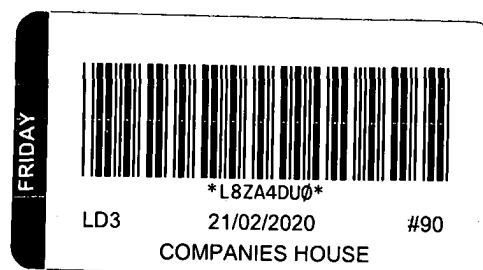


REGISTERED NUMBER: 09812673 (England and Wales)

**STRATEGIC REPORT, REPORT OF THE DIRECTORS AND
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019
FOR
TONIK ENERGY LIMITED**



**CONTENTS OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019**

| | Page |
|---|-------------|
| Company Information | 1 |
| Strategic Report | 2 |
| Report of the Directors | 5 |
| Independent Auditors' Report to the Members of Tonik Energy Limited | 8 |
| Income Statement | 11 |
| Statement of Financial Position | 12 |
| Statement of Changes in Equity | 13 |
| Notes to the Financial Statements | 14 |

TONIK ENERGY LIMITED
COMPANY INFORMATION
FOR THE YEAR ENDED 31 MARCH 2019

DIRECTORS:

D A Leiper
S J Perkins
C Russell

SECRETARY:

Mrs S L Hayward

REGISTERED OFFICE:

Fifth Floor, Lombard House
145 Great Charles Street
Birmingham
England
United Kingdom
B3 3LP

REGISTERED NUMBER:

09812673 (England and Wales)

INDEPENDENT AUDITORS:

PricewaterhouseCoopers LLP
One Chamberlain Square
Birmingham
England
United Kingdom
B3 3AX

**STRATEGIC REPORT
FOR THE YEAR ENDED 31 MARCH 2019**

The Directors present their strategic report for the year ended 31 March 2019.

Since Tonik Energy Limited (Tonik and the Company) began trading in mid-2016 it has positioned itself firmly as a sustainable, member (Tonik calls its customers their members) centric and technology focused company. The progress made against the mission to halve energy bills has been substantial in this financial year as further outlined in this report. The strategy of integrating energy supply with wider renewable technology services not only delivers benefits for the member but also for the wider energy system, for energy system balancing activities, but also to the environment. The extensive and growing public demand for renewable energy combined with the increased demand for electric vehicles is fully aligned with the Company's vision for the future of energy.

REVIEW OF BUSINESS

The Directors are very encouraged by the developments and progress made by the Company and the Group (Retig Ltd and its subsidiaries, Tonik, Locus Energy Ltd and Phoenix Renewables Ltd) over the financial year. The member base of the Company has grown by approximately 75% whilst also focusing on the mission to integrate renewable technologies into a member's everyday life and into their home. Growth of the member base has been managed strategically in order to offer great experience and value to members whilst also delivering sustainable commercial offers.

An important step in the integration of renewable technologies was the acquisition of Phoenix Renewables Limited (trading as The Phoenix Works) in August 2018 by Retig Ltd, Tonik's parent company. The Phoenix Works is well respected within the industry for providing quality service and expertise in the renewable energy sector, supporting both major commercial clients and domestic customers alike. The combined offerings and service delivery capabilities of The Phoenix Works and Tonik provide exciting opportunities to differentiate our propositions within a competitive retail energy market. By installing, maintaining, servicing and integrating distributed technologies for members, the Group will be able to reduce traditional energy bills whilst enabling a greener and more distributed energy system.

Significant investments in people, process and technology have continued throughout the year across the Group so that Group companies can continue to provide strong propositions, innovative projects and excellent service in a competitive market.

In February 2019, Retig Ltd successfully secured an investment of £13.3m, with £3m coming from private investors and £10.3m from Mitsui & Co. (Mitsui), a Tokyo based company. This provided the Group with the funds necessary to continue its investment in growth, proposition development and people in line with the delivery of the mid-term business plan. There has been a further funding round which completed with Mitsui investing further funds in December 2019 in order to consolidate on our growing member base.

The strategic alignment that has been formed between the Company and Mitsui will allow the Group to continue to grow organically in line with the business plan, but also to explore additional, targeted acquisitions.

KEY PERFORMANCE INDICATORS

The Board of Directors and leadership team monitor key performance indicators including revenue (2019: £79.5m from 2018: £26.7m), members (2019: 97k from 2018: 56k), member satisfaction (2019: 4.5 stars and 2018: 8.9 on Trustpilot; ratings have changed since the prior year when the score was out of ten, the highest score is now 5 stars).

**STRATEGIC REPORT
FOR THE YEAR ENDED 31 MARCH 2019**

PRINCIPAL RISKS AND UNCERTAINTIES

The Board regularly meet to review and discuss the key risks and issues facing the Company and review the Enterprise Risk report alongside key targets and KPIs of the business.

The principal risks include:

Competition: the number of active energy suppliers has contracted during the financial year and since the financial year end. The Company has monitored closely the risks and opportunities that competition creates. Given the Company's differentiated brand, propositions and in-house technology capabilities the Directors believe that the Company is well placed to continue to outperform the market. Recent market exits have further highlighted that competitors without sufficient capital, a strong retail proposition, and extensive internal capability will struggle to stabilise.

Wholesale market activity: The Company's trading and hedging policies enable it to manage wholesale risks. Investments in commercial systems and growth of the team has enabled more predictability in costs and cash requirements. Through a strategic trading partnership, the Company buys gas and electricity volumes ahead in line with member sales. By selling fixed price contracts, the Company fixes the cost of gas and electricity to be supplied. This reduces exposure to market risk.

Cash management: Long term (monthly forecast for five years), mid-term (weekly forecast for 18 months) and short term (daily for 3 months) cash forecasts are maintained and regularly reviewed by the Board. Over 98% of the members pay by monthly direct debit and are monthly billed. The Company continues to develop its proactive credit management capabilities within its core systems to reduce bad debt risk.

Regulatory and compliance risks: The regulatory environment continues to change and evolve in line with consumer and market risks. The Company's internal compliance capability engages with regulatory bodies to provide input and information where appropriate and ensure any new changes are effectively delivered by the business.

FUTURE DEVELOPMENTS AND POST BALANCE SHEET EVENTS

The Company continues to grow its business strategically through member growth and also through synergies with The Phoenix Works to offer combined green energy solutions.

In December 2019, Retig Ltd completed a funding round of £11m received from Mitsui. This has provided the Group with the funds required to support the delivery of the business plan.

GOING CONCERN

The Consolidated Statement of Financial Position as at 31 March 2019 shows a net current liabilities and net liabilities position. The Directors have considered this when assessing the appropriateness of the going concern basis of the preparation of the financial statements.

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

The Company has successfully completed fund raises in February 2019 and December 2019, in line with its mid-term business plan, which support the ongoing activities and liquidity of the Group and Company. These investments were from private investors and Mitsui, reflecting the confidence in the business plan and Management's ability to deliver the plan.

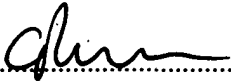
**STRATEGIC REPORT
FOR THE YEAR ENDED 31 MARCH 2019**

GOING CONCERN – continued

Throughout the fundraising process, there has been a strong alignment with Mitsui which has brought a valuable strategic and long-term partnership. During the year, the relationship with key suppliers has strengthened which has brought additional synergies on future plans beneficial to both parties. The Directors believe that this provides continuing access to financial and strategic support which has been available to date and the Directors have no reason to believe that this would not be forthcoming in the future.

Detailed cash flow modelling has been completed for the Group which have confirmed the Directors expectation that there are sufficient funds in place to sustain the operational targets for the immediate period. There are also a number of additional levers available that will allow the Group to optimise its liquidity through any periods of uncertainty and to still meet its obligations for the foreseeable future.

APPROVED BY THE BOARD AND SIGNED ON ITS BEHALF BY:



.....
C Russell - Director

Date: 20 February 2020

**REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 MARCH 2019**

The Directors present their report with the audited financial statements of the Company for the year ended 31 March 2019.

PRINCIPAL ACTIVITIES

The principal activity of the Company in the year under review was that of the supply of gas and electricity.

DIVIDENDS

No dividends will be distributed for the year ended 31 March 2019 (year ended 31 March 2018: £nil).

FUTURE DEVELOPMENTS

Future developments of the Group are disclosed within the Strategic Report.

DIRECTORS

The directors shown below have held office during the whole of the period from 1 April 2018 to the date of this report.

D A Leiper
S J Perkins
C Russell

Other changes in directors holding office are as follows:

J I M Hayward – resigned 21 November 2019

DONATIONS

Donations totalling £1,998 (year ended 31 March 2018: £9,400) were made to charities.

There were no political donations made during the year to 31 March 2019 (year ended 31 March 2018: £nil).

FINANCIAL RISK MANAGEMENT

Financial risk management objectives and policies

The Group has a central department within the Company that is responsible for financing and treasury policies across the Group. Strategic financing and corporate financing are managed within this department. The treasury and accounting teams employ a regular forecasting and monitoring process to ensure that the Company complies with all banking and other covenants that apply to the running of the Group. Funding of the Company is from a number of private investors and Mitsui, a corporate investor, to enable Tonik to grow and develop its strategy. The Company does not enter into speculative Treasury arrangements.

Exposure to risk

The Board has approved a market risk management policy and a credit risk management policy which has been agreed with our preferred trading partner.

Liquidity and cash flow risk:

Further discussion of liquidity and cash flow risks is included within the principal risks and uncertainties section of the Strategic Report (see page 3).

Credit risk:

Credit risk arises from exposure to a customer's ability to pay for the gas and electricity they consume. This is mitigated due to over 98% of the member base paying by fixed monthly direct debit, with the first payment taken on the supply start date. There has been significant investment over the last year in a number of processes and system improvements for credit management, including robust payment adequacy and debt collection processes. This has led to a low customer debt level for a business to consumer (B2C) supply business.

**REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 MARCH 2019**

FINANCIAL RISK MANAGEMENT – continued

Credit risk – continued

Credit risk also arises from mark to market risk on hedges placed with the Company's preferred trading partner, this is mitigated as the trades are placed from an agreed credit line which covers the majority of the traded credit exposure at any point in time.

Price risk:

Price risk arises from the movement in wholesale gas and electricity prices versus the tariff rates for customers on fixed-price contracts. The majority of members (c. 90%) are on forms of fixed-price, fixed-term contracts. Matching the hedging strategy to the pricing strategy and purchasing gas and electricity at the point of entering into the customer contract enables Tonik to lock in the price of the wholesale gas and electricity sold under the customer contract and therefore minimise price risk. Regular re-shaping of hedges and management of imbalance reduces price risk further and the introduction of a new Energy Trading and Risk Management system in the near future will again enhance our ability to mitigate this risk.

The standard variable tariff (SVT) carries little price risk as the Company hedges in line with Ofgem's price cap observation period and hedge costs are known prior to setting the price of the tariff. Tonik does not speculate in the wholesale markets.

DIRECTORS' INDEMNITIES

The Company maintains liability insurance for its Directors and officers. This is a qualifying third-party indemnity provision for the purposes of the Companies Act 2006. This insurance cover was in force during the year and is still in force at the date of approving these financial statements.

GOING CONCERN

The Directors' assessment of the going concern basis for preparation is disclosed within the Strategic Report and note 2 to the Financial Statements.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are 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.

**REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 MARCH 2019**

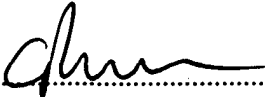
STATEMENT OF DIRECTORS' RESPONSIBILITIES – continued

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006.

STATEMENT OF DISCLOSURE OF INFORMATION TO AUDITORS

So far as the Directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the Company's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

APPROVED BY THE BOARD AND SIGNED ON ITS BEHALF BY:



.....
C Russell - Director

Date: 20 February 2020

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF TONIK ENERGY LIMITED

Report on the audit of the financial statements

Opinion

In our opinion, Tonik Energy Limited's financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2019 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Strategic Report, Report of the Directors and Audited Financial Statements (the "Annual Report"), which comprise: the Statement of Financial Position as at 31 March 2019; the Income Statement, the Statement of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Material uncertainty related to going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 2 to the financial statements concerning the Company's ability to continue as a going concern. The Company is reliant on its parent, Retig Ltd for its funding requirements. Retig Ltd requires a further fundraise to continue operating for at least 12 months from the date of this report and to support its delivery of the mid term plan. The extent and timing of such fundraising is uncertain. Further, whilst the Directors of Retig Ltd have identified mitigating actions, not all actions that may need to be taken are within their control or may be implemented on a sufficiently timely basis. These conditions, along with the other matters explained in note 2 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Company was unable to continue as a going concern.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF TONIK ENERGY LIMITED

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance 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 an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of 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 required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Report of the Directors, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Report of the Directors

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Report of the Directors for the year ended 31 March 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Report of the Directors.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF TONIK ENERGY LIMITED

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 FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

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

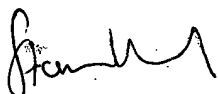
Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.



Steven Kentish (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Birmingham

Date: 21 February 2020

TONIK ENERGY LIMITED (REGISTERED NUMBER: 09812673)

**INCOME STATEMENT
FOR THE YEAR ENDED 31 MARCH 2019**

| | | 31.3.19 | 31.3.18 as restated |
|---|-------|---------------------|------------------------|
| | Notes | £ | £ |
| REVENUE | 4 | 79,531,997 | 26,707,982 |
| Cost of sales | | <u>(84,006,615)</u> | <u>(25,877,918)</u> |
| GROSS (LOSS)/PROFIT | | (4,474,618) | 830,064 |
| Administrative expenses | | <u>(13,932,461)</u> | <u>(5,627,694)</u> |
| OPERATING LOSS | 6 | (18,407,079) | (4,797,630) |
| Exceptional Items | 7 | <u>(52,717)</u> | <u>-</u> |
| | | (18,459,796) | (4,797,630) |
| Interest receivable and similar income | | <u>148</u> | <u>28</u> |
| | | (18,459,648) | (4,797,602) |
| Interest payable and similar expenses | 8 | <u>(290,549)</u> | <u>(88,475)</u> |
| LOSS BEFORE TAXATION | | (18,750,197) | (4,886,077) |
| Tax on loss | 9 | <u>-</u> | <u>-</u> |
| LOSS FOR THE FINANCIAL YEAR | | (18,750,197) | (4,886,077) |
| OTHER COMPREHENSIVE INCOME | | <u>-</u> | <u>-</u> |
| TOTAL COMPREHENSIVE LOSS FOR THE YEAR/PERIOD | | <u>(18,750,197)</u> | <u>(4,886,077)</u> |

The notes on pages 14 to 23 form part of these financial statements

TONIK ENERGY LIMITED (REGISTERED NUMBER: 09812673)

**STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2019**

| | | 31.3.19 | | 31.3.18 as restated | |
|--|-------|-------------------|---------------------|------------------------|--------------------|
| | Notes | £ | £ | £ | £ |
| FIXED ASSETS | | | | | |
| Intangible assets | 11 | | 1,006,631 | | 83,057 |
| Property, plant and equipment | 12 | | <u>257,173</u> | | <u>160,559</u> |
| | | | 1,263,804 | | 243,616 |
| CURRENT ASSETS | | | | | |
| Inventories | 13 | - | | 47,830 | |
| Debtors | 14 | 10,785,805 | | 4,952,516 | |
| Cash at bank | | <u>1,584,365</u> | | <u>336,128</u> | |
| | | | 12,370,170 | 5,336,474 | |
| CREDITORS: | | | | | |
| Amounts falling due within one year | 15 | <u>38,449,055</u> | | <u>11,644,974</u> | |
| NET CURRENT LIABILITIES | | | <u>(26,078,885)</u> | | <u>(6,308,500)</u> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | | <u>(24,815,081)</u> | | <u>(6,064,884)</u> |
| CAPITAL AND RESERVES | | | | | |
| Called up share capital | 17 | | 100 | | 100 |
| Accumulated losses | 18 | | <u>(24,815,181)</u> | | <u>(6,064,984)</u> |
| TOTAL SHAREHOLDERS' DEFICIT | | | <u>(24,815,081)</u> | | <u>(6,064,884)</u> |

The financial statements on pages 11 to 23 were approved by the Board of Directors on 20 February 2020 and were signed on its behalf by:


.....
C Russell - Director

The notes on pages 14 to 23 form part of these financial statements

TONIK ENERGY LIMITED (REGISTERED NUMBER: 09812673)

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2019**

| | Called up share capital £ | Accumulated losses £ | Total equity £ |
|---------------------------------|------------------------------------|----------------------------|----------------------------|
| Balance at 1 April 2017 | 100 | (1,178,907) | (1,178,807) |
| Changes in equity | | | |
| Loss for the financial year | <u>-</u> | <u>(3,893,523)</u> | <u>(3,893,523)</u> |
| Balance at 31 March 2018 | <u>100</u> | <u>(5,072,430)</u> | <u>(5,072,330)</u> |
| Prior year adjustment (note 10) | <u>-</u> | <u>(992,554)</u> | <u>(992,554)</u> |
| As restated at 31 March 2018 | <u>100</u> | <u>(6,064,984)</u> | <u>(6,064,884)</u> |
| Changes in equity | | | |
| Loss for the financial year | <u>-</u> | <u>(18,750,197)</u> | <u>(18,750,197)</u> |
| Balance at 31 March 2019 | <u><u>100</u></u> | <u><u>(24,815,181)</u></u> | <u><u>(24,815,081)</u></u> |

The notes on pages 14 to 23 form part of these financial statements

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019**

1. STATUTORY INFORMATION

Tonik Energy Limited is a private Company limited by shares and is incorporated in the United Kingdom. The registered number of the Company is 09812673 and the registered address of the Company is Fifth Floor, Lombard House, 145 Great Charles Street, Birmingham, England, B3 3LP.

2. ACCOUNTING POLICIES

Basis of preparing the financial statements

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

The financial statements comprise the audited financial statements of the Company and are stated in pound sterling, the Company's functional and presentational currency.

The principal accounting policies, which have been applied consistently throughout the year, are set out below.

Going concern

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

The Consolidated Statement of Financial Position as at 31 March 2019 shows a net current liabilities and net liabilities position. The Directors have considered this when assessing the appropriateness of the going concern basis of the preparation of the financial statements.

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

The Company has successfully completed fund raises in February 2019 and December 2019, in line with its mid-term business plan, which support the ongoing activities and liquidity of the Group and Company. These investments were from private investors and Mitsui, reflecting the confidence in the business plan and Management's ability to deliver the plan.

Throughout the fundraising process, there has been a strong alignment with Mitsui which has brought a valuable strategic and long-term partnership. During the year, the relationship with key suppliers has strengthened which has brought additional synergies on future plans beneficial to both parties. The Directors believe that this provides continuing access to financial and strategic support which has been available to date and the Directors have no reason to believe that this would not be forthcoming in the future.

The proven ability and track record of raising funds with major investors within targeted timescales has given the Directors confidence over the Group and Company's ability to raise the further funds as needed to deliver its mid-term plan.

The delivery of the mid-term plan requires additional funds to be raised within the 12 months following the date of this report and the financial statements which indicates the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern.

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 MARCH 2019**

2. ACCOUNTING POLICIES – continued

Going concern – continued

However, the Directors are comfortable that, given the strength of existing relationships, the demonstrated ability to raise funds previously, the commercial mitigations available to the Company, and the required level of funds required that the investment will be completed in good time. This supports the Directors' confidence over the Group and the Company's ability to continue as a going concern.

Detailed cash flow modelling has been completed for the Group which have confirmed the Directors expectation that there are sufficient funds in place to sustain the operational targets for the immediate period. There are also a number of additional levers available that will allow the Group to optimise its liquidity through any periods of uncertainty and to still meet its obligations for the foreseeable future.

Financial Reporting Standard 102 - reduced disclosure exemptions

The Company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 4 Statement of Financial Position paragraph 4.12(a)(iv);
- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 11 Financial Instruments paragraphs 11.41(b), 11.41(e), 11.41(f).;
- the requirement of Section 33 Related Party Disclosures paragraph 33.7.

Revenue recognition

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.

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 contract terms) net of supplies that are not billable. Revenue is recognised net of sales discounts, VAT and other sales-related taxes.

In accordance with industry practice revenue is recorded in the basis of 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 realised customer billings as more precise data becomes available on actual consumption through to the period of final settlement.

Revenue includes an estimate of the value of gas and electricity supplied to the customer between the date of the last meter reading supplied and the period end.

Intangible assets

Intangible assets are initially measured at cost. After initial recognition, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses:

- Development costs are being amortised evenly over their estimated useful life of three years
- Computer software is being amortised evenly over its estimated useful life of three years

Development costs consist of internally developed software and software solutions. Costs are only capitalised when the costs can be recovered via future revenues and relate directly to the creation of an asset used by the Company. The asset includes contractor labour costs and specialist project costs. Costs are capitalised as incurred and amortised once the asset is in use.

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 MARCH 2019**

2. ACCOUNTING POLICIES - continued

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Depreciation is provided when assets become available for use in the manner intended by management at a rate calculated to write off the cost of the asset over its expected useful economic life as follows:

| | |
|--------------------------|-------------------|
| Improvements to property | 20% straight line |
| Plant and machinery | 25% straight line |
| Fixtures and fittings | 20% straight line |
| Computer equipment | 33% straight line |

Inventories

Inventories are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost includes the purchase price and any associated costs incurred in bringing the asset to its current condition and location.

Inventories are assessed for impairment at the statement of financial position date. If any impairment of the inventories is identified, then an impairment charge is recognised in the Income Statement.

Taxation

Taxation for the year comprises current and deferred tax. Tax is recognised in the Income Statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity.

Current or deferred taxation assets and liabilities are not discounted.

Current tax is recognised at the amount of tax payable using the tax rates and laws that have been enacted or substantively enacted by the statement of financial position date.

Deferred tax

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 asset or liability is determined using tax rates that have been enacted or substantively enacted by the statement of financial position 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 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 losses carried forward to the extent that a future reversal leading to a reduction of tax expense is expected with high probability.

Cash and cash equivalents

Cash includes all cash held at bank. There are no bank overdrafts.

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 MARCH 2019**

2. ACCOUNTING POLICIES - continued

Rentals under operating leases

Rentals under operating leases are charged to the Income Statement on a straight-line basis over the lease term even if the payments are not made on such a basis. Benefits received and receivable as an incentive are similarly spread on a straight-line basis over the lease term.

Pension costs

The Company operates a defined contribution plans for its employees. The plan is one under which the Company pays fixed contributions to a separate entity and there are no further obligations once those payments have been made. The contributions are recognised as an expense in the Income Statement as they fall due. Any unpaid amounts as at 31 March 2019 are included in other creditors in the statement of financial position. The separate entity holds and administers all funds independently from the Company.

Credit cover

The Company holds Credit Cover amounts within debtors that is held as trading collateral by creditors. These amounts relate to future supplies that are not invoiced at the date of the statement of financial position and therefore are included as debtors rather than cash as they are not immediately available balances.

3. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES

The Directors have made accounting judgements in preparing the financial statements:

- The Group has considered the risk surrounding the recoverability of its receivable balances and has recognised a general bad debt provision against these amounts. The Directors have judged this approach to be prudent given the trading history of the Company and its subsidiaries.

The Directors have made estimates in preparing the financial statements:

- Revenue includes an estimate of the value of gas and electricity supplied to Members between the date of the last meter reading supplied and the period end. The Directors consider this estimate to be appropriate based on standard industry practice and after detailed review of the calculation to value the estimate of this revenue.

4. REVENUE

The Company's turnover, all of which arises in the course of the Company's principal activities, arises in the UK. The principal activities of the year to 31 March 2019 and the year to 31 March 2018 are the supply of gas and of electricity.

TONIK ENERGY LIMITED (REGISTERED NUMBER: 09812673)

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 MARCH 2019**

5. EMPLOYEES AND DIRECTORS

| | For the year ended | |
|-----------------------|--------------------|------------------|
| | 31.3.19 | 31.3.18 |
| | £ | £ |
| Wages and salaries | 3,569,827 | 1,372,215 |
| Social security costs | 531,172 | 144,257 |
| Other pension costs | 68,749 | 9,689 |
| | <u>4,169,748</u> | <u>1,526,161</u> |

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

| | For the year ended | |
|---------------------|--------------------|-----------|
| | 31.3.19 | 31.3.18 |
| Corporate | 20 | 13 |
| IT Development | 14 | 3 |
| Marketing | 4 | 3 |
| Member Services | 84 | 23 |
| Product Development | 5 | 2 |
| | <u>127</u> | <u>44</u> |

During the prior year, the charges to the Income Statement detailed above related to management recharges received from the Company's parent company for employee resource used to administer the Company. During the prior year, there were no employees paid directly by the Company.

From 1 April 2018, the charges relate to payments made to the staff employed by the Company.

The Company provides a defined contribution scheme for its employees. The amount recognised as an expense for the scheme in the Income Statement was:

| | For the year ended | |
|----------------------------|--------------------|--------------|
| | 31.3.19 | 31.3.18 |
| | £ | £ |
| Current year contributions | <u>68,749</u> | <u>9,689</u> |

TONIK ENERGY LIMITED (REGISTERED NUMBER: 09812673)

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 MARCH 2019**

5. EMPLOYEES AND DIRECTORS - continued

| | For the year ended 31.3.19 | 31.3.18 as restated |
|--|-------------------------------|---------------------------|
| | £ | £ |
| Directors' remuneration | 292,500 | 274,234 |
| Directors' pension contributions to money purchase schemes | <u>6,375</u> | <u>2,083</u> |

The number of directors to whom retirement benefits were accruing was as follows:

| | | |
|------------------------|----------|----------|
| Money purchase schemes | <u>2</u> | <u>2</u> |
|------------------------|----------|----------|

Information regarding the highest paid director is as follows:

| | For the year ended 31.3.19 | 31.3.18 as restated |
|---|-------------------------------|---------------------------|
| | £ | £ |
| Emoluments etc | 150,000 | 150,000 |
| Pension contributions to money purchase schemes | <u>3,750</u> | <u>1,250</u> |

Directors were remunerated by the Company's parent company and recharged to the Company.

6. OPERATING LOSS

The operating loss is stated after charging:

| | For the year ended 31.3.19 | 31.3.18 as restated |
|----------------------------------|-------------------------------|------------------------|
| | £ | £ |
| Other operating leases | 201,303 | 100,981 |
| Depreciation - owned assets | 114,150 | 8,505 |
| Loss on disposal of fixed assets | 10,200 | - |
| Development costs amortisation | 78,942 | 35,711 |
| Computer software amortisation | 40,443 | - |
| Audit fees | 17,500 | 15,000 |
| Non-Audit fees paid to Auditor | <u>4,000</u> | <u>4,000</u> |

7. EXCEPTIONAL ITEMS

| | For the year ended 31.3.19 | 31.3.18 as restated |
|-------------------|-------------------------------|------------------------|
| | £ | £ |
| Exceptional Items | <u>52,717</u> | <u>-</u> |

Exceptional costs were incurred during the year in relation to the fundraise undertaken by the Company's parent company as described in the Strategic report.

TONIK ENERGY LIMITED (REGISTERED NUMBER: 09812673)

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 MARCH 2019**

8. INTEREST PAYABLE AND SIMILAR EXPENSES

| | For the year ended | |
|--|--------------------|---------------|
| | 31.3.19 | 31.3.18 |
| | | as restated |
| | £ | £ |
| Interest payable on Member credit balances | <u>290,549</u> | <u>88,475</u> |

9. TAX ON LOSS

Analysis of the tax charge

No liability to UK corporation tax arose for the year ended 31 March 2019 nor for the year ended 31 March 2018.

Reconciliation of total tax charge included in profit and loss

The tax assessed for the year is higher (2018: higher) than the standard rate of corporation tax in the UK. The difference is explained below:

| | For the year ended | |
|---|---------------------|--------------------|
| | 31.3.19 | 31.3.18 |
| | | as restated |
| | £ | £ |
| Loss before tax | <u>(18,750,197)</u> | <u>(4,886,077)</u> |
| Loss before tax multiplied by the standard rate of corporation tax in the UK of 19% (2018: 19%) | (3,562,537) | (928,355) |
| Effects of: | | |
| Expenses not deductible for tax purposes | 10,296 | 104 |
| Adjustments to tax charge in respect of previous periods | - | 29,108 |
| Tax rate changes | - | 69,371 |
| Group relief (not paid for) | 54,818 | 80,638 |
| Derecognised tax asset | 3,496,746 | 749,134 |
| Non-qualifying depreciation | <u>677</u> | <u>-</u> |
| Total tax charge | <u>-</u> | <u>-</u> |

10. PRIOR YEAR ADJUSTMENT

The prior year comparative gross margin has been restated to reflect an overstatement of revenue due to previously under recognised dual fuel discounts and previously unrecognised costs relating to member ex gratia payments and interest on balances which are detailed as follows:

- Revenue has been restated from £27,602,741 to £26,707,982
- Administrative expenses have been restated from £5,618,374 to £5,627,694
- Interest payable has been restated from £nil to £88,475

The net impact on the opening Statement of Financial Position is a reduction in debtors of £992,554 from £5,945,070 to £4,952,516. Of this reduction, £973,022 relates to the prior period (2017: £19,532).

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 MARCH 2019

11. INTANGIBLE ASSETS

| | Development costs £ | Computer software £ | Totals £ |
|---------------------------------|------------------------|------------------------|-------------|
| COST | | | |
| At 1 April 2018 | - | 83,057 | 83,057 |
| Additions | 666,130 | 58,810 | 724,940 |
| Disposals | - | (13,600) | (13,600) |
| Reclassification/transfer | 328,219 | - | 328,219 |
| At 31 March 2019 | 994,349 | 128,267 | 1,122,616 |
| ACCUMULATED AMORTISATION | | | |
| At 1 April 2018 | - | - | - |
| Amortisation for year | 78,942 | 40,443 | 119,385 |
| Eliminated on disposal | - | (3,400) | (3,400) |
| At 31 March 2019 | 78,942 | 37,043 | 115,985 |
| NET BOOK VALUE | | | |
| At 31 March 2019 | 915,407 | 91,224 | 1,006,631 |
| At 31 March 2018 | - | 83,057 | 83,057 |

At the year end, all Group development costs were transferred in from a Group company at book value.

12. PROPERTY, PLANT AND EQUIPMENT

| | Improvements to property £ | Plant and machinery £ | Fixtures and fittings £ | Computer equipment £ | Totals £ |
|---------------------------------|-------------------------------|--------------------------|----------------------------|-------------------------|-------------|
| COST | | | | | |
| At 1 April 2018 | 20,158 | 11,000 | 30,677 | 107,321 | 169,156 |
| Additions | 177,505 | - | 43,880 | 2,656 | 224,041 |
| Reclassification/transfer | (195,863) | - | 3,802 | 144,695 | (47,366) |
| At 31 March 2019 | 1,800 | 11,000 | 78,359 | 254,672 | 345,831 |
| ACCUMULATED DEPRECIATION | | | | | |
| At 1 April 2018 | 250 | 2,750 | 273 | 5,324 | 8,597 |
| Charge for year | 33,839 | 8,250 | 13,096 | 58,965 | 114,150 |
| Reclassification/transfer | (34,089) | - | - | - | (34,089) |
| At 31 March 2019 | - | 11,000 | 13,369 | 64,289 | 88,658 |
| NET BOOK VALUE | | | | | |
| At 31 March 2019 | 1,800 | - | 64,990 | 190,383 | 257,173 |
| At 31 March 2018 | 19,908 | 8,250 | 30,404 | 101,997 | 160,559 |

TONIK ENERGY LIMITED (REGISTERED NUMBER: 09812673)

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 MARCH 2019**

12. PROPERTY, PLANT AND EQUIPMENT - continued

At the year end, all items relating to property improvements were transferred to a Group company at book value.

At the year end, computer hardware was transferred in from a Group company at book value.

13. INVENTORIES

| | 31.3.19 | 31.3.18 as restated |
|-------------|----------|------------------------|
| | £ | £ |
| Inventories | <u>-</u> | <u>47,830</u> |

14. DEBTORS

| | 31.3.19 | 31.3.18 as restated |
|---|--------------------------|-------------------------|
| | £ | £ |
| Amounts falling due within one year: | | |
| Trade debtors | 9,459,383 | 3,839,680 |
| Amounts owed by Group undertakings | - | 169,695 |
| Other debtors | - | 98,008 |
| Credit Cover | 306,556 | 165,980 |
| Social security and other taxes | 687,360 | 321,548 |
| Prepayments and accrued income | <u>55,972</u> | <u>81,071</u> |
| | <u>10,509,271</u> | <u>4,675,982</u> |
| Amounts falling due after more than one year: | | |
| Deferred tax asset | <u>276,534</u> | <u>276,534</u> |
| Aggregate amounts | <u><u>10,785,805</u></u> | <u><u>4,952,516</u></u> |

Amounts owed by Group undertakings are unsecured, repayable on demand and attract no interest.

15. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

| | 31.3.19 | 31.3.18 as restated |
|------------------------------------|--------------------------|--------------------------|
| | £ | £ |
| Trade creditors | 13,423,222 | 3,054,448 |
| Amounts owed to Group undertakings | 8,395,975 | 3,692,781 |
| Other creditors | 349,454 | 4,805 |
| Accruals and deferred income | <u>16,280,404</u> | <u>4,892,940</u> |
| | <u><u>38,449,055</u></u> | <u><u>11,644,974</u></u> |

Amounts owed to Group undertakings are unsecured, repayable on demand and attract no interest.

TONIK ENERGY LIMITED (REGISTERED NUMBER: 09812673)

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 MARCH 2019**

16. DEFERRED TAX

| | |
|--------------------------|----------------|
| | £ |
| Balance at 1 April 2018 | <u>276,534</u> |
| Balance at 31 March 2019 | <u>276,534</u> |

Deferred tax assets will be utilised when the Group is profitable.

17. CALLED UP SHARE CAPITAL

Allotted, issued and fully paid:

| Number: | Class: | Nominal value: | 31.3.19 | 31.3.18 |
|---------|----------|-------------------|------------|------------|
| | | | £ | £ |
| 100 | Ordinary | £1 | <u>100</u> | <u>100</u> |

18. ACCUMULATED LOSSES

| | |
|-----------------------|---------------------|
| | £ |
| At 1 April 2018 | (5,072,430) |
| Prior year adjustment | <u>(992,554)</u> |
| | (6,064,984) |
| Loss for the year | <u>(18,750,197)</u> |
| At 31 March 2019 | <u>(24,815,181)</u> |

19. CONTROLLING PARTY

The Company is a wholly owned subsidiary of Retig Ltd; the controlling party.

The immediate and ultimate controlling party is Retig Ltd, which is the parent company of the largest and smallest group to consolidate these financial statements.

Copies of Retig Ltd's consolidated financial statements are available from the offices of Retig Ltd at the following address: Fifth Floor, Lombard House, 145 Great Charles Street, Birmingham B3 3LP.