

Registered in England and Wales: 10430843

AvantiGas ON Limited
Report and Financial Statements
for the year ended 30 September 2021



AvantiGas ON Limited

Annual Reports and Financial Statements

for the year ended 30 September 2021

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AvantiGas ON Limited

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Strategic report

The Directors present their strategic report for the year ended 30 September 2021.

Review of business and future developments

AvantiGas ON Limited, hereinafter referred to as "the company", was established to specifically target the Small and Medium Enterprise business to business segment, initially via the provision of gas. Market share has been established by offering services and products which rival the existing major incumbents. Throughout the year to 30 September 2021 AvantiGas ON continued to differentiate from other similar market challengers through 1) offering a highly digitalised and simplified customer journey driven by accurate data, and 2) utilising our extensive UGI group wide experience in the European gas & power traded markets.

During the year the business had a net increase of 1,697 customer meter points (2020: 1,287), with total meter points on supply of 6,559 at 30 September 2021 (30 September 2020: 4,862). This was achieved through contractual relationships with customers and channel partners. The continued growth in the year demonstrates the benefits of the ongoing foundational work undertaken in establishing key market relationships, implementing core systems/processes, whilst managing both business and regulatory risks.

During the year there was a favourable movement in the fair value of commodity hedge contracts, however, the company would be unable to recover the anticipated future value of the fair value adjustment due to the underlying fixed price contracts with customers. Therefore, there was also a requirement to create an onerous contract provision. These two largely offsetting amounts demonstrate the effectiveness of the hedging policy.

Adjusting for the impact of fair value movements on commodity hedges in respect of future periods, reflected through the income statement as the company does not hedge account, and for the charge related to the onerous contract provision, the gross profit of £2,110k (2020: gross profit £1,302k) would be a gross profit of £5,678k (2020: £2,997k) with adjustments made into Cost of Sales for both hedging contract fair values and onerous contract provisions. The company continues to utilise commodity hedges in order to provide customers clear and consistent pricing over contract terms. The Directors are satisfied with the results for the 2021 period and the company's financial position at the 2021 period end.

Subsequent to the year end, actions have been taken which significantly impact the future activities of the company. These are described in the Directors' Report.

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Strategic report (continued)

Principal risks and uncertainties

The company operates a risk-based approach to identify and manage risk. Management review the principal risks and uncertainties pertaining to the business on a regular basis and adopt appropriate measures to mitigate such risks and uncertainties.

- **COVID-19**
The company continues to monitor and assess the impact of COVID-19, both the virus itself and the actions of the Government, on the business. The company has implemented appropriate safety measures to protect their customers and employees which had enabled trading to continue during “lockdown” periods.
- ***Competitive Risk***
The company focuses on the provision of enhanced services to customers, strategically operating as a Gas Shipper and Supplier in the market, establishing strong customer relationships and delivering value through digitally enables customer service.
- ***Legislative Risk***
The company is fully aware of the regulatory framework within the UK and is committed to delivering operations in line with the obligations, while enhancing the experience of our employees, customers and the communities we serve.
- ***Financial Instrument Risk***
Further details of the company's financial risk management are set out in the Directors' Report and in note 14 to the financial statements.

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Strategic report (continued)

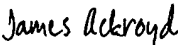
Key performance indicators

The company will operate key performance indicators (KPI's) which give an understanding of the development, performance and position of the business. Set out below are some of the key performance indicators that the Directors will use to monitor the performance of the business as operations mature:

KPI	Year ended 30 September 2021	Year ended 30 September 2020	Basis of calculation
Return on capital employed	-11%	-189%	Operating profit divided by capital employed
Days sales outstanding	27.9	31.3	Trade receivables divided by revenue times number of days in period
Growth	1.43	2.10	This period's volume divided by last period's volume
Meter Points	6,559	4,862	Number of meter points supplied

The principal movements in the KPIs above are due to the continued growth of the company.

On behalf of the Board

DocuSigned by:

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James Ackroyd
 Director
 6 October 2022

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Directors' report

The Directors present their report and the audited financial statements of the company for the year ended 30 September 2021.

Profit and dividends

The results for the period are shown in the income statement on page 10. No dividend payments were made this period.

Directors

The Directors who held office during the 2021 period and up to the date of signing the financial statements are given below:

Roger Perreault (resigned 20 April 2022)
Dean L. Ewart (resigned 19 April 2022)
Jessica A. Milner (resigned 19 April 2022)
Marie-Dominique Ortiz-Landazabal
James Ackroyd (appointed 19 April 2022)
Yannick Matras (appointed 20 April 2022)
Laurence Broseta (appointed 20 April 2022)

Financial risk management

The company's directors follow risk management policies, which include specific guidelines on the management of market, credit and liquidity risk and advice on the use of financial instruments to manage them. The main risks to which the company is exposed through its operations are price and credit risks and these are managed as described below.

- *Price risk*
The company is exposed to commodity price risk as a result of its operations. This risk is being managed by the appropriate use of hedging contracts.
- *Credit risk*
The company has implemented policies that require appropriate credit checks on potential customers before sales are made.
- *Liquidity risk*
The company has sufficient surplus funds together with efficient working capital management to support operations and capital investments plans.

Directors' indemnities

The ultimate parent company, UGI Corporation, has granted an indemnity to its directors against liability in respect of proceedings brought by third parties subject to the conditions set out in section 234 of the Companies Act 2006. Such qualifying third-party indemnity provision remains in force as at the date of approving the directors' report.

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Directors' report (continued)

Employment and health and safety policies

It is the policy of the company that there should be no unfair discrimination in considering applications for employment, including those from disabled persons. Should any employee become disabled, every practical effort is made to provide continuing employment.

The Directors are committed to maintain and develop communication with employees, who are encouraged to become aware of and involve themselves in the performance of the company.

The management of safety continues to be of the highest priority for the company. This is attained through a structure of safety committees, policy guidelines and employee involvement.

Future developments and post balance sheet events

Subsequent to the year end, on 29th December 2021 one additional ordinary share was issued for a nominal value of £1 and associated share premium of £1,999,999 to UGI Midlands Limited, the companies immediate parent company.

Also subsequent to the year end, following a strategic review by UGI Corporation, a decision was taken by UGI Corporation to withdraw from the UK Natural Gas market segment, the segment in which the company operates. On 30 September 2022, the company exchanged contracts in respect of the sale of its customer book, the associated commodity hedges transacted through its sister company, Antargaz SAS, and certain other associated assets to British Gas Trading Ltd. This transaction is expected to be completed during October 2022. Following this sale, the company will operate a 6-month period of transition with British Gas Trading Ltd and continue to comply with Ofgem requirements for a period of at least 12 months.

As a result of the sale, it is anticipated that the company will in its financial statements for the year to 30 September 2022 recognise the majority of the financial impact of the transaction noted above either as a consequence of asset impairment reviews or through the quantification of its onerous contract provision.

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Directors' report (continued)

Going concern

As described above, subsequent to the year end the company has exchanged contracts in respect of the sale of its main trading activities and is expected to shortly commence operating a transitional period with British Gas Trading Ltd, followed by a further period of reduced operation to comply with regulatory requirements. The company has received confirmation from Avanti Gas Limited that, to the extent that the company does not have sufficient financial resource to do so, it has the ability to and will provide the company with financial support to enable the company to meet its liabilities as they fall due for a period of at least 12 months from the date of approval of these financial statements through to 31 October 2023. Having considered the levels of available cash resources within Avanti Gas Limited and that company's forecast financial performance through to 31 October 2023, the directors are satisfied that Avanti Gas has the ability to give this support.

However, given that the company will no longer continue its current trading operations within the 12 months following approval of these financial statements, the directors consider it appropriate to prepare the financial statements on a basis other than a going concern. Whilst, given that the circumstances which give rise to this conclusion occurred subsequent to the year end, no adjustments have been made to these financial statements as a result of adopting this basis of preparation, it is anticipated that the company will in its financial statements for the year to 30 September 2022 recognise the majority of the financial impact of the transaction noted above either as a consequence of asset impairment reviews or through the quantification of its onerous contract provision.

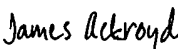
Re-appointment of auditors

In accordance with s485 of the Companies Act 2006, a resolution is to be proposed at the Annual General Meeting for re-appointment of Ernst & Young LLP as auditor of the company.

Disclosure of information to auditors

All Directors in office at the date of approval of the Directors' report confirm that so far as each of the Directors is aware, there is no relevant audit information (meaning information needed by the company's auditors in connection with preparing their report) that has not been disclosed to the company's auditors. Each of the Directors believes that he or she has taken all steps that ought to have been taken to make himself or herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

On behalf of the Board

DocuSigned by:

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James Ackroyd
Director
6 October 2022

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Statement of Directors' responsibilities

The Directors are responsible for preparing the Strategic Report, Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial period. Under that law, the Directors have prepared the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (FRS 102).

Under company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards, including FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- notify its shareholders in writing about the use of disclosure exemptions, if any, of FRS 102 used in the preparation of 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, which is the case in the current year where the financial statements are prepared on a basis other than a going concern.

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.

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Independent auditor's report to the members of Avantigas ON Limited

Opinion

We have audited the financial statements of AvantiGas ON Limited for the year ended 30 September 2021 which comprise the Income Statement, the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of changes in equity and the related notes 1 to 20, 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).

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 30 September 2021 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter –financial statements prepared on a basis other than going concern

We draw attention to notes 3 and 19 to the financial statements which explain that the directors have signed a contract to dispose of the company's principal activities and therefore do not consider it to be appropriate to adopt the going concern basis of accounting in preparing the financial statements. Accordingly, the financial statements have been prepared on a basis other than going concern as described in note 3. Our opinion is not modified in respect of this matter.

Other information

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

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 course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

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Independent auditor's report to the members of Avantigas ON Limited (continued)

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 7, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, 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 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 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 auditor's 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.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

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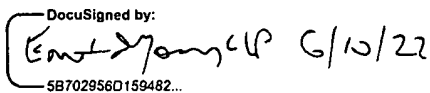
Independent auditor's report to the members of Avantigas ON Limited
(continued)

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are those that relate to the reporting framework (FRS 102 and the Companies Act, 2006) and compliance with the relevant direct and indirect tax regulation in the United Kingdom. In addition, the company has to comply with laws and regulations relating to its operations, including health and safety, data protection and anti-bribery and corruption.
- We understood how the AvantiGas ON Limited is complying with those frameworks by making enquiries of management, including those charged with governance, to understand how the company maintains and communicates its policies and procedures in these areas and to understand the controls put in place to reduce risk of non-compliance. We corroborated our enquiries through reviewing supporting documentation, board minutes and correspondence with relevant authorities.
- We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur through internal team discussions and by meeting with management to understand where they considered there was susceptibility to fraud. We also identified processes and procedures in place within the company to address the risk of fraud and sought to understand how these operate and are implemented and monitored. Through these procedures we determined there to be an increased risk in connection with the potential for management override associated with manual journals posted to revenue. We performed audit procedures to address the fraud risk identified including testing of manual journals, identifying journals meeting specific risk criteria and agreeing those transactions back to source documentation to assess whether the journals were for appropriate business reasons.
- Based on this understanding we designed our audit procedures to identify noncompliance with such laws and regulations. Our procedures involved verifying that material transactions are recorded in compliance with FRS 102 and where appropriate Companies Act 2006. Compliance with other operational laws and regulations was covered through our enquiry of management and a review of relevant documentation.

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

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.

DocuSigned by:

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Andrew Merrick (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Birmingham
Date:

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Income Statement
for the year ended 30 September 2021

	Note	2021 £000's	2020 £000's
Revenue	4	35,086	24,381
Cost of sales		(32,976)	(23,079)
Gross profit		2,110	1,302
Administrative expenses		(7,136)	(5,873)
Interest paid		-	(1)
Loss on ordinary activities before taxation	5	(5,026)	(4,752)
Tax credit on loss on ordinary activities	7	2,721	121
Loss for the financial year		(2,305)	(4,451)

Statement of Comprehensive Income

There are no items of other comprehensive income, therefore the total comprehensive income equals the loss for the financial year of £2,305k in the year ended 30 September 2021 (2020: loss of £4,451k).

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Statement of financial position
as at 30 September 2021

	Note	2021 £000's	2020 £000's
Fixed assets			
Intangible assets	8	253	306
Property, plant and equipment	9	-	-
		253	306
Current assets			
Trade and other receivables;			
Amounts falling due within one year	10	84,505	7,418
Amounts falling due after more than one year	10	25,074	340
Deferred tax asset	13	16	150
Cash at bank and in hand		1,722	2,174
		111,317	10,082
Creditors: amounts falling due within one year	11	(6,830)	(7,964)
			-
Net current assets		104,487	2,118
Total assets less current liabilities		104,740	2,424
Creditors: amounts falling due over one year	12	(10)	(2,030)
Provisions	15	(106,641)	-
Net (liabilities)/assets		(1,911)	394
Equity			
Share capital	16	-	-
Share premium		11,900	11,900
Retained earnings		(13,811)	(11,506)
Total equity		(1,911)	394

The financial statements on pages 11 to 33 were approved by the Board of Directors on 6 October 2022 and were signed on its behalf by:

DocuSigned by:

James Ackroyd

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James Ackroyd
Director

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Statement of changes in equity
for the year ended 30 September 2021

	Share capital £000's	Share premium £000's	Retained earnings £000's	Total £000's
Balance as at 1 October 2019	0	11,900	(7,055)	4,845
Loss for the year	-	-	(4,451)	(4,451)
Balance as at 1 October 2020	0	11,900	(11,506)	394
Loss for the year	-	-	(2,305)	(2,305)
Balance as at 30 September 2021	0	11,900	(13,811)	(1,911)

AvantiGas ON Limited

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Notes to the financial statements

1. General Information

AvantiGas ON Limited is a private company limited by shares and is incorporated in England and Wales. The company was incorporated on 17 October 2016.

The address of its registered office is: UGI House, Gisborne Close, Staveley, Chesterfield, England, S43 3JT.

The company's principal activity during the year was the marketing and supply of mains gas.

2. Statement of compliance

The individual financial statements of AvantiGas ON Limited have been prepared in compliance with United Kingdom Generally Accepted Accounting Practice, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and the Companies Act 2006.

3. Summary of significant accounting policies

The principal accounting policies that have been applied consistently throughout the period are set out below. These have been consistently applied to all the years presented unless otherwise stated.

Basis of preparation

The financial statements are prepared under the historical cost convention and in accordance with applicable United Kingdom accounting standards, the Companies Act 2006 and applicable accounting standards in the United Kingdom including FRS 102. The financial statements are prepared in sterling which is the functional currency of the company and rounded to the nearest £'000. Amounts shown as £0 represent amounts below £500.

The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in the *'Critical accounting judgements and key source of estimation uncertainty'* policy.

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Notes to the financial statements (continued)

3. Summary of significant accounting policies (continued)

Going concern

As described in note 19, subsequent to the year end the company has exchanged contracts in respect of the sale of its main trading activities and is expected to shortly commence operating a transitional period with British Gas Trading Ltd, followed by a further period of reduced operation to comply with regulatory requirements. The company has received confirmation from Avanti Gas Limited that, to the extent that the company does not have sufficient financial resource to do so, it has the ability to and will provide the company with financial support to enable the company to meet its liabilities as they fall due for a period of at least 12 months from the date of approval of these financial statements through to 31 October 2023. Having considered the levels of available cash resources within Avanti Gas Limited and that company's forecast financial performance through to 31 October 2023, the directors are satisfied that Avanti Gas has the ability to give this support.

However, given that the company will no longer continue its current trading operations within the 12 months following approval of these financial statements, the directors consider it appropriate to prepare the financial statements on a basis other than a going concern. Whilst, given that the circumstances which give rise to this conclusion occurred subsequent to the year end, no adjustments have been made to these financial statements as a result of adopting this basis of preparation, it is anticipated that the company will in its financial statements for the year to 30 September 2022 recognise the majority of the financial impact of the transaction noted above either as a consequence of asset impairment reviews or through the quantification of its onerous contract provision.

Exemptions for qualifying entities under FRS 102

FRS 102 allows a qualifying entity certain disclosure exemptions; if certain conditions have been complied with, including notification of and no objection to, the use of exemptions by the company's shareholders. A qualifying entity is defined as a member of a Group that prepares publicly available financial statements, which give a true and fair view, in which that member is consolidated.

The company is a qualifying entity as its results are consolidated into the financial statements of UGI Corporation which are publicly available.

As a qualifying entity, the company has taken advantage of the following exemptions:

- i) from the requirement to prepare a statement of cash flows as required by paragraph 3.17(d) of FRS 102;
- ii) from the requirement to present certain financial instrument disclosures, as required by sections 11 and 12 of FRS 102;
- iii) from the requirement to present a reconciliation of the number of shares outstanding at the beginning and end of the period as required by paragraph 4.12(a)(iv) of FRS 102; and
- iv) from the requirement to disclose the key management personnel compensation in total as required by paragraph 33.7 of FRS 102.

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Notes to the financial statements (continued)

4. Summary of significant accounting policies (continued)

Revenue

Revenue represents the amount receivable net of discounts, value added tax and Climate Change Levy for goods sold and services rendered in the ordinary course of business.

Revenue from the sale of goods is recognised on the basis of gas supplied during the period. For those customers awaiting a bill an estimate is made of sales value of units supplied and included in trade receivables to the extent they are considered recoverable.

Employee benefits

The company provides a range of benefits to employees, including paid holiday arrangement and defined contribution pension plans.

i) Short-term benefits

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

ii) Pension costs

The company operates a Personal Pension Plan for employees. The Pension Plan is a defined contribution scheme and pension contributions are charged against profits in the period in which they are payable. Amounts not paid are shown in accruals in the statement of financial position.

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Notes to the financial statements (continued)

3. Summary of significant accounting policies (continued)

Taxation

Taxation expense for the period comprises current and deferred tax recognised in the reporting period. Tax is recognised in the income statement, except to the extent that it relates to items recognised directly in equity. In this case tax is also recognised directly in equity respectively.

Current or deferred taxation assets and liabilities are not discounted.

i) Current tax

Current tax is the amount of income tax payable in respect of the taxable profit for the period or prior periods. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the period end.

The company records a tax charge or credit in the income statement calculated at the tax rate prevailing in the period for tax payable to HM Revenue and Customs, or for group relief to surrender to or to be received from other Group undertakings, and for which payment may be requested.

Group relief is surrendered to the company's parent, UGI Midlands Limited, to the extent that it is able to offset the taxable losses of AvantiGas ON against its own taxable profits.

ii) Deferred tax

Deferred tax arises from timing differences that are differences between taxable profits and total comprehensive income as stated in the financial statements. These timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements.

Deferred tax is recognised on all timing differences at the reporting date. Unrelieved tax losses and other deferred tax assets are only 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 tax rates and laws that have been enacted or substantively enacted by the period-end and that are expected to apply to the reversal of the timing difference.

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Notes to the financial statements (continued)

3. Summary of significant accounting policies (continued)

Intangible assets

Intangible assets are stated at cost less accumulated amortisation and accumulated impairment losses. Intangible assets are amortised over its estimated useful life, on a straight-line basis as follows:

Computer software	20%
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Where factors, such as technological advancement or changes in market price, indicate that residual value or useful life have changed, the residual value, useful life or amortisation rate are amended prospectively to reflect the new circumstances. The assets are reviewed for impairment if the above factors indicate that the carrying amount may be impaired.

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use.

Depreciation is not charged on assets under construction or on freehold land.

Depreciation of other property, plant and equipment is calculated on a straight-line basis on cost over periods appropriate to their estimated useful lives, taking into account normal commercial and technical obsolescence. The following annual rates have been used:

Computer Hardware	33.3%
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Assets in the course of construction are stated at cost. These assets are not depreciated until available for use. Property, plant and equipment are de-recognised on disposal or when no future economic benefits are expected. On disposal, the difference between the net disposal proceeds and the carrying amount is recognised in the income statement.

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Notes to the financial statements (continued)

3. Summary of significant accounting policies (continued)

Impairment of non-financial assets

At each reporting date non-financial assets not carried at fair value are assessed to determine whether there is an indication that the asset may be impaired. If there is such an indication, the recoverable amount of the asset is compared to the carrying amount of the asset.

The recoverable amount of the asset is the higher of the fair value less costs to sell and value in use. Value in use is defined as the present value of the future pre-tax and interest cash flows obtainable as a result of the asset's continued use. The pre-tax and interest cash flows are discounted using a pre-tax discount rate that represents the current market risk-free rate and the risks inherent in the asset.

If the recoverable amount of the asset is estimated to be lower than the carrying amount, the carrying amount is reduced to its recoverable amount. An impairment loss is recognised in the income statement, unless the asset has been revalued when the amount is recognised in other comprehensive income to the extent of any previously recognised revaluation. Thereafter, any excess is recognised in the income statement.

If an impairment loss is subsequently reversed, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the revised carrying amount does not exceed the carrying amount that would have been determined (net of depreciation) had no impairment loss been recognised in prior periods. A reversal of an impairment loss is recognised in the income statement.

Financial instruments

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

i) Financial assets

Basic financial assets, including trade and other trade payables, cash and bank 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.

At the end of each reporting period, financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in the income statement.

If there is decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment not previously been recognised. The impairment reversal is recognised in income the statement.

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Notes to the financial statements (continued)

3. Summary of significant accounting policies (continued)

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (c) control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

ii) Financial liabilities

Basic financial liabilities, including trade and other payables, are initially recognised at transaction price.

Trade payables 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 payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Derivatives are not basic financial instruments.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or income as appropriate.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

iii) Offsetting

Financial assets and liabilities are offset, and the net amounts presented in the financial statements when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Financial assets or financial liabilities are recognised by the company in the statement of financial position only when the company becomes a party to the contractual provisions of the instrument.

Derivatives are used in the management of commodity price risk. These derivative contracts are recognised at fair value and included within trade payables or receivables as appropriate. Changes in the fair value of these hedging instruments are recognised within cost of sales in the income statement.

Provisions for liabilities

A provision is recognised when the company has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation.

Provisions for onerous contracts are charged to the income statement when it is probable that total contract costs will exceed total contract revenue on a contract, the expected loss shall be recognised as an expense immediately, with a corresponding provision for an onerous contract.

Critical accounting judgements and key source of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the application of the accounting policies and the reported amounts of assets and liabilities, revenue and expenses. Actual results may differ from these estimates.

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Notes to the financial statements (continued)

3. Summary of significant accounting policies (continued)

Estimates and underlying assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are reasonable under the circumstances. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

i) Provision for onerous contracts

The company computes an estimate for the non-recoverable component of the favourable movements recorded on fair valuing its open commodity derivative contracts as at the reporting date. When assessing the non-recoverable amount, management considers factors including the forecasted quantities of gas to be sold under fixed price contracts with customers and the effective costs associated in fulfilling those sales contracts including both hedged as well as unhedged quantities of forecasted gas to be sold. The differential amount arrived at is then accounted for as a provision for onerous contracts, the movement in which is largely offset by movements recorded as a result of the fair value measurement of the associated commodity derivative contracts in the financial year.

ii) Impairment of trade receivables

The company makes an estimate of the recoverable value of trade and other receivables. When assessing the impairment of trade and other receivables, management considers factors including the credit rating of the receivable, the ageing profile of receivables and historical experience. See note 10 for the net carrying amount of the receivables and associated impairment provision.

iii) Re-measurement of financial instruments at reporting date

Derivatives principally in the form of commodity forward contracts are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or income as appropriate.

4. Revenue

The company's revenue and operating profit relate entirely to its principal activity and arise in the following geographic areas:

	2021	2020
	£000's	£000's
United Kingdom	35,086	24,381

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Notes to the financial statements (continued)

5. Operating loss

	2021	2020
	£000's	£000's
<hr/>		
Operating loss is stated after charging/(crediting):		
Auditors' remuneration		
- audit fees in respect of the UK statutory audit	46	40
Depreciation of property, plant and equipment		
- owned assets (Note 9)	-	8
Amortisation of software (Note 8)	101	85
Fair value movement on commodity hedges (Note 14)	(103,072)	2,323
Movement in onerous contract provision (Note 15)	106,641	-

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Notes to the financial statements (continued)

6. Directors and employee information

	2021	2020
	£000's	£000's
Staff costs		
Wages and salaries	1,101	781
Social security costs	90	72
Other pension costs (Note 18)	47	33
	1,238	886

	2021	2020
	No.	No.
Average monthly number employed including executive Directors		
Selling and distribution	7	5
Administration	17	11
	24	16

None of the directors received any remuneration in respect of their services to this company as they are remunerated by other group companies and their services to the company are considered to comprise an immaterial element of their total remuneration.

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Notes to the financial statements (continued)

7. Tax on profit on ordinary activities

The charge for the period is analysed as follows:

	2021 £000's	2020 £000's
Current tax		
Group relief receivable	(1,101)	-
Adjustments in respect of prior years	(1,755)	-
Total current tax credit	(2,856)	-
Deferred tax		
Origination and reversal of timing differences	194	(117)
Adjustments in respect of prior years	(12)	(4)
Effect of tax rate change on opening balance	(47)	-
Total deferred tax charge/(credit)	135	(121)
Tax (credit)/charge on loss on ordinary activities	(2,721)	(121)

The tax assessed for the period differs from the standard rate of UK Corporation tax 19%. The differences are explained below:

Loss on ordinary activities before tax	(5,026)	(4,572)
Expected tax credit at 19%	(955)	(869)
Non-deductible expenditure	1	-
Adjustments to tax charge in respect of previous periods – deferred tax	(12)	(3)
Adjustments to tax charge in respect of previous periods – group relief	(1,755)	-
Group relief surrendered	1,101	751
Receipt for group relief	(1,101)	-
Total tax credit for the year	(2,721)	(121)

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Notes to the financial statements (continued)

7. Tax on profit on ordinary activities (continued)

It is the policy of the company to record a tax charge or credit in the income statement calculated at the tax rate prevailing in the period for tax payable to the taxation authorities, or for group relief to be surrendered to or received from other group undertakings, and for which payment may be requested.

In his budget of 2021, the Chancellor of the Exchequer proposed to increase the standard rate of corporation tax from the current rate of 19% to 25%, effective 1 April 2023. The change was substantively enacted on 24 May 2021, and the UK deferred tax asset as at 30 September 2021 has been calculated based on this rate (2020: 19%).

8. Intangible assets

	Computer software	Total
	£000's	£000's
Cost		
At 1 October 2020	457	457
Additions	48	48
At 30 September 2021	505	505
Amortisation		
At 1 October 2020	151	151
Charge for the year	101	101
At 30 September 2021	252	252
Net book amount		
At 30 September 2021	253	253
At 30 September 2020	306	306

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Notes to the financial statements (continued)

9. Property, plant and equipment

	Computer Hardware	Total
	£000's	£000's
Cost		
At 1 October 2020	30	30
Additions	-	-
At 30 September 2021	30	30
Depreciation		
At 1 October 2020	30	30
Charge for the year	-	-
At 30 September 2021	30	30
Net book amount		
At 30 September 2021	-	-
At 30 September 2020	-	-

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Notes to the financial statements (continued)

10. Trade and other receivables

	2021 £000's	2020 £000's
Trade receivables	2,680	2,093
Other receivables falling due within one year	75,217	530
Other receivables falling due after more than one year	25,074	340
Amounts due from group undertakings	929	296
Other tax and social security	746	-
Prepayments and accrued income	3,913	3,414
Deposit deeds	1,020	1,085
	109,579	7,758

Other receivables include:

£100,291k (2020: £870k) unrealised gains on commodity hedges which were categorised at fair value through profit or loss. Where these gains relate to contracts which do not mature within 12 months of the balance sheet date, they are categorised as falling due after more than one year.

Deposit Deed payments have been made to suppliers to cover indebtedness.

Deposit Deeds are repayable if AvantiGas ON:

- (a) Ceases to be a user and has no present or future, actual or contingent liability to the suppliers or;
- (b) provides a substitute deposit or any other security acceptable to the supplier in all respects to secure Indebtedness or;
- (c) requests a release of the deposit in accordance with the provisions of the supplier code and satisfaction of the conditions for such a release.

Trade receivables are stated after recording a provision for bad debt of £600k (2020: £776k).

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Notes to the financial statements (continued)

11. Creditors: amounts falling due within one year

	2021 £000's	2020 £000's
Trade payables	300	1,178
Amounts owed to fellow subsidiary	4,723	505
Other payables	1,777	3,313
Other taxation and social security	-	2,270
Accruals and deferred income	30	98
	6,830	7,964

Amounts owed to fellow subsidiary are unsecured, interest free and repayable on demand.

Other payables includes £1,691k (2020: £3,313k) unrealised losses on commodity hedges which were categorised at fair value through profit or loss.

Supplier payment policy

The company's policy is to make payments to suppliers in accordance with its standard terms and conditions.

12. Creditors: amounts falling due over one year

	2021 £000's	2020 £000's
Other payables	10	2,030
	10	2,030

Other payables include £10k (2020: £2,030k) unrealised losses on commodity hedges which were categorised at fair value through profit or loss but which do not mature within 12 months from the balance sheet date.

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Notes to the financial statements (continued)

13. Deferred tax

The amount set aside for deferred tax represents the timing differences between the recognition of items of income and expenditure for accounting and tax purposes for the years up to and including 2020. The deferred tax asset comprises:

	2021	2020
	£000's	£000's
Corporation tax deferred by:		
Accelerated capital allowances	(16)	(150)

The provision made is based on enacted corporation tax rates of 25% (2020:19%) being the rate expected to be ruling at the date the timing difference reverses based on enacted rates of tax at the balance sheet date.

14. Financial instruments

Financial instruments and other derivative contracts in the statement of financial position comprise cash, and certain amounts (including derivatives) reported within receivables (note 10) and creditors (note 11).

Market risk

Market risk is the possibility that changes in the price of natural gas will adversely affect the value of expected future cash flows. The company is exposed to commodity price risk through its operations and manages this by the appropriate use of hedging contracts; this gives commodity price certainty to both the company and customer and maintains the company's customer margin.

Credit risk

Robust credit management policies and procedures are in place to minimise the credit risk. Customers are credit checked and appropriate exposure levels are set, with collection procedures followed to ensure timely receipt of monies owing.

Liquidity risk

The company's liquidity risk is that insufficient funds are available to enable it to meet its planned business activities. This risk is mitigated through effective cash flow management and the existence of support from other group entities. Business activities are funded through self-funding and share capital and there is no external borrowing.

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Notes to the financial statements (continued)

14. Financial instruments (continued)

At 30 September 2021, the fair value of derivatives are included within Other Payables and Other Receivables.

The company has the below financial instruments:

	2021	2020
	£000's	£000's
Assets		
<i>Financial assets at fair value through profit or loss</i>		
Forward contracts for the purchase of gas	100,291	870
Liabilities		
<i>Financial liabilities at fair value through profit or loss</i>		
Forward contracts for the purchase of gas	1,691	5,343

The income, expense and changes in fair value of financial instruments at fair value through profit or loss recorded in income statement as follows:

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Notes to the financial statements (continued)

14. Financial instruments (continued)

	2021	2020
	£000's	£000's
Net gain/(loss) on derivatives:		
Forward contracts for the purchase of gas	103,072	(2,323)

Fair value methodology

The group purchase derivative contracts to manage commodity price volatility and forward foreign currency contracts to hedge currency exposure on the firm future commitments. With effect from 31 December 2017 the company's commodity hedges have been transacted through a fellow group company with external contracts entered into by that entity, mirrored by an intergroup contract between that entity and the company. The fair value of the intergroup contract is considered to be equal to the final value of the associated external contract. The fair values of the assets and liabilities held at fair value through profit and loss at the balance sheet date are determined using quoted prices. The valuation of derivative contracts at fair value utilises a combination of observable market information and other criteria, consistent with the market, the key inputs for which include future prices, volatility, price correlation, counterparty risk and market liquidity, as appropriate.

The notional amounts of the commodity derivative contracts at 30 September 2021 were £62,632k (2020: £31,512k).

15. Provisions

	Onerous contracts £000's
At 1 October 2020	-
Charged to profit and loss account	106,641
At 30 September 2021	106,641

£84,073k of the onerous contract provision is expected to be utilised within 12 months of the balance sheet date.

The onerous contract provision relates to fixed price customer supply contracts where the established price is lower than the expected cost of fulfilling the contract when the underlying hedged commodity price is replaced with the observable future market price estimates utilised in establishing the fair value of the associated derivative contracts.

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Notes to the financial statements (continued)

16. Share capital

	2021	2020
	£	£
Authorised		
Ordinary shares of £1 each	7	7
Allotted, called-up and issued		
Ordinary shares of £1 each	-	1
Allotted, called-up, issued and fully paid		
Ordinary shares of £1 each	7	6

There is a single class of ordinary shares. There are no restrictions on the distribution of dividends and the repayment of capital.

AvantiGas ON Limited

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Notes to the financial statements (continued)

17. Related party disclosures

In accordance with the exemption allowed in paragraph 33.1A of FRS 102, no disclosure is made of transactions with other wholly owned member companies of UGI Corporation and its subsidiaries.

18. Pension costs

The company operates a Personal Pension Plan for employees. The pension plan is a defined contribution scheme and pension contributions are charged against losses in the period in which they are payable. The pension charge for the period was £47k (2020: £33k).

19. Events since the balance sheet date

Subsequent to the year end, on 29th December 2021 one additional ordinary share was issued for a nominal value of £1 and associated share premium of £1,999,999 to UGI Midlands Limited, the companies immediate parent company.

Also subsequent to the year end, following a strategic review by UGI Corporation, a decision was taken by UGI Corporation to withdraw from the UK Natural Gas market segment, the segment in which the company operates. On 30 September 2022, the company exchanged contracts in respect of the sale of its customer book, the associated commodity hedges transacted through its sister company, Antargaz SAS, and certain other associated assets to British Gas Trading Ltd. This transaction is expected to be completed during October 2022. Following this sale, the company will operate a 6-month period of transition with British Gas Trading Ltd and continue to comply with Ofgem requirements for a period of at least 12 months.

As a result of the sale, it is anticipated that the company will in its financial statements for the year to 30 September 2022 recognise the majority of the financial impact of the transaction noted above either as a consequence of asset impairment reviews or through the quantification of its onerous contract provision.

20. Immediate and ultimate parent undertaking

The immediate parent company, UGI Midlands Limited, is incorporated in the United Kingdom. The registered office is UGI House, Gisborne Close, Staveley, S43 3JT.

The ultimate parent undertaking and ultimate controlling party is UGI Corporation, which is incorporated in the USA.

UGI Corporation is the parent undertaking of the largest group of undertakings to prepare consolidated financial statements which include AvantiGas ON Limited. The smallest group is UGI International LLC.

Copies of the consolidated financial statements of UGI Corporation are available from:

Investor Relations
UGI Corporation
P. O. Box 858
Valley Forge, PA 19482
USA