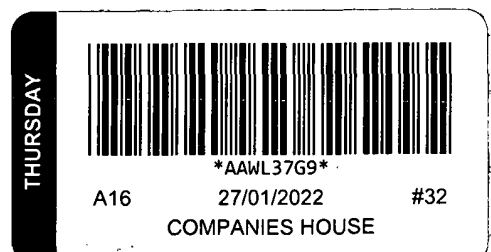


Registration number: 10334106

Avro Group Limited

Annual Report and Consolidated Financial Statements

for the Year Ended 30 June 2020



Avro Group Limited

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Avro Group Limited

Company Information

Directors

Mr Jake Andrew Brown

Mr Philip Andrew Brown

Registered office

8 The Courtyard
Goldsmith Way
Eliot Business Park
Nuneaton
CV10 7RJ

Company Number

10334106

Auditors

Azets Audit Services
6th Floor
Bank House
Cherry Street
Birmingham
B2 5AL

Avro Group Limited

Strategic Report for the Year Ended 30 June 2020

The directors present their strategic report for the year ended 30 June 2020.

Principal activity

The principal activity of the company is that of a holding company with the principal activity of the Group's main subsidiary being the supply of gas and electricity to domestic customers.

Fair review of the business

Avro Group Limited is the holding company for Avro Energy Limited, Avro Data and Technology Limited which acquired the majority shareholding in Dyball Associates Limited after the year ended 30 June 2020. Despite the strong performance of the main trading subsidiary, Avro Energy Limited and the growth of customer numbers to 474,000 (June-2020) from 297,000 (June-2019), the company went into administration on the 29 September 2021 following the global energy crisis and unprecedented gas wholesale price increases.

The unprecedented volatility of wholesale energy prices in the UK since July 2021, combined with the price cap imposed by the regulators, created extreme and unforeseen pressures for all energy suppliers and over 20 energy suppliers have now entered administration with over 3.8 million customers being impacted in the UK in 2021.

Key performance indicators

The company's key financial indicators during the year were as follows:

	Unit	2020	2019*
Turnover	£	421,340,999	389,666,591
Gross profit	£	63,675,974	282,768
Operating profit/(loss)	£	30,298,559	(28,072,015)
Gross profit margin	%	15	<0.1

***18 month period**

The Directors and management team use several financial KPIs in order to effectively manage the business and deliver the Group's strategic objectives. These include the financial performance metrics outlined under the Business review as well as non-financial metrics such as customer numbers and Group's customer satisfaction levels through its Trustpilot scores and reviews.

Streamlined Energy and Carbon Reporting Framework Regulations

As energy costs are included as part of the building lease, the directors are unable to reliably determine their usage and therefore are unable to disclose such information.

Avro Group Limited

Strategic Report for the Year Ended 30 June 2020

Section 172 Companies Act 2006 statement

The Directors of Avro Group Limited consider, both individually and together, that they have acted in the way they consider, in good faith, would be most likely to promote the success of the Group for the benefit of its members as a whole (having regard to the stakeholders and matters set out in s172(1)(a-f) of the Act) in the strategy pursued and the decisions made during the year ended 30 June 2020 and subsequently.

In particular, our business plan is designed to have long-term beneficial impact on the Group and contribute to its success in delivering:

- Excellent customer service to promote customer loyalty and attract new customers
- A highly efficient operating model with scalable technology in order to deliver this service at the lowest possible cost; and
- The development of new products and services that help our customers on the journey to a net-zero economy.

In preparing the Group's Business Plan and related strategic decisions, the Directors take into account the interests of our stakeholders including the Group's employees, suppliers, customers, industry and the communities and environments we operate in.

Our employees are crucial to the delivery of our plan and we aim to be a responsible employer in our approach to the pay and benefits our employees receive. Moreover, the health, safety and well-being of our employees is one of our primary considerations in the way we do business.

Our plan was informed and by engagement with our customers, enabling us to gain an understanding of their views, priorities and needs.

We aim to act responsibly and fairly in how we engage with our suppliers and regulators; all of whom are integral to the successful delivery of our plan.

As the Board of Directors, our intention is to behave responsibly and ensure that management operate the business in a responsible manner, operating with high standards of business conduct and governance.

The Group's intention is to consider and treat all stakeholders fairly and respectfully when taking decisions and determining the Strategy and developing business plans.

Principal risks and uncertainties including financial risk management

The company faces a number of risks and uncertainties. The directors consider that the following key risks are present and all risks are assessed and managed in line with the Groups strategy.

Avro Group Limited

Strategic Report for the Year Ended 30 June 2020

Global wholesale market prices

Avro Energy Limited operated a hedging strategy to try and mitigate the risk of wholesale market movements working with a number of counter parties across a range of long and short-term products. Whilst the hedging strategy was designed to operate efficiently in stable and secure energy markets, the unprecedented volatility in wholesale gas prices meant that this risk was unable to be sufficiently mitigated after the year ended 30 June 2020.

Credit risk

The group is exposed to credit risk through its customer base. The directors regularly review the correct policies are in place to minimise the risk of credit defaults whilst maintaining a balance with the extensive regulatory framework.

Liquidity risk

Liquidity risk is the risk that the company will not be able to meet its financial obligations as they fall due. Cash flow forecasts have been produced to 31 December 2022 and this risk is actively managed by the directors.

COVID-19

Since the start of the COVID-19 pandemic, Avro Energy's priority has been to provide continuation of service for its customers whilst ensuring safety of our staff. As a result of our flexible technology based operating platform, the Group was able to move quickly and efficiently to fully remote working for all staff and still provide outstanding service and value to our customers. As such, our operations to the year ended 30 June 2020 were minimally impacted by COVID-19.

In addition, a decrease in ability to operate certain business functions including Debt collection and installation of smart meters due to lockdown restrictions has impacted on the business.

The rebound from the pandemic as economies recovered led to unprecedented wholesale gas demand which in turn led to volatility in wholesale gas prices which created unsustainable pressure on the group's principal trading subsidiary, and as a result the company went into administration on the 29 September 2021.

Approved by the Board on 21/01/22 and signed on its behalf by:



Mr Jake Andrew Brown
Director

Avro Group Limited

Directors' Report for the Year Ended 30 June 2020

The directors present their report and the consolidated financial statements for the year ended 30 June 2020.

Directors of the group

The directors who held office during the year were as follows:

Mr Jake Andrew Brown

Mr Philip Andrew Brown (appointed 26 July 2019)

Results and dividends

The profit for the year, after taxation, amounted to £29,767,321 (2019: loss £28,023,009).

The directors do not recommend the payment of a dividend (2019: £Nil).

Future developments

Due to the collapse of the Group's main subsidiary Avro Energy Limited the Directors will be taking steps to explore options for the Group's remaining direct and indirect subsidiaries, which includes the trading entity, Dyball Associates Limited, in which Avro Group Limited own a 60% indirect shareholding. The direction taken will be heavily dependent on whether European energy markets stabilise as oppose to the current level of extreme volatility.

Going concern

In the months following the 30 June 2020 period end, the UK and European energy markets have been significantly impacted by the unprecedented fluctuations in the price of wholesale energy. The directors have produced cashflow forecasts for the Group's remaining direct and indirect subsidiaries, which includes the trading entity, Dyball Associates Limited for the period to 31 December 2022. As Avro Group Limited own a 60% indirect shareholding in Dyball Associates Limited, the Directors are satisfied the group has adequate resources to continue to trade in this period and as such it is appropriate to prepare the financial statements on the going concern basis.

The Directors consider that material uncertainties exist over the groups long term ability to trade if UK and European energy markets do not stabilise compared to the sustained extreme volatility being currently experienced, as uncertainty is present over the timing and quantum of future revenues from its customers in this industry. In addition, as noted in future developments, whilst no formal decisions have yet been made, the directors are actively exploring options for diversification or group restructure.

Events after the reporting period

(1) Administration of Avro Energy Limited

2021 was an incredibly challenging year for gas and electricity retailers across the UK due to the unprecedented volatility wholesale energy prices in the UK since July 2021, combined with the price cap imposed by the regulators, which created extreme and unforeseen pressures for all energy suppliers.

Wholesale natural gas prices increased across the whole of the UK and Europe due to supply shortages and increasing demand in both Europe and Asia. By the end of September, wholesale gas prices had risen exponentially since July 2021. Electricity prices also continued to surge especially in the UK where prices are interdependent on gas price increases due to the heavy reliance on this fuel for electricity generation. Electricity prices were further driven upwards due to increasing carbon prices as a result of power generators switching to more carbon intense fuels such as coal to combat the gas supply shortage.

The Group's main subsidiary Avro Energy Limited had high levels of exposure to these markets which created difficult trading conditions. The Directors engaged in an investment options appraisal for the Group in the summer of 2021, however, this was unsuccessful due to the continually rising markets and the restrictions on the Company's ability to pass on wholesale costs due to the price cap introduced by Ofgem in 2019.

Avro Group Limited

Directors' Report for the Year Ended 30 June 2020

The Directors initially anticipated market conditions may improve, however, by September 2021 it was evident this was not likely. The directors therefore made the decision in September 2021, that it was in the Company's best interests to begin the Supplier of Last Resort process (SoLR) for Avro Energy Limited. The process sought to find an alternative supplier for the Company's customers. On the 26 September 2021 a new supplier was appointed and subsequently Avro Energy Limited was placed in administration on the 29 September 2021.

(2) Dyball

On 2 July 2020, Avro Data & Technology Ltd was incorporated, being wholly owned by Avro Group Limited. Avro Data & Technology Ltd acquired a 60% majority shareholding of Dyball Holdings Limited the controlling entity of Dyball Associates Limited on 17 July 2020, for initial consideration totalling £2,000,000, performance related deferred consideration of £3,000,000 and £4,647,271 settled in cash present in the acquired entity.

Disclosure of information to the auditor

Each director has taken steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information. The directors confirm that there is no relevant information that they know of and of which they know the auditor is unaware.

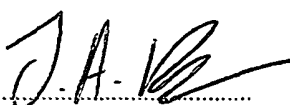
Reappointment of auditors

The auditor, Azets Audit Services Limited, will be proposed at an annual general meeting for reappointment in accordance with section 485 of the Companies Act 2006.

Disclosure in the Strategic Report

The matters required to be disclosed under SI (2008) 410 Sch 7 are contained within the Strategic Report in accordance with s414C(11) of the Companies Act 2006, this being principal activities and financial risk management.

Approved by the Board on 21/01/22 and signed on its behalf by:


.....
Mr Jake Andrew Brown
Director

Avro Group Limited

Statement of Directors' Responsibilities

The directors acknowledge their responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

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

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

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Avro Group Limited

Independent Auditor's Report to the Members of Avro Group Limited

Disclaimer of opinion

We were engaged to audit the financial statements of Avro Group Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 30 June 2020 which comprise the consolidated statement of comprehensive income, the consolidated balance sheet, the company balance sheet, the consolidated statement of changes in equity, the company statement of changes in equity, the consolidated statement of cash flows and notes to the financial statements, 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 FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

We do not express an opinion on the accompanying financial statements of the group and parent company. Because of the significance of the matter described in the basis for disclaimer of opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

Basis for disclaimer of opinion

The group's principal subsidiary and sole significant component as at 30 June 2020, Avro Energy Limited, went into administration on 29 September 2021. The audit evidence available to us in order to finalise our audit in relation to Avro Group Limited was not sufficient or appropriate, due to a lack of access to books and records and restricted access to key financial systems, as a consequence of Avro Energy Limited's administration. As a result of this, we have been unable to obtain sufficient appropriate audit evidence concerning the following areas: the appropriateness of the going concern basis of preparation and the presence of any material uncertainties related to going concern; the recoverability and valuation of deferred tax balances; revenue cut off and accuracy; the valuation and completeness of the provision for doubtful debts; the valuation, completeness and existence of prepayments and other debtor balances; the valuation and completeness of other creditor balances; the valuation of accrued income balances; the completeness of liabilities; the occurrence, accuracy and classification of wages and salaries, including employee numbers; and the design and implementation of controls in the revenue and wages financial systems.

As a result of these matters, which are both material and pervasive, we were unable to determine whether any adjustments might have been found necessary in respect of the above areas noted, and the elements making up the Consolidated Statement of Comprehensive Income, Consolidated Balance Sheet, Consolidated Statement of Changes in Equity and Consolidated Statement of Cash Flows.

Opinions on other matters prescribed by the Companies Act 2006

Because of the significance of the matter described in the basis for disclaimer of opinion section of our report, we have been unable to form an opinion, whether based on the work undertaken in the course of our audit:

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

Avro Group Limited

Independent Auditor's Report to the Members of Avro Group Limited

Matters on which we are required to report by exception

Notwithstanding our disclaimer of an opinion on the financial statements, in the light of the knowledge and understanding of the company and its environment obtained in the course of the audit performed subject to the pervasive limitation described above, we have not identified material misstatements in the strategic report or the directors' report.

Arising from the limitation of our work referred to above in the disclaimer of opinion paragraph: we have not obtained all the information and explanations that we considered necessary for the purpose of our audit; we were unable to determine whether adequate accounting records have been kept and we were unable to determine whether the financial statements are not in agreement with the accounting records and returns

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: certain disclosures of directors' remuneration specified by law are not made and returns adequate for our audit have not been received from branches not visited by us.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, 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 and 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 company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our responsibility is to conduct an audit of the group and parent company's financial statements in accordance with International Standards on Auditing (UK) and to issue an auditor's report.

However, because of the matter described in the basis for disclaimer of opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

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

Avro Group Limited

Independent Auditor's Report to the Members of Avro Group Limited

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Azets Audit Services

**Laura Hinsley FCCA (Senior Statutory Auditor)
for and on behalf of Azets Audit Services**

21 January 2022
.....

Statutory Auditor

6th Floor, Bank House
8 Cherry Street
Birmingham
B2 5AL

Avro Group Limited
Consolidated Statement of Comprehensive Income
For the year ended 30 June 2020

	Note	2020 £	18 month period to 30 June 2019 £
Turnover	3	421,340,999	389,666,591
Cost of sales		<u>(357,665,025)</u>	<u>(389,383,823)</u>
Gross profit		63,675,974	282,768
Administrative expenses		<u>(33,377,415)</u>	<u>(28,354,783)</u>
Operating profit/(loss)	5	<u>30,298,559</u>	<u>(28,072,015)</u>
Other interest receivable and similar income	6	3,067	5,859
Interest payable and similar charges	7	<u>(71,114)</u>	<u>(2,655)</u>
		<u>(68,047)</u>	<u>3,204</u>
Profit/(loss) before tax		30,230,512	(28,068,811)
Taxation	10	<u>(463,191)</u>	<u>45,802</u>
Profit/(loss) for the financial year and total comprehensive income		<u>29,767,321</u>	<u>(28,023,009)</u>

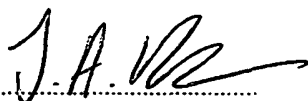
The notes on pages 16 to 27 form an integral part of these financial statements.

Avro Group Limited

(Registration number: 10334106)
Consolidated Balance Sheet as at 30 June 2020

	Note	30 June 2020 £	30 June 2019 £
Fixed assets			
Tangible fixed assets	11	210,286	67,520
Current assets			
Debtors	13	87,655,998	52,315,463
Cash at bank and in hand		59,810,570	18,510,024
		<u>147,466,568</u>	<u>70,825,487</u>
Creditors: Amounts falling due within one year	15	<u>(145,330,914)</u>	<u>(98,314,388)</u>
Net current assets/(liabilities)		<u>2,135,654</u>	<u>(27,488,801)</u>
Total assets less current liabilities		2,345,940	(27,421,381)
Provisions for liabilities		-	-
Net assets/(liabilities)		<u>2,345,940</u>	<u>(27,421,381)</u>
Capital and reserves			
Called up share capital	17	100	100
Profit and loss account		<u>2,345,840</u>	<u>(27,421,481)</u>
Equity attributable to owners of the company		<u>2,345,940</u>	<u>(27,421,381)</u>
Shareholders' funds/(deficit)		<u>2,345,940</u>	<u>(27,421,381)</u>

Approved and authorised by the Board on 24/01/22 and signed on its behalf by:



Mr Jake Andrew Brown
Director

Avro Group Limited

(Registration number: 10334106)
Company Balance Sheet as at 30 June 2020

	Note	2020 £	2019 £
Current assets			
Debtors	13	<u>100</u>	<u>100</u>
Capital and reserves			
Called up share capital	17	<u>100</u>	<u>100</u>
Shareholders' funds		<u>100</u>	<u>100</u>

The company made a loss after tax for the financial year of £- (2019 - loss of £-).

Approved and authorised by the Board on 21/01/22 and signed on its behalf by:



Mr Jake Andrew Brown
Director

Avro Group Limited
Consolidated Statement of Changes in Equity
For the year ended 30 June 2020

	Called up share capital £	Profit and loss account £	Total £
Balance as at 1 January 2018	100	601,528	601,628
18 month period ended 30 June 2019:			
Loss for the financial year and total comprehensive income	-	(28,023,009)	(28,023,009)
Balance as at 30 June 2019:	100	(27,421,481)	(27,421,381)
 Profit for the financial year and total comprehensive income	 -	 29,767,321	 29,767,321
Balance as at 30 June 2020:	100	2,345,840	2,345,940

On 13 August 2019 Avro Group Limited acquired 100% of the share capital of Avro Energy Limited by way of a share for share exchange. This group reconstruction has been consolidated using merger accounting. The financial statements therefore include the full year for the whole group as well as full comparative information. All intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Company Statement of Changes in Equity
For the year ended 30 June 2020

	Called up share capital £	Total £
Balance as at 1 January 2018	100	100
18 month period ended 30 June 2019:		
Loss for the financial year and total comprehensive income	-	-
Balance as at 30 June 2019:	100	100
 Profit for the financial year and total comprehensive income	 -	 -
Balance as at 30 June 2020:	100	100

Avro Group Limited

Consolidated Statement of Cash Flows for the Year Ended 30 June 2020

		2020	18 month period to 30 June 2019
	Note	£	£
Cash flows from operating activities			
Profit/(loss) for the year		29,767,321	(28,023,009)
Adjustments to cash flows from non-cash items			
Depreciation and amortisation	5	52,962	22,497
Profit on disposal of tangible assets	4	(32)	-
Finance income	6	(3,067)	(5,859)
Finance costs	7	71,114	2,655
Income tax expense	10	463,191	(45,802)
		<u>30,351,489</u>	<u>(28,049,518)</u>
Working capital adjustments			
Increase in trade debtors	13	(33,937,142)	(26,612,985)
Increase in trade creditors	15	45,149,942	59,412,038
		<u>41,564,289</u>	<u>4,749,535</u>
Cash generated from operations			
Income taxes (paid)/received		-	45,802
Net cash flow from operating activities		<u>41,564,289</u>	<u>4,795,337</u>
Cash flows from investing activities			
Interest received		3,067	5,859
Acquisitions of tangible assets		(198,227)	(60,797)
Proceeds from sale of tangible assets		2,531	-
Net cash flows from investing activities		<u>(192,629)</u>	<u>(54,938)</u>
Cash flows from financing activities			
Interest paid	7	(71,114)	(2,655)
Proceeds from issue of ordinary shares, net of issue costs		-	100
Net cash flows from financing activities		<u>(71,114)</u>	<u>(2,555)</u>
Net increase in cash and cash equivalents		41,300,546	4,737,844
Opening cash and cash equivalents		<u>18,510,024</u>	<u>13,772,180</u>
Closing cash and cash equivalents		59,810,570	18,510,024

The notes on pages 16 to 27 form an integral part of these financial statements.

Avro Group Limited

Notes to the Financial Statements for the Year Ended 30 June 2020

1 General information

The company is a private company limited by share capital, incorporated in England and Wales.

The principal place of business is:

Wheatfield House
Wheatfield Way
Hinckley
Leicestershire
LE10 1YG

2 Accounting policies

Statement of compliance

These financial statements were prepared in accordance with Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

Basis of preparation

These financial statements have been prepared using the historical cost convention except that as disclosed in the accounting policies certain items are shown at fair value. The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £. In accordance with FRS102, the Company has taken advantage of the exemption to prepare a company only statement of cash flows. The company has taken advantage of the exemption allowed under s408 of the Companies Act 2006 and has not presented its own statement of comprehensive income in these financial statements.

Basis of consolidation

The consolidated financial statements include the financial statements of the company and its subsidiary undertaking made up to 30 June 2020. A subsidiary is an entity that is controlled by the parent. The results of the subsidiary undertaking are included in the consolidated statement of comprehensive income from the date that control commences until the date that control ceases. Control is established when the company has the power to govern the operating and financial policies of an entity so as to obtain benefits from its activities. In assessing control the group takes into consideration potential voting rights that are currently exercisable.

On 13 August 2019 Avro Group Limited acquired 100% of the share capital of Avro Energy Limited by way of a share for share exchange. This group reconstruction has been consolidated using merger accounting. The financial statements therefore include the full year for the whole group as well as full comparative information. All intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Going concern

In the months following the 30 June 2020 period end, the UK and European energy markets have been significantly impacted by the unprecedented fluctuations in the price of wholesale energy. The directors have produced cashflow forecasts for the Group's remaining direct and indirect subsidiaries, which includes the trading entity, Dyball Associates Limited for the period to 31 December 2022. As Avro Group Limited own a 60% indirect shareholding in Dyball Associates Limited, the Directors are satisfied the group has adequate resources to continue to trade in this period and as such it is appropriate to prepare the financial statements on the going concern basis.

The Directors consider that material uncertainties exist over the groups long term ability to trade if UK and European energy markets do not stabilise compared to the sustained extreme volatility being currently experienced, as uncertainty is present over the timing and quantum of future revenues from its customers in this industry. In addition, as noted in future developments, whilst no formal decisions have yet been made, the directors are actively exploring options for diversification or group restructure.

Avro Group Limited

Notes to the Financial Statements for the Year Ended 30 June 2020

Revenue recognition

Turnover comprises the fair value of the consideration received or receivable for the sale of goods and provision of services in the ordinary course of the group's activities. Turnover is shown net of sales/value added tax, returns, rebates and discounts and after eliminating sales within the company.

The group recognises revenue when:

The amount of revenue can be reliably measured;
it is probable that future economic benefits will flow to the entity;
and specific criteria have been met for each of the group's activities.

Tax

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

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the group operates and generates taxable income.

Deferred tax is recognised in respect of all timing differences between taxable profits and profits reported in the consolidated financial statements.

Unrelieved tax losses and other deferred tax assets are recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the reporting date and that are expected to apply to the reversal of the timing difference.

Tangible fixed assets

Tangible assets are stated in the balance sheet at cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

The cost of tangible assets includes directly attributable incremental costs incurred in their acquisition and installation.

Depreciation

Depreciation is charged so as to write off the cost of assets, other than land and properties under construction over their estimated useful lives, as follows:

Asset class	Depreciation method and rate
Fixtures & fittings	25% reducing balance

Avro Group Limited

Notes to the Financial Statements for the Year Ended 30 June 2020

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and call deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value.

Debtors

Trade debtors are amounts due from customers for merchandise sold or services performed in the ordinary course of business.

Trade debtors are recognised initially at the transaction price. They are subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for the impairment of trade debtors is established when there is objective evidence that the group will not be able to collect all amounts due according to the original terms of the receivables.

Creditors

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if the group does not have an unconditional right, at the end of the reporting period, to defer settlement of the creditor for at least twelve months after the reporting date. If there is an unconditional right to defer settlement for at least twelve months after the reporting date, they are presented as non-current liabilities.

Trade creditors are recognised initially at the transaction price and subsequently measured at amortised cost using the effective interest method.

Share capital

Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis.

Defined contribution pension obligation

A defined contribution plan is a pension plan under which fixed contributions are paid into a pension fund and the group has no legal or constructive obligation to pay further contributions even if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

Contributions to defined contribution plans are recognised as employee benefit expense when they are due. If contribution payments exceed the contribution due for service, the excess is recognised as a prepayment.

Financial instruments

Classification

The company has chosen to adopt section 11 and 12 of FRS 102 in respect of financial instruments.

(i) Financial Assets

Basic financial assets, including trade and other debtors, cash and bank balances and intra-group balances, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

Such assets are subsequently carried at amortised cost using the effective interest method.

Avro Group Limited

Notes to the Financial Statements for the Year Ended 30 June 2020

At the end of each reporting period financial assets measured at cost and amortised cost are assessed for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Income Statement.

For financial assets measured at amortised costs, the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated cash flow discounted at the asset's original effective interest rate.

Critical estimates and judgements

Revenue generated is recognised as energy is supplied to the customer, this reflects the value of the volume supplied which includes an estimated value of the volume supplied to customers between the last meter reading and the end of the period. This is based on historic meter reading and industry consumption date.

(ii) Financial liabilities

Basic financial liabilities, including trade and other creditors, bank overdraft, intra-group balances and hire purchase contracts, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Summary of significant accounting policies and key accounting estimates

In applying the Company's accounting policies, the directors are required to make judgements (other than those involving estimations) that have a significant impact on the amounts recognised and to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

There were no material estimates or judgements that require disclosure.

3 Revenue

The analysis of the group's revenue for the year from continuing operations is as follows:

	2020	2019
	£	£
Sale of energy - UK	421,340,999	389,666,591

4 Other gains and losses

The analysis of the group's other gains and losses for the year is as follows:

	2020	2019
	£	£
Gain / (loss) on disposal of property, plant and equipment	32	-

Avro Group Limited

Notes to the Financial Statements for the Year Ended 30 June 2020

5 Operating profit/(loss)

Arrived at after charging/(crediting)

	2020	2019
	£	£
Depreciation expense	52,962	22,497
Profit on disposal of property, plant and equipment	(32)	-
	<hr/>	<hr/>

6 Other interest receivable and similar income

	2020	2019
	£	£
Other finance income	3,067	5,859
	<hr/>	<hr/>

7 Interest payable and similar expenses

	2020	2019
	£	£
Interest expense on other finance liabilities	71,114	2,655
	<hr/>	<hr/>

8 Staff costs

The aggregate payroll costs were as follows:

	2020	2019
	£	£
Wages and salaries	1,964,592	1,859,859
Social security costs	147,060	128,184
Pension costs, defined contribution scheme	29,495	28,048
Other employee expense	753	542
	<hr/>	<hr/>
	2,141,900	2,016,633

The average number of persons employed by the group (including directors) during the year, analysed by category was as follows:

	2020	2019
	No.	No.
Administration and support	66	66
	<hr/>	<hr/>

9 Auditors' remuneration

	2020	2019
	£	£
Audit of these financial statements	50,250	39,450
	<hr/>	<hr/>
Other fees to auditors		
Corporate finance advisory services	12,000	-
Taxation advisory services	-	6,000
	<hr/>	<hr/>

Avro Group Limited

Notes to the Financial Statements for the Year Ended 30 June 2020

10 Taxation

Tax charged/(credited) in the income statement

	2020 £	2019 £
Current taxation		
UK corporation tax	1,912,286	(45,802)
Deferred taxation		
Arising from origination and reversal of timing differences	(1,449,095)	-
Tax expense/(receipt) in the income statement	<u>463,191</u>	<u>(45,802)</u>

The tax on profit before tax for the year is the same as the standard rate of corporation tax in the UK (2019 - the same as the standard rate of corporation tax in the UK) of 19% (2019 - 19%).

The differences are reconciled below:

	2020 £	2019 £
Profit/(loss) before tax	<u>30,230,512</u>	<u>(28,068,811)</u>
Corporation tax at standard rate	5,743,797	(5,333,074)
Decrease from effect of different UK tax rates on some earnings	-	(590)
Effect of expense not deductible in determining taxable profit (tax loss)	369	1,815
Effect of tax losses	(3,804,274)	-
Increase from tax losses for which no deferred tax asset was recognised	-	5,293,324
Deferred tax credit from unrecognised tax loss or credit	(1,449,095)	-
Tax decrease from effect of capital allowances and depreciation	<u>(27,606)</u>	<u>(7,277)</u>
Total tax charge/(credit)	<u>463,191</u>	<u>(45,802)</u>

Deferred tax

Group

Deferred tax assets and liabilities

	Asset £	Liability £
2020		
Trading losses carried forward	1,489,050	-
Accelerated capital allowances	-	39,954
	<u>1,489,050</u>	<u>39,954</u>

Avro Group Limited

Notes to the Financial Statements for the Year Ended 30 June 2020

11 Tangible Fixed Assets

Group

	Furniture, fittings and equipment £	Total £
Cost or valuation		
At 1 July 2019	99,725	99,725
Additions	198,227	198,227
Disposals	(2,530)	(2,530)
At 30 June 2020	295,422	295,422
Depreciation		
At 1 July 2019	32,205	32,205
Charge for the year	52,962	52,962
Eliminated on disposal	(31)	(31)
At 30 June 2020	85,136	85,136
Carrying amount		
At 30 June 2020	210,286	210,286
At 30 June 2019	67,520	67,520

Avro Group Limited

Notes to the Financial Statements for the Year Ended 30 June 2020

12 Investments

Group

Details of undertakings

Details of the investments (including principal place of business of unincorporated entities) in which the group holds 20% or more of the nominal value of any class of share capital are as follows:

Undertaking	Registered office	Holding	Proportion of voting rights and shares held %	
			2020	2019
Subsidiary undertakings				
Avro Energy Limited	8 The Courtyard Goldsmith Way Nuneaton CV10 7RJ England & Wales	Ordinary	100	0

Avro Energy Limited's profit for the year totalled £29,767,321 and share capital and reserves amounted to £2,345,940.

On 13 August 2019 Avro Group Limited acquired 100% of the share capital of Avro Energy Limited by way of a share for share exchange. This group reconstruction has been consolidated using merger accounting. The financial statements therefore include the full year for the whole group as well as full comparative information. All intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

13 Debtors

	Group		Company	
	2020	2019	2020	2019
	£	£	£	£
Trade debtors	31,044,169	16,681,288	-	-
Other debtors	15,691,132	8,363,934	100	100
Deferred tax (note 10)	1,449,095	-	-	-
Prepayments	8,541,508	5,787,812	-	-
Accrued income	30,930,094	21,482,429	-	-
	<u>87,655,998</u>	<u>52,315,463</u>	<u>100</u>	<u>100</u>

Other debtors in the company only relates to unpaid share capital due from the directors.

14 Cash and cash equivalents

	Group		Company	
	2020	2019	2020	2019
	£	£	£	£
Cash at bank	<u>59,810,570</u>	<u>18,510,024</u>	-	-

Avro Group Limited

Notes to the Financial Statements for the Year Ended 30 June 2020

15 Creditors

	Group 2020 £	2019 £	Company 2020 £	2019 £
Due within one year				
Trade creditors	19,468,686	16,541,896	-	-
Social security and other taxes	1,991,062	48,405	-	-
Outstanding defined contribution pension costs	6,932	4,852	-	-
Other payables	36,402,351	28,895,706	-	-
Accruals	17,415,725	6,880,295	-	-
Deferred income	70,046,158	45,943,234	-	-
	145,330,914	98,314,388	-	-

16 Pension and other schemes

Defined contribution pension scheme

The group operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the group to the scheme and amounted to £29,495 (2019 - £28,048).

Contributions totalling £6,932 (2019 - £4,852) were payable to the scheme at the end of the year and are included in creditors.

17 Share capital

	2020		2019	
	No.	£	No.	£
Ordinary share class of £1 each	100	100	100	100

Rights, preferences and restrictions

Ordinary shares have the following rights, preferences and restrictions:

Right to vote

Avro Group Limited

Notes to the Financial Statements for the Year Ended 30 June 2020

18 Related party transactions

Group

Summary of transactions with other related parties

Avro Commercial Shipping Ltd

(J Brown as common directors and shareholder)

At the balance sheet date the amount due from Avro Commercial Shipping Ltd was £350 (2020: £350)

These amounts are interest free, unsecured, and repayable on demand.

Sentido Marketing Ltd

(J & P Brown as common directors and shareholders)

The company made the following transactions with Sentido Marketing Ltd during the period:

Management charges £2,000,000 (2020: £2,250,000)

At the balance sheet date the amount due from Sentido Marketing Ltd was £40,000 (2020: £40,000)

These amounts are interest free, unsecured, and repayable on demand.

Berkeley Swiss Ltd

(J & P Brown as common directors and shareholders)

At the balance sheet date the amount due from Berkeley Swiss was £830,754 (2020: £830,754).

This amount is interest free, unsecured and repayable on demand.

The capital has been repaid by the date of signing of the financial statements.

Avro Commercial Energy Limited

(J Brown as common director and shareholder, P Brown as common shareholder)

The company made the following loan to Avro Commercial Energy Limited during the period:

30/06/2020 - £15

At the balance sheet date the amount due from Avro Commercial Energy was £15 (2020: £Nil)

These amounts are interest free, unsecured, and repayable on demand.

Transactions with directors

	At 1 July 2019 £	Advances to directors £	Repayments by director £	At 30 June 2020 £
2020				
Loans to directors	163,656	537,152	(319,811)	380,997
	At 1 January 2018 £	Advances to directors £	Repayments by director £	At 30 June 2020 £
2019				
Loans to directors	287,695	163,655	(287,694)	163,656

The loans to the directors are charged at the commercial rate of interest of 2.5%, are unsecured and are repayable on demand.

Avro Group Limited

Notes to the Financial Statements for the Year Ended 30 June 2020

19 Events after the reporting period

(1) Administration of Avro Energy Limited

2021 was an incredibly challenging year for gas and electricity retailers across the UK due to the unprecedented volatility wholesale energy prices in the UK since July 2021, combined with the price cap imposed by the regulators, which created extreme and unforeseen pressures for all energy suppliers.

Wholesale natural gas prices increased across the whole of the UK and Europe due to supply shortages and increasing demand in both Europe and Asia. By the end of September, wholesale gas prices had risen exponentially since July 2021. Electricity prices also continued to surge especially in the UK where prices are interdependent on gas price increases due to the heavy reliance on this fuel for electricity generation. Electricity prices were further driven upwards due to increasing carbon prices as a result of power generators switching to more carbon intense fuels such as coal to combat the gas supply shortage.

The Group's main subsidiary Avro Energy Limited had high levels of exposure to these markets which created difficult trading conditions. The Directors engaged in an investment options appraisal for the Group in the summer of 2021, however, this was unsuccessful due to the continually rising markets and the restrictions on the Company's ability to pass on wholesale costs due to the price cap introduced by Ofgem in 2019.

The Directors initially anticipated market conditions may improve, however, by September 2021 it was evident this was not likely. The directors therefore made the decision in September 2021, that it was in the Company's best interests to begin the Supplier of Last Resort process (SoLR) for Avro Energy Limited. The process sought to find an alternative supplier for the Company's customers. On the 26 September 2021 a new supplier was appointed and subsequently Avro Energy Limited was placed in administration on the 29 September 2021.

(2) Dyball

On 2 July 2020, Avro Data & Technology Ltd was incorporated, being wholly owned by Avro Group Limited. Avro Data & Technology Ltd acquired a 60% majority shareholding of Dyball Holdings Limited the controlling entity of Dyball Associates Limited on 17 July 2020, for initial consideration totalling £2,000,000, performance related deferred consideration of £3,000,000 and £4,647,271 settled in cash present in the acquired entity.

20 Financial instruments

	30 June 2020 £	30 June 2019 £
<i>Financial assets that are debt instruments measured at amortised cost</i>		
Trade debtors	31,044,169	16,681,288
Other debtors	15,691,132	8,363,934
Accrued income	30,930,094	21,482,429
Cash at bank and in hand	59,810,570	18,510,024
	137,475,965	65,037,675
<i>Financial liabilities that are debt instruments measured at amortised cost</i>		
Trade creditors	19,468,686	16,541,896
Accruals	17,415,725	6,880,295
Deferred income	70,046,158	45,943,234
Other payables	36,402,351	28,895,706
	143,332,920	98,261,131

Avro Group Limited

Notes to the Financial Statements for the Year Ended 30 June 2020

21 Ultimate Controlling Party

The ultimate controlling parties are J & P Brown by virtue of their 50% shareholdings.