

YORKSHIRE GAS AND POWER LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2020



YORKSHIRE GAS AND POWER LIMITED

COMPANY INFORMATION

Directors	R Raichura M Saikia
Registered number	09385371
Registered office	4305 Park Approach Leeds LS15 8GB
Independent auditors	Smith Cooper Audit Limited Chartered Accountants and Statutory Auditors 2 Lace Market Square Nottingham NG1 1PB

YORKSHIRE GAS AND POWER LIMITED

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YORKSHIRE GAS AND POWER LIMITED

GROUP STRATEGIC REPORT FOR THE YEAR ENDED 31 MARCH 2020

Introduction

The directors present the strategic report for the year ended 31st March 2020.

Business review

The Group has seen significant growth in FY20 in both within year sales and future secured sales. Comparing to FY19 the consumed energy volume has increased by 82% in electricity, the decline of 6% in gas is in line with strategy. Significant investment in new sales channels has seen the customer portfolio nearly double through FY20 with FY21 expected to show a similar increase. Turnover for the year was £18.06m (FY19: £15.40m) an increase of 17%. Gross profit has improved also by 17% through FY20 to £3.46m (FY19: £2.95m), with Operating profit £0.8m (FY19: £1.01m). Administrative Expenses have increased to £2.65m (FY19: £1.94m) which is in line with budget and investment.

The business model and target market remain consistent with the prior year, and the business offers Fixed Rate or Variable products to a predominantly SME and small corporate customer base.

The overall balance sheet value at £61k net assets (FY19: £498k net liabilities) and the directors are satisfied with this.

Objectives and Strategy

The objectives of the Group are to deliver long term value to the owners through the supply of electricity and gas to UK businesses. The Board's strategy to achieve this is based upon the following principles:

- Continued growth by continuing to offer relevant, competitively priced products into core markets, underpinned by high quality service for customers.
- Utilise automation and other technologies to simplify processes, allowing costs to be kept low whilst improving customer experiences.
- Further investment in systems and processes to drive efficiency and customer experience.
- Commitment to the rollout of smart metering and other industry initiatives to improve the accuracy of billing, energy procurement and experience.
- To attract, retain and develop exceptional staff to continuously improve the organisation's capabilities and present challenge to the dominant suppliers in the market.
- Diversification into new market segments or adjacent markets to support and spread growth.

YORKSHIRE GAS AND POWER LIMITED

GROUP STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2020

Principal risks and uncertainties

The Group seeks to manage risk through a combination of Board oversight, operational processes, local working policies and an integrated net profit approach to retail pricing. Principal risks are aggregated as follows:

Wholesale Commodity Risk

Wholesale commodity risk can be classified as:

- (1) Wholesale price volatility
- (2) Customer demand volatility

Wholesale price volatility is minimised through appropriate pricing and ensuring timely procurement of gas and electricity. Customer demand volatility is managed through appropriate pricing and effective customer demand forecasting. These risks have been mitigated through the successful implementation of a new demand forecasting system and ETRM system.

Liquidity Risk

This is the risk that the company is unable to meet its financial obligations due to insufficient credit or cash reserves. Yorkshire Gas and Power manages cash and liquidity on a long- and short-term basis through frequent cash flow reporting and draws reference to their wholesale credit arrangement with Axpo Solutions AG, which allows access to the wholesale market.

Credit risk

The risks of bad debt from the customer portfolio and the risk of failure of a counterparty or supplier to meet its contractual obligations. A credit onboarding process is followed for all new customers, which predominantly includes direct debit as the principal means of payment. Trade debtors and age debtor movements are monitored on a frequent basis.

Covid-19 risk

Covid-19 has seen an unprecedented impact to the UK economy. Overnight the UK Business energy demand almost halved as companies closed their doors. Demand has since returned to 80% of expectations and whilst we would expect impacts in the areas of revenue, profit and cash flow, the Directors feel they have sufficient forecasting expertise, balance sheet strength and working capital levers to manage.

Industry specific risks

The UK non-domestic supply market is highly competitive, and while risk is present in all markets, this continues to be an attractive place to do business.

Operating in a regulated market opens regulatory and political risks as well as costs, it is a feature of this industry that changes in policy / regulatory are common and frequent, albeit they often result in price increases for customers.

The business has continued to mitigate the risks noted above through the following strategies:

- Ensuring the business has the right skills and capabilities to understand the energy market.
- Offering products that pass or share risk with end users combined with comprehensive hedging strategies to reduce exposure.

YORKSHIRE GAS AND POWER LIMITED

**GROUP STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2020**

Financial key performance indicators

	2020	2019
Turnover	£18.0m	£15.4m
GP %	19.1%	19.2%
OP	£0.8m	£1.01m

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



.....
R Raichura
Director

Date: 15 October 2020

YORKSHIRE GAS AND POWER LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2020

The directors present their report and the financial statements for the year ended 31 March 2020.

Directors' responsibilities statement

The directors are responsible for preparing the Group strategic report, the Directors' report and the consolidated financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 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 the Group and of the profit or loss of the Group for that period.

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

- select suitable accounting policies for the Group's financial statements and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

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

Principal activity

The principal activity of the group continued to be that of utility management.

Results and dividends

The profit for the year, after taxation, amounted to £563,628 (2019 - £756,905).

Directors

The directors who served during the year were:

R Raichura
M Saikia

Future developments

The group is continuing to provide commercial electricity. The creation of the new sales strategy is anticipated to deliver significant growth over the years to come and the company expects to continue with its current activities in future periods. FY20 saw investment in systems with a new Customer Relationship and Management (CRM) system, a new Energy Trading and Risk Management System (ETRM), and an enhanced energy demand forecasting system. It is anticipated that further investment will be made in technology to maintain efficiencies and enhance the customer experiences.

The Directors are confident that these investments, place Yorkshire Gas and Power Limited well to accommodate any further COVID-19 impacts as well as accommodate the expected growth.

YORKSHIRE GAS AND POWER LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2020

Disclosure of information to auditors

Each of the persons who are directors at the time when this Directors' report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the Company and the Group's auditors are unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company and the Group's auditors are aware of that information.

Post balance sheet events

There have been no significant events affecting the Group since the year end.

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



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R Raichura
Director

Date: 15 October 2020

YORKSHIRE GAS AND POWER LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF YORKSHIRE GAS AND POWER LIMITED

Opinion

We have audited the financial statements of Yorkshire Gas and Power Limited (the 'parent Company') and its subsidiaries (the 'Group') for the year ended 31 March 2020, which comprise the Group Statement of comprehensive income, the Group and Company Balance sheets, the Group Statement of cash flows, the Group and Company Statement of changes in equity and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and of the parent Company's affairs as at 31 March 2020 and of the Group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's or the parent Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are

YORKSHIRE GAS AND POWER LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF YORKSHIRE GAS AND POWER LIMITED (CONTINUED)

required to report that fact.

We have nothing to report in this regard.

Opinion on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Group and the parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Group strategic report or the Directors' report.

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

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

Responsibilities of directors

As explained more fully in the Directors' responsibilities statement on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

YORKSHIRE GAS AND POWER LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF YORKSHIRE GAS AND POWER LIMITED (CONTINUED)

Auditors' responsibilities for the audit of the financial statements

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

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

Other matters

We draw your attention to the fact that the financial statements for the year ended 31 March 2019 were not audited as the Company was below the audit thresholds as defined by the Companies Act 2006.

Use of our report

This report is made solely to the Company's members 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 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 members for our audit work, for this report, or for the opinions we have formed.

Smith Cooper Audit Limited

Sarah Flear (Senior statutory auditor)

for and on behalf of

Smith Cooper Audit Limited

Chartered Accountants and Statutory Auditors

2 Lace Market Square

Nottingham

NG1 1PB

Date: 16/10/20

YORKSHIRE GAS AND POWER LIMITED

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2020**

	Note	2020 £	2019 £
Turnover	4	18,062,866	15,399,849
Cost of sales		(14,606,921)	(12,446,106)
Gross profit		3,455,945	2,953,743
Administrative expenses		(2,652,122)	(1,938,442)
Operating profit	5	803,823	1,015,301
Interest receivable and similar income		25,312	6,141
Interest payable and expenses	10	(148,251)	(115,320)
Tax on profit		(117,256)	(149,217)
Profit for the financial year		563,628	756,905
Profit for the year attributable to:			
Owners of the parent Company		563,628	756,905

There were no recognised gains and losses for 2020 or 2019 other than those included in the consolidated statement of comprehensive income.

There was no other comprehensive income for 2020 (2019: £NIL).


The notes on pages 16 to 30 form part of these financial statements.

YORKSHIRE GAS AND POWER LIMITED
REGISTERED NUMBER: 09385371

CONSOLIDATED BALANCE SHEET
AS AT 31 MARCH 2020

	Note	2020 £	2019 £
Fixed assets			
Intangible assets	14	245,291	362,624
Tangible assets	15	445,012	18,073
Current assets			
Debtors	17	3,750,886	1,308,521
Cash at bank and in hand	18	3,068,108	3,285,185
Creditors: amounts falling due within one year	19	(7,432,711)	(5,472,649)
Net current liabilities		(613,717)	(878,943)
Provisions for liabilities			
Deferred taxation	21	(15,204)	-
Net assets/(liabilities)		<u>61,382</u>	<u>(498,246)</u>
Capital and reserves			
Called up share capital	22	100	100
Profit and loss account	23	61,282	(498,346)
		<u>61,382</u>	<u>(498,246)</u>

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



R Raichura
 Director

Date: 15 October 2020

The notes on pages 16 to 30 form part of these financial statements.

YORKSHIRE GAS AND POWER LIMITED
REGISTERED NUMBER: 09385371

COMPANY BALANCE SHEET
AS AT 31 MARCH 2020

	Note	2020 £	2019 £
Fixed assets			
Investments	16	2,803,000	2,803,000
		<u>2,803,000</u>	<u>2,803,000</u>
Current assets			
Debtors	17	2,200,100	2,200,100
		<u>2,200,100</u>	<u>2,200,100</u>
Creditors: amounts falling due within one year	19	(2,078,404)	(2,046,193)
		<u>121,696</u>	<u>153,907</u>
Net current assets			
		<u>2,924,696</u>	<u>2,956,907</u>
Total assets less current liabilities			
		<u>2,924,696</u>	<u>2,956,907</u>
Net assets		<u>2,924,696</u>	<u>2,956,907</u>
Capital and reserves			
Called up share capital	22	100	100
Profit and loss account	23	2,924,596	2,956,807
		<u>2,924,696</u>	<u>2,956,907</u>

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



.....
R Raichura
 Director

Date: 15 October 2020

The notes on pages 16 to 30 form part of these financial statements.

YORKSHIRE GAS AND POWER LIMITED

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2020**

	Called up share capital	Profit and loss account	Total equity
	£	£	£
At 1 April 2018	100	(1,251,251)	(1,251,151)
Profit for the year	-	756,905	756,905
Dividends: Equity capital	-	(4,000)	(4,000)
At 1 April 2019	100	(498,346)	(498,246)
Profit for the year	-	563,628	563,628
Dividends: Equity capital	-	(4,000)	(4,000)
At 31 March 2020	100	61,282	61,382

The notes on pages 16 to 30 form part of these financial statements.

YORKSHIRE GAS AND POWER LIMITED

**COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2020**

	Called up share capital	Profit and loss account	Total equity
	£	£	£
At 1 April 2018	100	2,979,982	2,980,082
Loss for the year	-	(19,175)	(19,175)
Dividends: Equity capital	-	(4,000)	(4,000)
At 1 April 2019	100	2,956,807	2,956,907
Loss for the year	-	(28,211)	(28,211)
Dividends: Equity capital	-	(4,000)	(4,000)
At 31 March 2020	100	2,924,596	2,924,696

The notes on pages 16 to 30 form part of these financial statements.

YORKSHIRE GAS AND POWER LIMITED

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2020**

	2020 £	2019 £
Cash flows from operating activities		
Profit for the financial year	563,628	756,905
Adjustments for:		
Amortisation of intangible assets	76,570	75,931
Depreciation of tangible assets	17,157	2,619
Loss on disposal of tangible assets	64,143	-
Interest paid	148,251	115,320
Interest received	(25,312)	(6,141)
Taxation charge	117,256	149,217
(Increase)/decrease in debtors	(2,017,368)	431,661
Increase in creditors	1,901,906	494,274
Corporation tax (paid)	(468,893)	(123,457)
Net cash generated from operating activities	377,338	1,896,329
Cash flows from investing activities		
Purchase of intangible fixed assets	(23,380)	(23,940)
Purchase of tangible fixed assets	(444,096)	(5,842)
Interest received	25,312	6,141
Net cash from investing activities	(442,164)	(23,641)
Cash flows from financing activities		
Dividends paid	(4,000)	(4,000)
Interest paid	(148,251)	(115,320)
Net cash used in financing activities	(152,251)	(119,320)
Net (decrease)/increase in cash and cash equivalents	(217,077)	1,753,368
Cash and cash equivalents at beginning of year	3,285,185	1,531,817
Cash and cash equivalents at the end of year	3,068,108	3,285,185
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	3,068,108	3,285,185
	3,068,108	3,285,185

The notes on pages 16 to 30 form part of these financial statements.

YORKSHIRE GAS AND POWER LIMITED

**CONSOLIDATED ANALYSIS OF NET DEBT
FOR THE YEAR ENDED 31 MARCH 2020**

	At 1 April 2019 £	Cash flows £	At 31 March 2020 £
Cash at bank and in hand	3,285,185	(217,077)	3,068,108
Debt due within 1 year	(587,298)	27,461	(559,837)
	<u>2,697,887</u>	<u>(189,616)</u>	<u>2,508,271</u>

The notes on pages 16 to 30 form part of these financial statements.

YORKSHIRE GAS AND POWER LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

1. General information

Yorkshire Gas and Power Limited is a private company limited by shares and incorporated in the United Kingdom. The address of the registered office is given in the company information page of these financial statements. The Company's registration number is 09385371. The nature of the Group's operations and its principal activity is detailed in the Directors' Report.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires Group management to exercise judgment in applying the Group's accounting policies (see note 3).

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own Statement of comprehensive income in these financial statements.

The financial statements are prepared in sterling which is the functional currency of the Group rounded to the nearest £1.

For the financial year ended 31 March 2019 the Group was entitled to exemption from audit under section 477 of the Companies Act 2006 relating to small companies.

The significant accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented unless otherwise stated.

2.2 Basis of consolidation

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

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

2.3 Going concern

As detailed in the Strategic Report, Covid-19 has seen an unprecedented impact to the UK economy. The Directors have prepared a range of scenario forecasts and have a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future.

YORKSHIRE GAS AND POWER LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

2. Accounting policies (continued)

2.4 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised.

Revenues are generated primarily from the sale of electricity and gas to customers. Revenue from contracts with customers is recognised over time as energy is supplied to the customer, this reflects the value of the volume supplied which includes an estimated value of volume supplied to customers between the last meter reading and the end of the period. This is determined based on historic meter readings and industry consumption data.

2.5 Operating leases: the Group as lessee

Rentals paid under operating leases are charged to statement of comprehensive income on a straight line basis over the lease term.

2.6 Interest income

Interest income is recognised in statement of comprehensive income using the effective interest method.

2.7 Finance costs

Finance costs are charged to statement of comprehensive income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount.

2.8 Pensions

Defined contribution pension plan

The Group operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. Once the contributions have been paid the Group has no further payment obligations.

The contributions are recognised as an expense in profit or loss when they fall due. Amounts not paid are shown in accruals as a liability in the Balance sheet. The assets of the plan are held separately from the Group in independently administered funds.

YORKSHIRE GAS AND POWER LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

2. Accounting policies (continued)

2.9 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in profit or loss except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the Company and the Group operate and generate income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Balance sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

2.10 Intangible assets

Goodwill

Goodwill represents the difference between amounts paid on the cost of a business combination and the acquirer's interest in the fair value of the Group's share of its identifiable assets and liabilities of the acquiree at the date of acquisition. Subsequent to initial recognition, goodwill is measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is amortised on a straight line basis to the Consolidated statement of comprehensive income over its useful economic life.

Other intangible assets

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

All intangible assets are considered to have a finite useful life. If a reliable estimate of the useful life cannot be made, the useful life shall not exceed ten years.

The estimated useful lives range as follows:

Software development costs	-	3	years
Goodwill	-	10	years

2.11 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

YORKSHIRE GAS AND POWER LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

2. Accounting policies (continued)

2.11 Tangible fixed assets (continued)

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, on a straight line or reducing balance basis.

Depreciation is provided on the following basis:

Long-term leasehold property and improvements	-	2% straight line
Fixtures and fittings	-	15% reducing balance
Computers	-	15% reducing balance

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

2.12 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

2.13 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

Provisions against trade debtors and accrued income are recognised when a loss is considered probable. Trade debtors are reviewed and assessed on a customer by customer basis.

2.14 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

2.15 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

2.16 Provisions for liabilities

Provisions are made where an event has taken place that gives the Group a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to profit or loss in the year that the Group becomes aware of the obligation, and are measured at the best estimate at the Balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance sheet.

YORKSHIRE GAS AND POWER LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

2. Accounting policies (continued)

2.17 Financial instruments

The Group only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in ordinary shares.

Own use contracts

The Group enters into forward contracts for a variety of periods to purchase electricity and gas. Energy procurement contracts are entered into and continue to be held for the purpose of the receipt of a non-financial item which is in accordance with the Group's expected purchase and sale requirements and are therefore out of the scope of financial instruments. Energy contracts that are not financial instruments are recognised as "own use contracts" and disclosed as an energy purchase commitment.

Forward contracts to purchase energy are accounted for in the statement of comprehensive income in the period in which the supply of power occurs.

2.18 Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting.

YORKSHIRE GAS AND POWER LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

3. Judgments in applying accounting policies and key sources of estimation uncertainty

The Group 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. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the financial year are discussed below.

Revenue and trade debtors

The nature of the energy industry in the UK, in which Yorkshire Gas and Power Limited operates, is such that revenue recognition is subject to a degree of estimation.

Firstly, the calculation of revenues from gas and electricity sales include an estimate of the value of electricity and gas 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.

Furthermore, customers are billed in advance of power supplied based on estimated usage. Advanced bills are adjusted to actual through the issue of credit notes and re-invoicing to actuals. Estimates have been used to determine the level of provision required in respect of credit notes at the year-end.

Bad debts

Bad debt provisions are calculated by assessing the probability of non-payment of the trade debtor and accrued income. The provision for impairment of trade debtors at 31 March 2020 is recognised in the statement of comprehensive income within administrative expenses. Subsequent recoveries of amounts previously written off will be credited to administrative expenses.

Goodwill

The Group established a reliable estimate of the useful life of goodwill arising on business combinations. This estimate is based on factors such as the expected use of the acquired business and the expected useful life of the cash generating units to which the goodwill is attributed.

4. Revenue

An analysis of turnover by class of business is as follows:

	2020 £	2019 £
Turnover	<u>18,062,866</u>	<u>15,399,849</u>

All turnover arose within the United Kingdom.

YORKSHIRE GAS AND POWER LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

5. Operating profit

The operating profit is stated after charging:

	2020 £	2019 £
Depreciation of tangible fixed assets	17,157	2,619
Amortisation of intangible assets, including goodwill	76,570	75,931
Other operating lease rentals	94,380	37,265
	<u>188,107</u>	<u>115,815</u>

6. Auditors' remuneration

	2020 £	2019 £
Fees payable to the Group's auditor and its associates for the audit of the Group's annual financial statements	495	-
	<u>495</u>	<u>-</u>
Fees payable to the Group's auditor and its associates in respect of:		
All other services	12,750	-
	<u>12,750</u>	<u>-</u>

7. Employees

Staff costs, including directors' remuneration, were as follows:

	Group 2020 £	Group 2019 £	Company 2020 £	Company 2019 £
Wages and salaries	975,876	810,664	-	-
Social security costs	98,506	68,760	-	-
Cost of defined contribution scheme	103,582	262,624	-	-
	<u>1,177,964</u>	<u>1,142,048</u>	<u>-</u>	<u>-</u>

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

	2020 No.	2019 No.
Administration	35	29
	<u>35</u>	<u>29</u>

The Company has no employees other than the directors, who did not receive any remuneration (2019 - £NIL)

YORKSHIRE GAS AND POWER LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

8. Directors' remuneration

	2020 £	2019 £
Directors' emoluments	23,688	23,688
Company contributions to defined contribution pension schemes	80,000	249,104
	<u>103,688</u>	<u>272,792</u>

9. Interest receivable

	2020 £	2019 £
Other interest receivable	<u>25,312</u>	<u>6,141</u>

10. Interest payable and similar expenses

	2020 £	2019 £
Other loan interest payable	<u>148,251</u>	<u>115,320</u>

11. Taxation

	2020 £	2019 £
Corporation tax		
Current tax on profits for the year	58,156	207,743
Total current tax	<u>58,156</u>	<u>207,743</u>
Deferred tax		
Origination and reversal of timing differences	59,100	(58,526)
Total deferred tax	<u>59,100</u>	<u>(58,526)</u>
Taxation on profit on ordinary activities	<u>117,256</u>	<u>149,217</u>

YORKSHIRE GAS AND POWER LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

11. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2019 - lower than) the standard rate of corporation tax in the UK of 19% (2019 - 19%). The differences are explained below:

	2020 £	2019 £
Profit on ordinary activities before tax	<u>680,884</u>	<u>906,122</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2019 - 19%)	129,368	172,163
Effects of:		
Non-tax deductible amortisation of goodwill and impairment	9,321	9,321
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	(47,247)	48,816
Capital allowances for year in excess of depreciation	(11,620)	(612)
Short term timing difference leading to an increase (decrease) in taxation	59,100	(58,526)
Adjustment in research and development tax credit leading to an increase (decrease) in the tax charge	(21,666)	(21,945)
Total tax charge for the year	<u>117,256</u>	<u>149,217</u>

Factors that may affect future tax charges

There were no factors that may affect future tax charges.

12. Dividends

	2020 £	2019 £
Dividends on ordinary shares	<u>4,000</u>	<u>4,000</u>

13. Parent company profit for the year

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own Statement of comprehensive income in these financial statements. The loss after tax of the parent Company for the year was £28,211 (2019 - loss £19,175).

YORKSHIRE GAS AND POWER LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020

14. Intangible assets

Group and Company

	Software development costs £	Goodwill £	Total £
Cost			
At 1 April 2019	224,221	490,581	714,802
Additions	23,380	-	23,380
Disposals	(247,601)	-	(247,601)
At 31 March 2020	-	490,581	490,581
Amortisation			
At 1 April 2019	155,946	196,232	352,178
Charge for the year on owned assets	27,512	49,058	76,570
On disposals	(183,458)	-	(183,458)
At 31 March 2020	-	245,290	245,290
Net book value			
At 31 March 2020	-	245,291	245,291
At 31 March 2019	68,275	294,349	362,624

YORKSHIRE GAS AND POWER LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020

15. Tangible fixed assets

Group

	Long-term leasehold property & improvements £	Fixtures and fittings £	Office equipment £	Total £
Cost				
At 1 April 2019	-	-	22,424	22,424
Additions	329,245	99,309	15,542	444,096
At 31 March 2020	<u>329,245</u>	<u>99,309</u>	<u>37,966</u>	<u>466,520</u>
Depreciation				
At 1 April 2019	-	-	4,351	4,351
Charge for the year on owned assets	5,331	7,771	4,055	17,157
At 31 March 2020	<u>5,331</u>	<u>7,771</u>	<u>8,406</u>	<u>21,508</u>
Net book value				
At 31 March 2020	<u>323,914</u>	<u>91,538</u>	<u>29,560</u>	<u>445,012</u>
At 31 March 2019	<u>-</u>	<u>-</u>	<u>18,073</u>	<u>18,073</u>

16. Fixed asset investments

Company

	Investments in subsidiary companies £
Cost	
At 1 April 2019	2,803,000
At 31 March 2020	<u>2,803,000</u>

YORKSHIRE GAS AND POWER LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

16. Fixed asset investments (continued)

Subsidiary undertakings

The following were subsidiary undertakings of the Company:

Name	Registered office	Class of shares	Holding
E E Solutions Limited	4305 Park Approach, Leeds LS15 8GB	Ordinary	100%
Eco Green Management Limited	4305 Park Approach, Leeds LS15 8GB	Ordinary	100%

The Company has indirect control of 100% of the ordinary share capital of Eco Green Management Limited, a Company incorporated in the United Kingdom.

The aggregate of the share capital and reserves as at 31 March 2020 and the profit or loss for the year ended on that date for the subsidiary undertakings were as follows:

Name	Aggregate of share capital and reserves £	Profit/(Loss) £
E E Solutions Limited	665,026	(28,204)
Eco Green Management Limited	2,482,130	677,101

17. Debtors

	Group 2020 £	Group 2019 £	Company 2020 £	Company 2019 £
Trade debtors	2,204,224	1,033,418	-	-
Amounts owed by group undertakings	-	-	2,200,000	2,200,000
Other debtors	705,655	98,645	100	100
Prepayments and accrued income	841,007	132,562	-	-
Deferred taxation	-	43,896	-	-
	3,750,886	1,308,521	2,200,100	2,200,100

18. Cash and cash equivalents

	Group 2020 £	Group 2019 £
Cash at bank and in hand	3,068,108	3,285,185

YORKSHIRE GAS AND POWER LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

19. Creditors: Amounts falling due within one year

	Group 2020 £	Group 2019 £	Company 2020 £	Company 2019 £
Trade creditors	655,275	1,192,169	-	-
Amounts owed to group undertakings	-	-	1,560,619	1,510,233
Corporation tax	58,156	-	-	-
Other taxation and social security	430,142	453,827	-	-
Other creditors	1,698,984	1,966,694	517,785	535,960
Accruals and deferred income	4,590,154	1,859,959	-	-
	7,432,711	5,472,649	2,078,404	2,046,193

20. Financial instruments

	Group 2020 £	Group 2019 £	Company 2020 £	Company 2019 £
Financial assets				
Financial assets measured at amortised cost	2,909,879	1,132,063	2,200,100	2,200,100
Financial liabilities				
Financial liabilities measured at amortised cost	2,354,259	3,158,863	2,078,404	2,046,193

Financial assets measured at amortised cost for the Group comprise other debtors and trade debtors. For the Company, this comprises other debtors and amounts due from group undertakings.

Financial liabilities measured at amortised cost for the Group comprise other creditors and trade creditors. For the Company, this comprises other creditors and amounts due to group undertakings.

21. Deferred taxation

Group

	2020 £
At beginning of year	43,896
Charged to profit or loss	(59,100)
At end of year	(15,204)

YORKSHIRE GAS AND POWER LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

21. Deferred taxation (continued)

	Group 2020 £	Group 2019 £
Accelerated capital allowances	(15,259)	(3,434)
Pension surplus	55	47,330
	<u>(15,204)</u>	<u>43,896</u>

22. Share capital

	2020 £	2019 £
Allotted, called up and fully paid		
9,509 (2019 - 9,509) A Ordinary shares of £0.01 each	95	95
501 (2019 - 501) B Ordinary shares of £0.01 each	5	5
	<u>100</u>	<u>100</u>

23. Reserves

Profit and loss account

This reserve represents the accumulative distributable reserves of the Company.

24. Pension commitments

The Group operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Company in independently administered funds. The pension cost charge represents contributions payable by the Company to the funds and amounted to £102,382 (2019 - £262,624). The amount outstanding as at the year-end was £284 (2019 - £249,104).

25. Commitments under operating leases

At 31 March 2020 the Group and the Company had future minimum lease payments under non-cancellable operating leases as follows:

	Group 2020 £	Group 2019 £
Not later than 1 year	75,000	16,000
Later than 1 year and not later than 5 years	81,250	-
	<u>156,250</u>	<u>16,000</u>

YORKSHIRE GAS AND POWER LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

26. Energy purchase commitments

The group hedges its exposure to changes in market prices from energy purchases by entering into forward contracts for a variety of periods.

The group has committed to purchase energy totalling £9,420,083 (2019 - £7,186,125) which has been contracted for but not provided in these financial statements.

Forward contracts to purchase energy are accounted for in the Statement of comprehensive income in the period in which the supply of power occurs.

27. Transactions with directors

Included within other creditors are loans from directors amounting to £559,513 (2019 - £587,300). During the year, the company accrued interest of £68,601 (2018 - £68,970) in respect of these loans.

28. Related party transactions

During the year, the Group paid rent of £46,727 (2019 - £Nil) to the shareholders pension schemes. At the year end, an amount of £60,259 (2019 - £Nil) was due from the pension scheme.

During the year, the Group paid consultancy fees of £58,159 (2019 - £8,800) to a member of key management personnel. At the year-end, an amount of £20,412 was due from the Company (2019 - £Nil).

During the year, the Group paid key management personnel (including Directors) emoluments of £231,113 (2019 - £110,868) and pension contributions of £82,353 (2019 - £250,560).

During the year, the Group procured services with a value of £15,000 (2019 - £Nil) from a company where one of the Directors is a shareholder and director. At the year-end an amount of £15,000 (2019 - £Nil) was due from the Company.

Included within other creditors are loan notes due to a family member of a director amounting to £1,026,895 (2019 - £1,074,442). During the year the Group accrued interest of £62,500 (2019 - £46,350) in respect of these loans.

29. Controlling party

The company is ultimately controlled by R Raichura by virtue of his majority shareholding in Yorkshire Gas and Power Limited.