
Director

The notes on pages 12 to 34 form part of these financial statements.

Extra Energy Supply Limited

Statement of cash flows
For the year ended 31 December 2016

	Note	2016 £'000	2015 £'000
Cash flows from operating activities			
(Loss)/profit after taxation		(26,685)	4,478
Adjustments for:			
Depreciation of property, plant and equipment	9	291	44
Amortisation of intangible fixed assets	8	8,263	4,086
Finance income	6	(60)	(41)
Finance expense	6	1,904	1,325
Foreign exchange	4,6	7,882	(1,165)
Income tax	7	3,400	(3,392)
		(5,005)	5,335
Increase in trade and other receivables		(11,010)	(38,150)
Increase in trade and other payables		11,590	14,909
Increase in provisions		10,864	13,082
Cash generated from/(used in) operations		6,439	(4,824)
Interest received	6	60	41
Interest paid	6	(8)	-
Net cash flows generated from/(used in) operating activities		6,491	(4,783)
Investing activities			
Purchases of property, plant and equipment	9	(871)	(1,435)
Purchase of intangibles	8	(6,092)	(13,590)
Net cash used in investing activities		(6,963)	(15,025)
Financing activities			
Proceeds from related party borrowings (net)		3,270	23,431
Net cash from financing activities		3,270	23,431
Net increase in cash and cash equivalents		2,798	3,623
Cash and cash equivalents at beginning of year		3,770	147
Cash and cash equivalents at end of year		6,568	3,770

The notes on pages 12 to 34 form part of these financial statements.

Extra Energy Supply Limited

Statement of changes in equity
For the year ended 31 December 2016

	Share capital £'000	Retained earnings £'000	Total equity £'000
Balance at 1 January 2016	-	(13,761)	(13,761)
Comprehensive income for the year:			
Loss for the year	-	(26,685)	(26,685)
Balance at 31 December 2016	-	(40,446)	(40,446)

Statement of changes in equity
For the year ended 31 December 2015

	Share capital £'000	Retained earnings £'000	Total Equity £'000
Balance at 1 January 2015	-	(18,239)	(18,239)
Comprehensive income for the year:			
Profit for the year	-	4,478	4,478
Balance at 31 December 2015	-	(13,761)	(13,761)

Share capital

Ordinary shares carry the right to one vote per share at general meetings of the Company and the rights to share in any distribution of profits or returns of capital and to share in any residual assets available for distribution in the event of a winding up. The subscribed capital consists of one share with a nominal value of 1 GBP.

Retained Earnings

The retained earnings result from net profits and losses arising in the current and previous accounting periods.

The notes on pages 12 to 34 form part of these financial statements.

Extra Energy Supply Limited

Notes forming part of the financial statements
for the year ended 31 December 2016

1 Accounting policies

Basis of preparation

The principal accounting policies adopted in the preparation of the financial statements are set out below:

Extra Energy Supply Limited is a Company incorporated in England and Wales under the Companies Act. The address of the registered office is given on the Company's information page and the nature of the Company's operations and its principal activities are set out in the Strategic Report. The financial statements have been prepared in accordance with International Financial Reporting Standards, International Accounting Standards ('IAS') and Interpretations (collectively 'IFRSs'), as endorsed for use in the EU.

The preparation of the financial information under IFRSs requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The areas where significant judgments and estimates have been made in preparing the financial statements and their effect are disclosed in note 2.

The Director is 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 him to ensure that the financial statements comply with the Companies Act 2006. He is 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.

The financial statements have been prepared on a going concern basis using the historical cost convention.

All amounts in the financial information are shown in Thousands of Pound Sterling unless otherwise stated.

The financial information covers the financial periods 1 January to 31 December of each consequent year.

Going concern

Finance to the Company is provided in the form of a term loan from ExtraEnergie GmbH, a related Company that has been successfully active as an energy supplier in Germany for a number of years. This loan facility is for an amount up to €100 million and is available for the period to March 2023. At the year end the Company had utilised €68m (£58m) in 2016 versus €62m (£45m) in 2015. On a net debt basis the financing position of the Company has remained level as at the end of 2016 (excluding the revaluation impact on the loan following the devaluation of sterling that occurred as a consequence of the outcome of the Brexit vote).

That said, and to ensure appropriate headroom, ExtraEnergie GmbH has extended the loan facility post year end by making available a revolving facility in the amount of €25m dated to 31 March 2019. At the date of this report the Company had utilised €106.9m of this combined facility. ExtraEnergie GmbH have confirmed that repayments of the revolving facility are not required to be made if such repayments would reduce the amount of the combined facility to below the maximum funding requirements shown in the company cash flow forecast for the period to 30 April 2019. ExtraEnergie GmbH have also confirmed that the revolving facility will be extended beyond the current repayment date of 31 March 2019 if required.

As a result of the above arrangements the Director is satisfied that the Company has access to sufficient funding to continue trading and paying its creditors for at least 12 months following the date of signing of this report and accounts. The Director is also a Director of ExtraEnergie GmbH and is aware that this Company has the funds available to support the Company at least up to the level of the available loan facility.

1 Accounting policies *(continued)*

Standards, amendments and interpretations effective or adopted in 2016

From 1 January 2016, the following standards and amendment are effective in the Financial Statements.

Their first time adoption does not have a material impact on the Financial Statements:
- Amendment to IAS 1: 'Presentation of financial statements' related to the disclosure initiative;
- Amendment to IAS 16: 'Property, plant and equipment' and IAS 38: 'Intangible assets' related to the clarification of acceptable methods of depreciation and amortisation;
- 'Annual Improvement Project 2010-2012'; and
- 'Annual Improvement Project 2012-2014'.

Standards, interpretations and amendments to published standards that are not yet effective

The following new standards, amendments and interpretations have been issued and endorsed by the EU but are not yet effective and therefore have not been adopted in these financial statements. Management are considering the impact of the changes on future reporting.

- IFRS 9 Financial Instruments (effective 1 January 2018);
- IFRS 15 Revenue from Contracts with Customers (effective 1 January 2018);

Management has established and progressed separate projects to oversee the implementation of both standards but a detailed and complete quantitative assessment of the impact upon transition has not been finalised yet.

The following standards and amendments are not yet effective in the Financial Statements and have not yet been endorsed by the EU:

- Amendment to IAS 7: 'Statement of cash flows' related to the disclosure initiative (effective 1 January 2017);
- Amendment to IAS 12: 'Income taxes' (effective 1 January 2017);
- Amendment to IFRS 2: 'Classification and measurement of share-based payment transactions' (effective 1 January 2018);
- Amendment to IFRS 15: 'Revenue from contracts with customers' clarifications (effective 1 January 2018);
- IFRS 16: 'Leases' (effective 1 January 2019);
- 'Annual Improvement Project 2014-2016' (effective 1 January 2017 and 1 January 2018 depending on amendments to different standards); and
- IFRIC Interpretation 22: 'Foreign currency transactions and advance consideration' (effective 1 January 2018).

Management does not anticipate that the application of the amendments to IAS 7, IAS 12, IFRS 2, IFRIC 22 and the 'Annual Improvement Project 2014-2016' will have a material impact on the amounts reported and disclosed. The clarification of IFRS 9, IFRS 15 and IFRS 16 will be considered as part of a wider new IFRS project.

1 Accounting policies *(continued)*

Revenue recognition

Revenue from the supply of gas and electricity is a function of end user consumption (according to meter read data) and tariff rates (specified by the contract terms). Revenue is recognised net of sales discounts, VAT and other sales-related taxes and levies.

In accordance with industry practice revenue is recorded on the basis of a combination of actual and estimated annual consumption information supplied by the energy industry. The estimated annual consumption is based on a range of factors including industry information, meter readings and coefficients that account for usage of particular periods in the year. Revenue (both current period and future estimation) is subsequently amended based on realized customer billings as more precise data becomes available on actual consumption through to the period of final settlement.

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and revenue can be reasonably estimated for the supply of gas and electricity based on estimated industry data flows for the period.

Foreign currency

Transactions entered into by Extra Energy in a currency other than Great Britain Pound are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the reporting date. Exchange differences arising on the retranslation of unsettled monetary assets and liabilities are recognised immediately in profit or loss. Gains or losses arising on trading items are included within operating profit or loss, gains or losses on financing items are included within finance income or expense.

In 2015, all items were included within operating profit and therefore a reclassification of the comparatives has been reflected in these accounts.

Government grants

Government grants are recognised when it is reasonable to expect that the grants will be received and that all related conditions will be met, usually on submission of a valid claim for payment.

Government grants in respect of capital expenditure are credited to a deferred income account and are released to profit over the expected useful lives of the relevant assets by equal annual instalments. Grants of a revenue nature are credited to income so as to match them with the expenditure to which they relate.

Intangible assets

Software costs
Intangible assets are initially recognised at cost and subsequently amortised on a straight line basis over their useful economic lives. Software costs capitalised are amortised over a period of three years. The amortisation expense is recognised within administrative expenses in the statement of comprehensive income. It should be noted that the majority of system development and maintenance costs relate to charges from a related party (eg factory GmbH) and have been expensed as incurred given the relative magnitude and non-severability.

1 Accounting policies *(continued)*

Fixed tariff acquisition costs

Direct costs relating to the acquisition of both Domestic and SME customers are included within intangible assets and are charged to the income statement over the expected economic life of the customer, based on Company and industry trends that take into account contract durations and expected retention periods as appropriate. This is assessed each year at the portfolio level and updated as necessary.

Property, plant and equipment

Property, plant and equipment are initially recognised at cost. As well as the purchase price, cost includes directly attributable costs. Depreciation is provided on all items of property, plant and equipment so as to write off their carrying value over the expected useful economic lives on a straight line basis.

Asset category	Useful life	Valuation method
Leasehold improvements to buildings	10 years (length of lease)	Amortised cost
Fixtures and fittings	3-5 years	Amortised cost
Computer equipment	3 years	Amortised cost
Computer software	3 years	Amortised cost

Leased assets

Where substantially all of the risks and rewards incidental to ownership are not transferred to the Company (an operating lease), the total rentals payable under the lease are charged to the statement of comprehensive income on a straight line basis over the lease term. The aggregate benefit of lease incentives is recognised as a reduction of the rental expense over the lease term on a straight-line basis. The difference between the monthly effective expense amount and the lower payment amount is recorded as accrued liability. The Company held no capital leases during the year.

Impairment of non-financial assets

The carrying values of non-financial assets are reviewed for impairment when there is an indication that assets might be impaired. When the carrying value of an asset exceeds its recoverable amount, the asset is written down accordingly. Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the asset's cash generating unit (i.e. the smallest Company of assets in which the asset belongs for which there are separately identifiable cash flows). Impairment charges are included in the statement of comprehensive income, except to the extent they reverse previous gains recognised in the statement of comprehensive income.

Financial assets

The Company classifies its financial assets into the categories, discussed below, due to the purpose for which the assets were acquired. The Company has neither classified its financial assets as held to maturity nor as available for sale or at fair value through profit and loss.

1 Accounting policies *(continued)*

Loans and receivables

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of services to customers (e.g. billed trade receivables and unbilled revenue recorded awaiting billing), but also incorporate other types of contractual monetary assets. They are initially recognised at fair value plus transactions costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment. The Company's loans and receivables comprise of trade and other receivables included within the statement of financial position.

Cash and cash equivalents

Cash and cash equivalents include cash held at bank.

Impairment of financial assets

Impairment provisions are recognised when there is objective evidence (such as significant financial difficulties on the part of the counterparty or default or significant delay in payment) that the Company will be unable to collect all of the amounts due under the terms receivable, the amount of such a provision being the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable. For trade receivables, which are reported net, such provisions are recorded in a separate allowance account with the loss being recognised within other operating expenses in the statement of comprehensive income. Customer balances are impaired according to their progress within the Company's collection process and their associated risk profile.

Financial liabilities

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

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

Regulatory and other provisions

The Company has recognised provisions for liabilities of uncertain timing or amount. The provision is measured at the best estimate of the expenditure required to settle the obligation at the reporting date, discounted at a pre-tax rate reflecting current market assessments of the time value of money and risks specific to the liability if the liabilities are long-term.

Renewable Obligation Certificates (ROCS)

Extra Energy accrues the relevant cost for ROCs in the income statement as the liability (based on consumption) arises. This provision is used to periodically purchase ROC certificates which are redeemed at the appropriate obligation date after the end of the accounting period. As the acquired certificates are directly related to the period in which the expense has been made, no intangible asset is recorded as of the balance sheet date.

Share capital

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

1 Accounting policies *(continued)*

Energy forward contracts

Extra Energy uses long term purchase contracts with fixed prices (forward contracts) in order to be able to fulfil the demand of the customers for physical delivery of gas and electricity in the future. The forward contracts only cover a certain percentage of the expected demand. There is no past practice to settle the contract net in cash or to generate income from short-term price fluctuations or other reason outside the usual scope or the Company. The forward contracts are used in the normal course of business. As a result the own use exemption is applied and these contract are not treated as financial instruments in the scope of IAS 39. Forward contracts to purchase energy are accounted for in the income statement in the period in which the supply of power occurs.

Deferred taxation

Deferred tax assets and liabilities are in general recognised where the carrying amount of an asset or liability in the statement of financial position differs from its tax base.

Recognition of deferred tax assets is restricted to those instances where it is probable that taxable profit will be available against which the difference can be utilised. The amount of the asset or liability is determined using tax rates that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the deferred tax liabilities or assets are settled or recovered. Deferred tax balances are not discounted. Deferred tax assets and liabilities are offset when the 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.

In addition, deferred taxes are recognised on tax deductible tax loss carry forwards to the extent that a future reversal leading to a reduction of tax expense is expected with high probability.

2 Critical accounting estimates and judgments

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

Revenue recognition

The nature of the energy industry in the UK in which Extra Energy Supply Limited operates is such that revenue recognition is subject to a reasonable degree of estimation. Revenue calculated from gas and electricity sales includes an estimate of the value of gas and electricity supplied to customers based on the latest data provided by the industry at a certain point in time. This will incorporate current data available and will take into consideration the industry reconciliation process. The same estimates are also used for the derivation of certain volume dependant expenses including gas and electricity supplies (see below), environmental obligations and levies. These estimates will change over time and as such, changes will be recorded as the change in industry data is reported.

Energy purchase costs

Settlement of energy purchase costs and volumes can typically take 14 months to be finalised due to the settlement procedures standard in the energy market. Therefore there is an element of energy purchase costs that needs to be estimated based on industry data that is available at any particular point in time. These estimates will change over time and as such, changes will be recorded as the change in industry data is reported.

2 Critical accounting estimates and judgments *(continued)*

Impairment of trade receivables

The estimate for the provision for doubtful trade receivables, comprising of billed and unbilled receivables takes account of cash receipts based on the latest available information and ageing of the debt. The Director has knowledge of industry trends and future expectations of cash to be received (even if requiring extended credit control procedures) in concluding the amount of the provision. The provision for impairment of trade receivables at 31 December 2016 is recognised in the income statement within other operating expenses. Subsequent recoveries of amounts previously written off will be credited against other income in the income statement.

Deferred taxes

Deferred taxes are only recognised when it is considered certain that sufficient taxable future income will be available against which the deferred taxes can be utilised. After assessment of forecast trading the Director believes that the Company will generate sustainable profits in the future, however due to challenging market conditions, the timing of those profits is more uncertain and therefore no deferred tax asset has been recognised at 31 December 2016.

Fixed tariff acquisition costs – average life of customer base

Since the acquisition of the customers form a basis for future revenues they have been amortised as an intangible asset. Estimated useful life principally reflects management's view of the average economic life of the customer base and is assessed in relation to Company and industry trends that take into account contract durations and expected retention periods as appropriate. This is each year at the portfolio level and updated as necessary in relation to customer churn rates amongst other factors.

Provision for Renewable Obligation Certificates (ROC's)

The actual cost of the Renewable Obligation Certificates (ROC's) are known for the period of the financial statements and has been included in cost of sales in the statement of comprehensive income and as a short term provision. In the circumstances that the ROC's have not been purchased (with an agreement to pay later) then the open volume is valued at the best estimate of potential future contract prices or finally the "buy-out" price that is set by BEIS.

Provision for Regulatory and other matters

Any provision is measured at the Director's best estimate of the expenditure required to settle the obligation at the reporting date, based on the information available at that time and after taking professional advice. The estimate may change over time as more information becomes available.

3 Revenue

	2016 £'000	2015 £'000
Provision of services	358,950	253,696

All revenues arise from operations within the UK.

4 (Loss)/profit from operations

	2016 £'000	2015 (restated) £'000
This is arrived at after charging/(crediting):		
Amortisation of intangible assets – software	40	6
Amortisation of intangible assets – customer acquisition	8,223	4,080
Depreciation of tangible fixed assets	291	44
Rental and lease expense	345	266
Fees payable to the Company's auditor for audit services	75	50
Fees payable to the Company's auditor for taxation compliance and other services	-	5
Net foreign exchange loss/(gain)	86	(18)

5 Employee benefit expenses

	2016 £'000	2015 £'000
Employee benefit expenses (including Directors) comprise:		
Wages and salaries	11,184	9,203
Social security contributions and similar taxes	915	832
Other pension expense	-	12
	12,099	10,047

The average number of employees, including the Director, during the year was as follows:

	2016 Employees	2015 Employees
Administration	71	53
Sales	90	149
Operations	406	341
	567	543

The Director received no remuneration for the current or prior period.

6 Finance income and expense

Recognised in profit or loss

	2016 £'000	2015 (restated) £'000
Finance income		
Interest received on bank deposits	60	41
Net foreign exchange gains on related party borrowings	-	1,147
Total finance income	60	1,188
Finance expense		
Interest expense on loans from related parties	(1,896)	(1,325)
Other interest	(8)	
Net foreign exchange losses on related party borrowings	(7,796)	-
Total finance expense	(9,700)	(1,325)
Net finance expense recognised in profit or loss	(9,640)	(137)

7 Tax expense

	2016 £'000	2015 £'000
UK corporation tax		
Current tax on profits of the year	-	(8)
Adjustment in respect of previous years	-	-
Total current tax	-	(8)
Deferred tax		
Tax losses carried forward	(3,527)	3,527
Other temporary timing differences	127	(127)
Total deferred tax	(3,400)	3,400
Taxation on profit on ordinary activities	(3,400)	3,392

The tax assessed for the year is different to than the standard rate of corporation tax in the UK applied to profit before tax. The differences are explained below:

	2016 £'000	2015 £'000
(Loss)/profit on ordinary activities before tax	(23,285)	1,086
(Loss)/profit on ordinary activities at the standard rate of corporation tax in the UK of 20% (2015 – 20.25%)	(4,657)	220
Effects of:		
Recognition of deferred tax losses carried forward	-	(3,400)
Adjustment in respect of prior years' deferred tax asset	3,400	-
Expenses not deductible for current tax	6,131	1,057
Utilisation of tax losses	(1,474)	(1,269)
Total tax charge/(credit) for period	3,400	(3,392)

At 31 December 2016, the Company had tax losses of £3,405,000 (2015: £10,774,000) to offset against future profits. The Director believes that the Company will generate sustainable profits in the future however, due to challenging market conditions, the timing of those profits is more uncertain and the deferred tax asset recognised in 2015 has been released.

Legislative changes reducing the main rate of corporation tax to 19% and 17% from 1 April 2017 and 1 April 2020 respectively had been substantively enacted by the balance sheet date. Accordingly, these rates have been applied in the measurement of the Company's deferred tax assets and liabilities at 31 December 2016, where applicable.

8 Intangible assets

	Customer acquisition cost £'000	Software £'000	Total £'000
Cost			
At 1 January 2015	-	1	1
Additions	13,458	132	13,590
At 31 December 2015	13,458	133	13,591
At 1 January 2016	13,458	133	13,591
Additions	5,880	212	6,092
Disposals	(1,243)	-	(1,243)
At 31 December 2016	**18,095**	**345**	**18,440**
Accumulated amortisation			
At 1 January 2015	-	-	-
Amortisation charge for the year	4,080	6	4,086
At 31 December 2015	4,080	6	4,086
At 1 January 2016	4,080	6	4,086
Amortisation charge for the year	8,223	40	8,263
At 31 December 2016	**12,303**	**46**	**12,349**
Net book value			
At 1 January 2015	-	1	1
At 31 December 2015	9,378	127	9,505
At 31 December 2016	**5,792**	**299**	**6,091**

The amortisation is recognised in administrative expenses.

9 Tangible fixed assets

	Leasehold improvements £'000	Fixtures and fittings £'000	Office equipment £'000	Computer hardware £'000	Total £'000
Cost					
At 1 January 2015	-	-	-	-	-
Additions	923	195	21	296	1,435
At 31 December 2015	**923**	**195**	**21**	**296**	**1,435**
Depreciation					
At 1 January 2015	-	-	-	-	-
Provided for the year	14	9	-	21	44
At 31 December 2015	**14**	**9**	**-**	**21**	**44**
Net book value					
At 31 December 2014	-	-	-	-	-
At 31 December 2015	909	186	21	275	1,391
Cost					
At 1 January 2016	923	195	21	296	1,435
Additions	653	174	-	44	871
At 31 December 2016	**1,576**	**369**	**21**	**340**	**2,306**
Depreciation					
At 1 January 2016	14	9	-	21	44
Provided for the year	134	49	8	100	291
At 31 December 2016	**148**	**58**	**8**	**121**	**335**
Net book value					
At 31 December 2015	909	186	21	275	1,391
At 31 December 2016	**1,428**	**311**	**13**	**219**	**1,971**

The depreciated amounts are recognised as administrative expenses.

10 Deferred tax

The movement on the deferred tax account is shown below:

	2016 £'000	2015 £'000
At 1 January	3,400	-
(Charged)/credited to profit and loss account	(3,400)	3,400
At 31 December	-	3,400

Details of the deferred tax asset are as follows:

	2016 £'000	2015 £'000
Deferred tax on timing differences	-	1,377
Tax deductible losses	-	2,023
Deferred taxation	-	3,400

The Director believes that the Company will generate sustainable profits in the future however, due to challenging market conditions, the timing of those profits is more uncertain and the deferred tax asset has been released as at 31 December 2016.

11 Trade and other receivables

	2016 £'000	2015 £'000
Trade receivables and accrued income	87,247	58,165
Less: provision for impairment of trade receivables	(24,817)	(7,519)
Trade receivables – net	62,430	50,646
Credit cover deposits	6,202	5,142
Prepayments	181	200
Other receivables	4,469	6,284
Total trade and other receivables	73,282	62,272

Trade receivables include amounts billed and unbilled in respect of energy supplied and recorded in revenue less cash received up until the year end. These amounts have not been discounted. The Company provides an allowance for impairments based on the payment characteristics of customers and management's experience of collections performance. The Company's exposure to risk of default relating to trade and accrued income is disclosed is as outlined in note 16.

11 Trade and other receivables (continued)

Movements in the impairment allowance for trade receivables are as follows:

	2016 £'000	2015 £'000
At 1 January 2016	7,519	1,740
Increase during the year	17,298	5,779
At 31 December 2016	24,817	7,519

The movement in the impairment allowance for trade receivables has been included in the administrative expenses in the statement of comprehensive income.

Other classes of financial assets included within trade and other receivables do not contain impaired assets.

The credit cover deposits are payments lodged with the Company's energy suppliers and network providers in accordance with the credit terms in the various agreements.

Included within other receivables is an amount owed from related parties of £4,280,000 (2015 - £4,040,000).

12 Trade and other payables

	2016 £'000	2015 £'000
Trade payables	4,200	4,028
Accruals	10,273	13,887
Amounts owed to related parties	29	-
Other payables	874	960
Tax and social security	241	214
Payments in advance	28,483	14,664
Corporation tax	8	8
	44,108	33,761

The carrying value of trade and other payables classified as financial liabilities measured at amortised cost approximates fair value.

13 Related party loans

The book value and fair value of loans and borrowings are as follows:

	2016 £'000	2015 £'000
Non-Current		
Amounts owed to other related companies	58,162	45,114
Balance at 1 January	45,114	21,385
New borrowings	13,270	23,568
Repayments	(10,000)	-
Interest	1,896	1,325
Debt before foreign exchange	50,280	46,278
Foreign exchange – financing	7,796	(1,147)
Foreign exchange – trading	86	(17)
Balance at 31 December	58,162	45,114

The €100m term loan from the related party ExtraEnergie GmbH is due for repayment by the end of March 2023 and bears interest of 12 months EURIBOR plus a margin of 3.5%. As mentioned previously this loan was extended by a revolving facility of €25m which is due for repayment by the end of March 2019 and bears interest of 12 months EURIBOR plus a margin of 3.5%.

The Director considers that these rates represent a reasonable market rate of interest due. Therefore, book values approximate to fair values at 31 December 2016 and 2015. There are no requirement for any payments to be made up to the end of the respective repayment dates.

These loans are secured with a debenture over the assets of the UK business.

14 Provisions

	Renewable Obligation Certificates £'000	Regulatory and other matters £'000	Total £'000
At 1 January 2016	15,224	-	15,224
Additions	22,325	3,763	26,088
Utilisation	(15,224)	-	(15,224)
At 31 December 2016	22,325	3,763	26,088
Due within one year or less	22,325	-	22,325
Due after more than one year	-	3,763	3,763
	22,325	3,763	26,088

The renewable obligation certificates have to be returned for a period from 1 April to 31 March of each year to the Department of Business Energy and Industrial Strategy. As Extra Energy has not signed purchase agreements in respect of all required certificates as of balance sheet date, the obligation is valued at the best estimate of potential future contract prices / or the buy-out price multiplied by the estimated volumes of power sold to the customers for the period under consideration.

Furthermore, as already mentioned on 1 July 2016 the Company received formal communication that the Company's regulator, Ofgem, had opened an investigation into its compliance with certain obligations under the gas and electricity supply licences (SLC 7B, 14, 21B, 25C, 27, 31A) and with the Consumer Complaints Handling Standards Regulations 2008. Although the company is at a relatively early stage of the formal process, the Director has, in accordance with the requirements of IAS 37 'Provisions, Contingent Liabilities and Contingent Assets', made an estimate of the potential financial impact of the investigation and associated consumer redress programmes. This estimate is included within "Regulatory and other matters" and is net of any associated sums already incurred or provided for in relation to items such as goodwill gestures or some payments to indebted customers. Given the early stage of the investigation and the sensitive nature of ongoing discussions with the Regulator, the Director has invoked paragraph 92 of IAS 37 and has not disclosed further information on the basis it may be seriously prejudicial to the outcome of the investigation.

15 Commitments

Operating leases

The total future minimum lease payments under non-cancellable operating leases are as set out below:

	Land and buildings 2016 £'000	Land and buildings 2015 £'000	**Other operating leases 2016 £'000**	Other operating leases 2015 £'000
No later than one year	**378**	80	**25**	25
Later than one year but not later than five years	**1,892**	1,513	**14**	36
Later than five years	**1,135**	1,608	**-**	-
	3,405	3,201	**39**	61

15 Commitments *(continued)*

Energy purchase commitments

As at the balance sheet date, the following off-balance sheet financial obligations exist:

	2016 £'000	2015 £'000
Forward purchased power contracts	24,335	21,868
Forward purchase gas contracts	17,092	25,136
	41,427	47,004

The Company uses long-term energy purchase contracts to hedge its exposure to changes in market prices arising from changes in energy prices. The fair value of the forward purchase contracts (for which the own use exemption applies as all power and gas purchased is intended to be used for supplying its customers) amounts to £7,223,000 (2015 - £10,434,000).

16 Financial Instruments - Risk Management

The Company is exposed through its operations to the following financial risks:

- Liquidity risk
- Credit risk
- Foreign exchange risk
- Market price risk and
- Interest rate risk

In common with all other businesses, the Company is exposed to risks that arise from its use of financial instruments. This note describes the Company's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

There have been no substantial changes in the Company's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous periods unless otherwise stated in this note.

(i) Principal financial instruments

The principal financial instruments used by the Company, from which financial instrument risk arises, are as follows:

- Trade and other receivables
- Cash and cash equivalents
- Related party loans
- Trade and other payables
- Amounts due to/from related parties

16 Financial Instruments - Risk Management *(continued)*

(ii) Financial instruments by category

Financial assets	Loans and receivables 2016 £'000	2015 £'000
Cash and cash equivalents	6,568	3,770
Trade and other receivables	66,899	56,930
Other short term financial receivables	6,202	5,142
Total financial assets	**79,669**	65,842

Financial liabilities	Financial liabilities at amortised cost 2016 £'000	2015 £'000
Trade and other payables	43,859	33,539
Loans and borrowings	58,162	45,114
Other financial liabilities	26,088	15,224
Total financial liabilities	**128,109**	93,877

(iii) Financial instruments not measured at fair value

Financial instruments not measured at fair value include cash and cash equivalents, trade and other receivables, other short term receivable trade and other payables, loans and borrowings and other financial liabilities.

Due to their short-term nature, the carrying value of cash and cash equivalents, trade and other receivables, trade and other payables approximates their fair value.

16 Financial Instruments - Risk Management *(continued)*

General objectives, policies and processes

The Director has overall responsibility for the determination of the Company's risk management objectives and policies.

The overall objective of the Director is to set policies that seek to reduce risk as far as possible without unduly affecting the Company's competitiveness and flexibility. Further details regarding these policies are set out below:

Liquidity risk

Liquidity risk arises from the Company's management of working capital. It is the risk that the Company will encounter difficulty in meeting its financial obligations as they fall due. The Company's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due. To achieve this aim, it seeks to maintain cash balances to meet expected requirements for a period of at least 30 days. The Director manages the business within the frame of a 12 month cash flow projection (within the Business Plan) with the near term cash flows relating to the next three months being updated on a regular basis.

Further information on liquidity and going concern is set out in the going concern statement on page 12 of financial statements.

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company is mainly exposed to credit risk from credit sales. It is Company policy, implemented locally, to assess the credit risk of new customers before entering contracts.

The ageing analysis of these receivables is as follows:

	2016 £'000	2015 £'000
Gross value of items neither past due nor impaired	15,404	7,151
Gross value of items past due but not impaired	26,489	29,326
Gross value of items past due and impaired	45,354	21,688
Impairment provision recognised against receivables	(24,817)	(7,519)

Where a customer at the date of signing these accounts had materially paid off their debtor balance no provision has been applied. Similarly where a customer had not paid a proportion of their debt a sliding scale has been used of the total debt depending on that customer's payment history.

Further disclosures regarding trade and other receivables, are provided in note 11.

Credit risk also arises from cash and cash equivalents and deposits with banks and financial institutions. For banks and financial institutions, only independently rated parties with minimum rating "A" are accepted.

The complete amount of cash is held with one prominent bank that complies with the above criteria.

16 Financial Instruments - Risk Management *(continued)*

Foreign exchange risk

Foreign exchange risk arises when the Company entities enter into transactions denominated in a currency other than their functional currency.

As of 31 December the Company's net exposure to foreign exchange risk was as follows:

	2016 £'000	2015 £'000
Loans and borrowings	58,162	45,114

The loan is denominated in Euro.

The effect of strengthening or weakening of the GBP against the Euro at the reporting date, all other variables held constant, can be summarised as follows:

Sensitivity of Exchange rate Euro vs. GBP

	2016 pre tax £'000	2015 pre tax £'000
Strengthening of Euro/GBP exchange rate by 10%	5,816	4,103
Weakening of GBP/Euro exchange rate by 10%	(6,462)	(5,015)

Market price risk - Volume and commodity price changes

The Company is exposed to volatile commodity market prices, whilst at the same time the Company is experiencing growing demand due to the nature of its growing customer base. At any point in time the Company will have energy purchases contracted for up to three years ahead in order to hedge against variations in prices. The Director has led a strategy to try to match its customers fixed contracts to the forward purchase of commodities, whilst maintaining some flexibility to benefit from the prevailing trend in commodity costs.

The Company has put in place commodity trading arrangements to support management of commodity cost risks through purchase of forward contracts through its German sister company ExtraEnergie GmbH. As a result, the market price risk is considerably reduced. The contracts are, due to the application of the own-use exemption, not treated as financial instruments under IAS 39.

16 Financial Instruments - Risk Management *(continued)*

The following table sets out the contractual maturities (representing undiscounted contractual cash flows) of financial liabilities:

Maturity of financial liabilities

	Less than one year		One to five years	
	2016	2015	2016	2015
	£ 000	£ 000	£ 000	£ 000
Loans and borrowings	-	-	58,162	45,114
Trade and other payables	43,859	33,539	-	-
Other financial liabilities	22,325	15,224	3,763	-
	66,184	48,763	61,925	45,114

The loan from the related party is for repayment by the end of March 2023 and bears interest of EURIBOR plus a margin of 3.5%. As the timing of the repayment and the future level of borrowings is unknown interest has not been included in the above table.

Subsequent to the year-end, an additional revolving facility has been made available to the Company of up to €25m bearing interest of EURIBOR plus a margin of 3.5%.

Interest rate risk

The Company financing is based mainly on funds which have been provided by a related party as a long term loan. As the interest rate agreed in the loan contract is variable and based on the 12M Euribor as a reference rate, the Company bears the risk from fluctuations of the interest rate. The impact of an increase or decrease of the basic interest rate by 1% on the amounts drawn down on the facilities at 31 December can be summarised as follows:

Sensitivity interest rate
12 M Euribor

	2016	2015
	pre tax	pre tax
	£ 000	£ 000
Increase of interest rate by 1%	(516)	(333)
Decrease of interest rate by 1%	516	333

17 Related party transactions

During the year Group companies entered into the following transactions with related parties.

	Recharge of Costs £'000	Purchases from related parties £'000	Amounts owed by Related Parties £'000	Amounts owed to related parties £'000
2016				
ExtraEnergie GmbH	465	143,346	-	58,162
eg factory GmbH	-	-	-	-
Utility Professional Business Operations Limited	-	40,774	4,280	-
Addito Supply Limited	150	-	-	29

	Recharge of Costs £'000	Purchases from related parties £'000	Amounts owed by Related Parties £'000	Amounts owed to related parties £'000
2015				
ExtraEnergie GmbH	-	103,725	-	45,114
eg factory GmbH	-	2,140	-	-
Utility Professional Business Operations Limited	-	37,600	3,919	-
Addito Supply Limited	14	-	121	-

Any balances due to ExtraEnergie GmbH are included within the loan balance. Purchases from eg factory GmbH in 2016 have been recharged through ExtraEnergie GmbH and are therefore included within the loan balance.

Name of person/Company	Nature of relation	Nature of business
Mordechay Maurice Ben-Moshe	Director and controlling party	None
ExtraEnergie GmbH, Neuss, Germany	Company under control of Director	Loan agreement, energy purchase contracts
Utility Professional Business Operations Limited	Company under control of Director	Purchase of services
eg factory GmbH, Chemnitz, /Germany	Company under control of Director	Purchase of services
Addito Supply Limited	Company under control of Director	Loan agreement

17 Related party transactions *(continued)*

In addition to Directors' emoluments disclosed in note 5, key management personnel, who together have authority and responsibility for planning, directing and controlling the activities of the Company, received remuneration of £748,000 (2015 - £211,000) for services provided to the Company.

It should be noted that energy procurement was routed through ExtraEnergie GmbH who hold the direct trading agreement with various counterparties.

The Company benefits from the usage of a number of systems and processes that are used to operate customer relations, billing, marketing and pricing. Typically these items are owned elsewhere within related party entities. Only limited charges for these systems, services and intellectual property (amongst other things) have been made since the commencement of trading as the business has been developing in its early stages and as a result it has not been appropriate to levy a charge from a commercial perspective. However, given the increasingly critical nature of the systems to the business as it matures, it can be expected that in the future requests will be made for payment at appropriate (to be established) rates - such as intellectual property, royalties or otherwise. However, the shareholder has also confirmed that any increases will not have a retrospective application.

18 Controlling party

The immediate parent is Libocom Limited, a company incorporated in Cyprus. The largest and smallest group into which the results of the company are consolidated, is that headed by Libocom Limited.

The Company's ultimate controlling party is considered to be the sole Director.