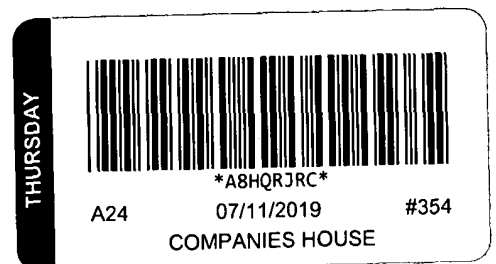


Registered number: 03899612

Good Energy Limited

Annual Report and Financial Statements

For the Year Ended 31 December 2018



Good Energy Limited

Company Information

Directors	Juliet Davenport Stephen Rosser
Registered number	03899612
Registered office	Monkton Reach Monkton Hill Chippenham Wiltshire SN15 1EE
Independent auditor	Ernst & Young LLP The Paragon 32 Counterslip Bristol BS1 6BX

Good Energy Limited

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Good Energy Limited

Strategic Report For the Year Ended 31 December 2018

Introduction

The directors present the Strategic Report of Good Energy Limited (the "Company" or "Good Energy") for the year ended 31 December 2018.

Business review

Good Energy's core retail proposition is to supply 100% renewably sourced electricity to business and domestic customers. The Company guarantees to match the electricity supplied to customers with renewable electricity from power sources over the course of a year.

In 2018, Good Energy Limited delivered growth of 15.1% in revenue (increasing from £73.89m to £85.07m) and 12.8% in gross profit (increasing from £17.56m to £19.80m), while managing the challenges of an increasingly competitive UK energy market and volatile wholesale energy market.

At the year end the Company had net assets of £6,022,990 (2017: £5,284,331).

Future developments

In 2018 we have been responding to an energy market in transition as we continue to update our strategy in order to adapt and exploit the changing conditions within this market.

We have gradually begun to shift our focus away from the retail supply market, which is becoming characterised by an increasing number of new entrants driving aggressive pricing and creating a price war. While we will continue to consolidate our position within this market and deliver value for our retail supply customers, our core business focus has been shifting towards Feed-in Tariff (FiT) services, where we can leverage our existing market share, and to the business supply market where we have seen strong customer growth in business volumes in 2018.

As we continue to evolve, we believe the future of our core business will move out of energy supply and into energy services covering the FiT, business and domestic markets. This reflects our vision to become an expert integrator of green energy and value added technical services in the home and in businesses.

Principal risks and uncertainties

From the perspective of the Company, the principal risks and uncertainties are integrated with the principal risks of the group and are not managed separately. Accordingly, the principal risks and uncertainties of the Good Energy Group PLC, which include those of the Company, are discussed in the group's annual report which does not form part of this report.

Financial risk management

The main financial risks arising from the Company's activities are liquidity risk, commodity price risk, credit risk and interest rate cash flow risk.

Liquidity risk

The Company's approach to managing liquidity is to ensure, as far as possible, that it has sufficient funds to meet its liabilities when due under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. It achieves this by monitoring cash flow forecasts on a 'rolling forecast' basis to ensure it has sufficient cash to meet operational needs while maintaining enough headroom on its undrawn committed borrowing facilities at all times so as not to breach borrowing limits or covenants.

Good Energy Limited

Strategic Report (continued) For the Year Ended 31 December 2018

Commodity price risk

The Company's operations result in exposure to fluctuations in energy prices. Management monitors energy prices and initiates instruments to manage exposure to these risks when it deems appropriate. The Company typically buys power forwards in order to mitigate some of the risk of commodity price fluctuation.

If the wholesale market moves significantly upwards or downwards, the price risk to the Company will depend upon a number of factors including the excess or deficiency of power being supplied by Renewable Power Purchase contracts in place at the time. The Company may be required to pass on the price risk to customers. Retail prices can be amended with 30 days notification to customers. The Company closely monitors movements in the wholesale market and assesses trends so it is ready to take necessary action when required.

Credit risk

The Company's exposure to credit risk arises from its debtors from customers. At 31 December 2018 and 2017, the Company's trade debtors were classed as due within one year, details of which are included in note 16. The Company's policy is to undertake credit checks where appropriate on new customers and to provide for expected credit losses (ECLs) based on estimated irrecoverable amounts determined by reference to specific circumstances and past default experience. Credit risk is also in part mitigated by the policy to offer direct debit as a preferred method of payment for customers. At the Statement of Financial Position date the directors have provided for ECL and believe that there is no further credit risk.

Interest rate cash flow risk

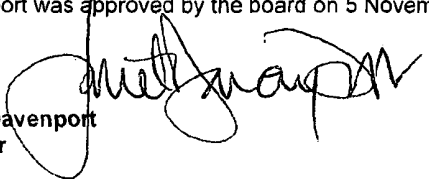
The financial risk is the risk to the Company's earnings that arises from fluctuations in interest rates and the degree of volatility of these rates. The Company has borrowings in the form of a loan to the holding company and an overdraft over which interest is charged. The directors do not consider the risk from the intercompany loan interest rate to be significant. There is a risk of legislative change and impact on the economy and therefore interest rates as a result of Brexit, and management are alert to any decisions that may be made over the coming year in this area.

Financial key performance indicators

The Company is part of a group controlled by Good Energy Group PLC. The directors of Good Energy Group PLC manage the group's operations on a divisional basis. For this reason, apart from the performance indicators discussed in the business review above, the Company's directors believe that analysis using key performance indicators for the Company is not necessary or appropriate for an understanding of the development, performance or position of the business of Good Energy Limited. The development, performance and position of the retail division of Good Energy Group PLC, which includes the Company, is discussed in the group's annual report which does not form part of this report.

This report was approved by the board on 5 November 2019 and signed on its behalf.

Juliet Davenport
Director



Good Energy Limited

Directors' Report For the Year Ended 31 December 2018

The directors present their annual report and the audited financial statements for the year ended 31 December 2018.

Principal activity

The Company's principal activity during the year was the supply of electricity to domestic and business customers.

Good Energy Limited is a private limited company incorporated in England and Wales under the Companies Act 2006, and it is domiciled within the United Kingdom. Good Energy Group PLC is the parent of the Company and ultimate parent of the group to which the Company belongs.

Results and dividends

The profit for the year, after taxation, amounted to £3,340,687 (2017: £1,446,132).

During the year no dividend (2017: £nil) was paid. The directors recommend the payment of a final dividend of £2,500,000 (2017: £nil).

Future developments

Future developments are detailed within the Future Developments section of the Strategic Report on page 1.

Employees at Good Energy

The Company's employment policies follow best practice based on equal opportunities for all employees, irrespective of race, gender, nationality, colour, sexual orientation, disability, marital status, religion or age. All decisions relating to employment are objective, free from bias and based upon work criteria and individual merit. The Company operates on the principle that a workplace where people's differences are valued creates a more productive, innovative and effective organisation. Consultation with employees or their representatives has continued at all levels, with the aim of ensuring that views are taken into account when decisions are made that are likely to affect their interests and that all employees are aware of the financial and economic performance of the business.

Communication with all employees continues through a variety of mechanisms, including regular team briefs and twice-yearly off-site all-company meetings. The Company engages an internal network of employee champions which encourages grassroots involvement and has made a significant contribution to all aspects of working at Good Energy during the year.

Directors

The directors who served during the year were:

Juliet Davenport
Stephen Rosser (appointed 31 March 2018)
Denise Cockrem (resigned 31 March 2018)
Martin Edwards (resigned 30 April 2019)

Qualifying third party indemnity provisions

As permitted by the Articles of Association, the directors have the benefit of an indemnity which is a qualifying third party indemnity provision as defined by Section 234 of the Companies Act 2006. The indemnity was in force throughout the last financial year and is currently in force.

The ultimate parent company, Good Energy Group PLC, also purchased and maintained throughout the financial year Directors' and Officers' liability insurance in respect of itself and its Directors.

Good Energy Limited

**Directors' Report (continued)
For the Year Ended 31 December 2018**

Directors' responsibilities statement

The directors are responsible for preparing the Strategic Report, the 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 year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", 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 then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Disclosure of information to auditor

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

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

Auditor

The auditor, Ernst & Young LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on 5 November 2019 and signed on its behalf.


Juliet Davenport
Director

Independent Auditor's Report to the Members of Good Energy Limited

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GOOD ENERGY LIMITED

Opinion

We have audited the financial statements of Good Energy Limited (the 'Company') for the year ended 31 December 2018 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity and the related notes 1 to 27, 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 FRS 101 "Reduced Disclosure Framework" (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 31 December 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

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

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

Independent Auditor's Report to the Members of Good Energy Limited

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.

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.

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

We have nothing to report in this regard.

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 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Independent Auditor's Report to the Members of Good Energy Limited

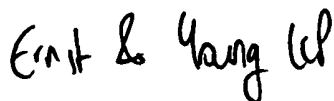
Auditor's responsibilities for the audit of the financial statements

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.

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.



John Howarth (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Bristol, UK
6 November 2019

Good Energy Limited

**Statement of Comprehensive Income
For the Year Ended 31 December 2018**

	Note	2018 £	2017 £
Revenue	4	85,069,398	73,893,471
Cost of sales		(65,266,209)	(56,331,012)
Gross profit		19,803,189	17,562,459
Administrative expenses		(16,419,569)	(16,094,719)
Operating profit	5	3,383,620	1,467,740
Finance income	9	16,164	2,262
Finance costs	10	(3,905)	(34,366)
Profit before tax		3,395,879	1,435,636
Taxation	11	(55,192)	10,496
Profit for the financial year		3,340,687	1,446,132
Total comprehensive income for the year		3,340,687	1,446,132

The notes on pages 13 to 36 form part of these financial statements.

Good Energy Limited
Registered number: 03899612

Statement of Financial Position
As at 31 December 2018

	Note	2018 £	2017 £
Fixed assets			
Intangible assets	12	2,722,982	2,344,831
Tangible assets	13	398,262	317,337
		<u>3,121,244</u>	<u>2,662,168</u>
Current assets			
Inventories	15	8,442,103	8,950,595
Debtors	16	29,605,812	27,290,254
Cash and cash equivalents	17	12,779,700	11,567,932
		<u>50,827,615</u>	<u>47,808,781</u>
Creditors	18	(47,878,144)	(45,186,618)
Net current assets		<u>2,949,471</u>	<u>2,622,163</u>
Total assets less current liabilities		<u>6,070,715</u>	<u>5,284,331</u>
Provisions for liabilities			
Deferred taxation	19	(47,725)	-
		<u>(47,725)</u>	<u>-</u>
Net assets		<u>6,022,990</u>	<u>5,284,331</u>
Capital and reserves			
Called up share capital	20	1,171,002	1,171,002
Share premium account	21	1,150,000	1,150,000
Profit and loss account	21	3,701,988	2,963,329
Total equity		<u>6,022,990</u>	<u>5,284,331</u>

Good Energy Limited
Registered number:03899612

Statement of Financial Position (continued)
As at 31 December 2018

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 5 November 2019.



Juliet Davenport
Director

The notes on pages 13 to 36 form part of these financial statements.

Good Energy Limited

**Statement of Changes in Equity
For the Year Ended 31 December 2018**

	Ordinary shares	Share premium account	Retained earnings	Total equity
	£	£	£	£
At 1 January 2018	1,171,002	1,150,000	2,963,329	5,284,331
Comprehensive income for the year				
Profit for the year	-	-	3,340,687	3,340,687
Total comprehensive income for the year	-	-	3,340,687	3,340,687
Dividends: equity capital (see note 14)	-	-	(2,500,000)	(2,500,000)
Deferred tax relating to share based payments	-	-	(102,028)	(102,028)
Total transactions with owners	-	-	(2,602,028)	(2,602,028)
At 31 December 2018	1,171,002	1,150,000	3,701,988	6,022,990

The notes on pages 13 to 36 form part of these financial statements.

Good Energy Limited

**Statement of Changes in Equity
For the Year Ended 31 December 2017**

	Ordinary shares £	Share premium account £	Retained earnings £	Total equity £
At 1 January 2017	1,171,002	1,150,000	1,360,114	3,681,116
Comprehensive income for the year				
Profit for the year	-	-	1,446,132	1,446,132
Total comprehensive income for the year	-	-	1,446,132	1,446,132
Share based payments	-	-	263,259	263,259
Deferred tax relating to share based payments	-	-	(106,176)	(106,176)
Total transactions with owners	-	-	157,083	157,083
At 31 December 2017	1,171,002	1,150,000	2,963,329	5,284,331

The notes on pages 13 to 36 form part of these financial statements.

Good Energy Limited

Notes to the Financial Statements For the Year Ended 31 December 2018

1. General information

Good Energy Limited is a private limited company incorporated in England and Wales under the Companies Act 2006 and is domiciled within the United Kingdom.

The nature of the Company's operations and its principal activities are set out in the Directors' Report. The Company is not listed. The Company's registered office and principal place of business is Monkton Reach, Monkton Hill, Chippenham, Wiltshire, SN15 1EE. The Company's registered number is 03899612.

These financial statements are presented in pounds sterling which is the functional and presentation currency.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policies (see note 3).

The following principal accounting policies have been applied:

2.2 Financial reporting standard 101 - reduced disclosure exemptions

The Company has taken advantage of the following disclosure exemptions under FRS 101:

- the requirements of paragraphs 45(b) and 46-52 of IFRS 2 Share-based Payment
- the requirements of IFRS 7 Financial Instruments: Disclosures
- the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement
- the requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15 Revenue from Contracts with Customers
- the requirement in paragraph 38 of IAS 1 Presentation of Financial Statements to present comparative information in respect of:
 - paragraph 79(a)(iv) of IAS 1;
 - paragraph 73(e) of IAS 16 Property, Plant and Equipment;
 - paragraph 118(e) of IAS 38 Intangible Assets;
- the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134-136 of IAS 1 Presentation of Financial Statements
- the requirements of IAS 7 Statement of Cash Flows
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors
- the requirements of paragraph 17 and 18A of IAS 24 Related Party Disclosures
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member
- the requirements of paragraphs 130(f)(ii), 130(f)(iii), 134(d)-134(f) and 135(c)-135(e) of IAS 36 Impairment of Assets.

Good Energy Limited

Notes to the Financial Statements
For the Year Ended 31 December 2018

2. Accounting policies (continued)

2.3 New standards, amendments and IFRIC interpretations

The Company applied IFRS 15 Revenue from Contracts with Customers and IFRS 9 Financial Instruments for the first time. The nature and effect of the changes as a result of adoption of these new accounting standards are described below.

IFRS 16 Leases has also been issued, but is not yet effective and has not been early adopted by the Company.

Several other amendments and interpretations apply for the first time in 2018, but do not have an impact on the financial statements of the Company. The Company has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue, and related Interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. IFRS 15 establishes a five step model to account for revenue arising from contracts with customers and requires that revenue be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

IFRS 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires extensive disclosures.

The Company adopted IFRS 15 using the full retrospective method of adoption. The effect of transition on the current period has not been disclosed. The Company did not apply any of the available optional practical expedients.

An assessment was performed on all revenue streams of the Company, with the five step model considered for each. Historic treatment was in line with IFRS 15 for most revenue streams - including supply of electricity. Adjustments to treatment were required for a subsection of the FiT administration revenue, particularly around the timing of revenue recognition to be in line with the completion of the performance obligation over time. The difference in treatment was calculated for 2017 and 2018 and is immaterial to the financial statements, and therefore has not been disclosed.

The effect of adopting IFRS 15 is immaterial to the Statement of Comprehensive Income and to the Statement of Financial Position.

IFRS 9 Financial Instruments

IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The Company has applied IFRS 9 retrospectively, with the initial application date of 1 January 2018 and adjusting the comparative information where applicable for the period beginning 1 January 2017.

The effect of adopting IFRS 9 is immaterial to the Statement of Comprehensive Income and to the Statement of Financial Position.

Good Energy Limited

**Notes to the Financial Statements
For the Year Ended 31 December 2018**

2. Accounting policies (continued)

2.3 New standards, amendments and IFRIC interpretations (continued)

IFRS 9 Financial Instruments (continued)

The Company has taken the IFRS 9 exemption for hedge accounting to not apply, as commodity derivatives are designated as being for "own use" purposes.

The expected credit loss (ECL) model has been calculated in line with requirements under IFRS 9. The Company's trade debtors have no significant financing component, so the Company has used the simplified method for providing for these under IFRS 9. Therefore, the impairment loss is measured at lifetime ECL. The debtors have been segmented into intercompany and third party debtors. The ECL is immaterial to the Company's financial position.

IFRS 16 Leases

The Company will adopt IFRS 16 from 1 January 2019 and has chosen to adopt the modified retrospective approach. Consequently, comparative information in the financial statements for the year ending 31 December 2018 will not be restated.

The new requirements will impact the Company's accounting for lease contracts.

The Company's current operating lease portfolio predominantly relates to rent paid on building leases. On transition to IFRS 16 on 1 January 2019, these leases will be brought onto the Statement of Financial Position as right-of-use assets, and the Company will recognise a corresponding liability for the amounts payable under the lease contracts.

For short-term leases (12 months or less) and leases of low value assets, the Company will elect to recognise a lease expense on a straight-line basis as permitted by IFRS 16. Short-term leases include those which end within 12 months of transition.

Good Energy Limited

Notes to the Financial Statements For the Year Ended 31 December 2018

2. Accounting policies (continued)

2.4 Revenue recognition

The Company is in the business of providing a supply of electricity, as well as FiT administration services. Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. The Company has generally concluded that it is the principal in its revenue arrangements, except for the FiT administration services below, because it typically controls the goods or services before transferring to the customer.

The disclosures of significant accounting judgements, estimates and assumptions relating to revenue from contracts with customers are provided in note 3.

A contract liability is the obligation to transfer goods or services to a customer for which the Company has received consideration (or an amount of consideration is due) from the customer.

If a customer pays consideration before the Company transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Company performs under the contract. The Company recognises contract liabilities when customers are in a credit position.

Electricity supply

Revenue for the supply of electricity is accrued based on industry data flows and National Grid data. Revenue calculated from energy sales includes an estimate of the quantity in units of electricity or gas supplied to customers between the date of the last meter reading and the end of the reporting period. 14% of the total revenue figure is estimated, with a fixed transaction price and estimated unit consumption. The estimate is made using historical consumption patterns, industry estimated consumption rates, and seasonality data available, and takes into consideration industry reconciliation processes, upon which the Company takes a prudent position until final reconciliation data is available from the industry fourteen months after the supply date. Unbilled receivables is superseded when customer meter reads are received at which point estimates are adjusted to actual usage. Transaction price is explicitly stated per unit and per day. Unbilled receivables is considered to be a variable consideration which is not constrained as the Company considers it to be highly probable that a significant amount will not be reversed after year end. Unbilled receivables and the variable consideration is estimated using the most likely outcome approach.

Revenue is recognised over time as the electricity is delivered to the customer. The transaction price is clearly stated, there are no separate performance obligations to which a portion of the transaction price needs to be allocated, and there is no variable consideration. Discounts are given to 100% of customers who meet certain criteria, and a provision is built up monthly to account for these, offsetting against revenue over time as the discount is incurred, which is in line with IFRS 15.

For electricity supply, payment is collected either as a direct debit or paid on receipt of bill in arrears. Overdue amounts are reviewed regularly for impairment and provision made as necessary. No refunds, returns or warranties are applicable.

Good Energy Limited

**Notes to the Financial Statements
For the Year Ended 31 December 2018**

2. Accounting policies (continued)

2.4 Revenue recognition (continued)

Feed-in-Tariff (FiT) administration services

The Company provides FiT administration services to micro-generators who are signed up to the FiT scheme. For FiT services, revenue is earned from Ofgem for administering the scheme, which is deemed to be the transaction price. For FiT services, revenue is recognised in two parts; there is an initial fee paid by Ofgem for taking on a generator, and then an ongoing amount that is received annually for provision of FiT services. The initial fee is spread over the period from when the customer signs up with Good Energy until the following April, when the FiT compliance year ends for a new customer, and the ongoing fee that is received is spread over the 12 month compliance period. No refunds, returns or warranties are applicable.

Good Energy Limited

Notes to the Financial Statements
For the Year Ended 31 December 2018

2. Accounting policies (continued)

2.5 Intangible assets

Definite life intangible assets

Definite life intangible assets comprise software licences and website development costs, which meet the criteria of IAS 38 Intangible Assets. The software licence costs are carried at costs less accumulated impairment losses.

Indefinite life intangible assets

The power supply licence is held as an indefinite life intangible asset according to the criteria of IAS 38 Intangible Assets. The power supply licence is carried at cost less accumulated impairment losses. Cost comprises purchase price from third parties as well as directly attributable internally generated development costs where relevant.

Amortisation

Amortisation on definite life intangible assets is charged to the Statement of Comprehensive Income on a straight line basis over the estimated useful lives of intangible assets.

The estimated useful lives range as follows:

Software licenses	- between 3 and 10 years
Website development costs	- between 2 and 5 years

Amortisation of intangible assets is included in the Statement of Comprehensive Income in administrative expenses.

Impairment

The directors regularly review intangible assets for impairment and a provision is made if necessary. Assets with an indefinite useful life, e.g. goodwill and the power supply licence are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units). Non-financial assets that suffered impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

2.6 Tangible assets

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

The Company adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred, if the replacement part is expected to provide incremental future benefits to the Company. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to profit or loss during the period in which they are incurred.

Good Energy Limited

Notes to the Financial Statements For the Year Ended 31 December 2018

2. Accounting policies (continued)

2.6 Tangible assets (continued)

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

The estimated useful lives range as follows:

Leasehold improvements	- over the life of the lease
Furniture, fixtures and fittings	- between 3 and 5 years

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date. The carrying value of tangible assets is reviewed for impairment when events or changes in circumstance indicate that the carrying value may not be recoverable.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Statement of Comprehensive Income within other operating income..

2.7 Inventories

Renewable Obligation Certificates (ROCs)

Under the provision of the Utilities Act 2000, all electricity suppliers are required to procure a set percentage of their supplies from accredited renewable electricity generators. This obligation can be fulfilled by the purchase and surrender of ROCs originally issued to generators, or by making payments to Ofgem who then recycle the payments to purchasers of ROCs. Notwithstanding that Good Energy Limited supplies electricity sourced entirely from renewable generation over a 12 month period, its percentage obligation to submit ROCs is set by Ofgem. The cost obligation is recognised as electricity is supplied and charged as a cost of sale in the Statement of Comprehensive Income. Any gains or losses on disposal of ROCs which are in excess of the Company's compliance obligations are included as an adjustment to the compliance costs included within cost of sales. ROCs are valued at the lower of purchase costs and estimated realisable value.

2.8 Financial instruments

The Company uses certain financial instruments in its operating and investing activities that are deemed appropriate for its strategy and circumstances.

Financial instruments recognised on the Statement of Financial Position include cash and cash equivalents, trade receivables, trade payables and borrowings. Financial assets and liabilities are recognised on the Statement of Financial Position when the company has become a party to the contractual provisions of the instrument.

Financial assets at amortised cost

The Company's financial assets at amortised cost comprise trade and other receivables and cash and cash equivalents in the Statement of Financial Position. These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are solely payments of principal and interest. They arise principally through the provision of goods and services to customers (e.g. trade receivables), but also incorporate other types of contractual monetary asset. They are initially recognised at fair value and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment. These are held in a business model which intends to hold the financial assets to collect the contractual cash flows rather than through sale. Trade receivables are shown inclusive of unbilled amounts to customers.

Good Energy Limited

Notes to the Financial Statements
For the Year Ended 31 December 2018

2. Accounting policies (continued)

2.8 Financial instruments (continued)

Financial assets at amortised cost (continued)

The Company recognises an allowance for expected credit losses (ECLs) for all financial assets measured at amortised cost. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive. For trade receivables and contract assets, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For trade receivables, which are reported net, such provisions are recorded in a separate allowance account with the loss being recognised within administrative expenses in the Statement of Comprehensive Income. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

Cash and cash equivalents comprise cash on hand and on demand 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 changes in value.

Short-term security deposits are held by trading exchanges to cover short term electricity trades.

Financial liabilities and equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities.

Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the course of ordinary 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 fair value and subsequently held at amortised cost.

Borrowings

The Company expenses borrowing costs over the term of the loan facility. Where borrowing costs are attributable to the acquisition, construction or production of a qualifying asset, such costs are capitalised as part of the specific asset. Details of the Company's borrowings are included in note 18.

2.9 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Good Energy Limited

Notes to the Financial Statements For the Year Ended 31 December 2018

2. Accounting policies (continued)

2.10 Finance income

Finance income is recognised in the Statement of Comprehensive Income using the effective interest method.

2.11 Finance costs

Finance costs are charged to the Statement of Comprehensive Income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

2.12 Dividends

Dividend distribution to the Company's shareholders is recognised as a liability in the Company's financial statements in the period in which the dividends are approved by the Company's shareholders.

2.13 Share based payments

The Company applies IFRS 2 to share based payments. The Company operates a share based payment compensation plan, under which the entity grants key employees the option to purchase shares in the company at a specified price maintained for a certain duration.

The Company operates an equity-settled, share based compensation plan, under which the entity receives services from employees as consideration for equity instruments (options) of the Company. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted:

- including any market performance conditions (for example, an entity's share price);
- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time), and
- including the impact of any non-vesting conditions (for example, the requirement of employees to save).

Non-market performance and service conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied.

At the end of each financial period, the Company revises its estimates of the number of options that are expected to vest based on the non-market vesting conditions. It recognises the impact of the revision to original estimates, if any, in the Consolidated Statement of Comprehensive Income, with a corresponding adjustment to equity.

When the options are exercised, and the Company issues new shares to meet that obligation, the proceeds received net of any directly attributable transactions costs are credited to share capital (nominal value) and share premium.

Good Energy Limited

Notes to the Financial Statements
For the Year Ended 31 December 2018

2. Accounting policies (continued)

2.14 Operating leases: the Company as lessee

Rentals paid under operating leases are charged to the Statement of Comprehensive Income on a straight line basis over the lease term.

2.15 Pensions

Defined contribution pension plan

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

The contributions are recognised as an expense in the Statement of Comprehensive Income when they fall due. Amounts not paid are shown in accruals as a liability in the Statement of Financial Position. The assets of the plan are held separately from the Company in independently administered funds.

2.16 Current and deferred taxation

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

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

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

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

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

Good Energy Limited

Notes to the Financial Statements For the Year Ended 31 December 2018

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

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Revenue from contracts with customers

Estimates over revenue from contracts with customers

Revenue calculated from electricity sales includes an estimate of the quantity in units of electricity supplied to customers between the date of the last meter reading and the end of the reporting period. 14% of the total revenue figure is estimated, with a fixed transaction price and estimated unit consumption. The estimate is made using historical consumption patterns, industry estimated consumption rates, and seasonality data available, and takes into consideration industry reconciliation processes, upon which the Company takes a prudent position until final reconciliation data is available from the industry fourteen months after the supply date.

Provision for expected credit losses of trade receivables and contract assets

The Company uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e. by customer type, payment type).

The provision matrix is initially based on the Company's historic observed default rates, calibrated to adjust the historic credit loss experience with forward-looking information. For instance, if forecast economic conditions are expected to deteriorate over the next year which can lead to an increased number of defaults, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecasted economic conditions. The Company's historical credit loss experience and forecast of economic conditions may also not be representative of customers' actual default in the future. Information about the ECLs on the Company's trade receivables is disclosed in note 16.

Judgements over revenue from contracts with customers

The Company applied the following judgements that affect the determination of the amount and timing of revenue from contracts with customers:

i. Identifying performance obligations in contracts

Good Energy's revenues from contracts with customers include unit charges and standing charges for the supply of electricity and FiT administration fees. Most of these performance obligations are easily identifiable, and are separable.

For FiT administration revenue from customers who are new to the FiT scheme, Good Energy are required to both register and administer that customer for a year, and there is a higher administration payment from Ofgem as a result. Registering a customer to the FiT scheme and administering their account are not separable performance obligations, as there is no fee for registering and not administering the customer.

Good Energy Limited

Notes to the Financial Statements
For the Year Ended 31 December 2018

3. Judgements in applying accounting policies and key sources of estimation uncertainty
(continued)

Revenue from contracts with customers (continued)

Judgements over revenue from contracts with customers (continued)

ii. Determining the timing and satisfaction of the services

Revenue for these services is to be recognised over time, because the customer simultaneously receives and consumes the benefits provided by the Company.

iii. Principal versus agent considerations

Contracts are entered into with customers to supply electricity, which is a service delivered over time (as the customer consumes the electricity), in which the Company is the principal.

FiT administration contracts are entered into with the customer, to supply administration services on behalf of Ofgem. The Company acts as an agent for Ofgem, not a principal, because the Company is not entitled to revenue from the customers' FiT sites, only the administration fee.

Payment normally takes place after performance by the Company. NHH customers with 15 day payment terms and HH customers with 30 day payment terms. Some customers pay by monthly direct debit and the Company aims to recover billed amounts every 3 months.

Electricity purchase costs

Electricity purchase costs can typically take 14 months from the date of supply to be finalised due to the processes that the energy market has to complete in order to finalise generation and consumption data for any one particular month. Therefore there is an element of electricity purchase costs that needs to be estimated based on a combination of in-house and industry data that is available at any particular point in time.

Inventories

The Company carries ROCs as stock in its Statement of Financial Position. These are valued at the lower of cost or estimated realisable value. Gains or losses made on ROCs which are subsequently sold, are only recognised in the Statement of Comprehensive Income when they crystallise.

The final out-turn value of a ROC is only published by Ofgem in October following the compliance year (April to March) which may require a final adjustment to gains or losses on the sale or purchase of ROCs previously recognised in the Statement of Comprehensive Income.

Provisions for expected credit losses

The assessments undertaken in recognising provisions have been made in accordance with IFRS 9. A provision for impairment of trade receivables is established based on an expected credit loss model. Please see the "Revenue from contracts with customers" section above for detail.

Good Energy Limited

Notes to the Financial Statements For the Year Ended 31 December 2018

4. Revenue

Revenue is attributable to the Company's principal activity being that of a licenced electricity supplier.

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

	2018 £	2017 £
Electricity supply	80,212,385	68,887,499
FiT administration	4,857,013	5,005,972
	<u>85,069,398</u>	<u>73,893,471</u>

Power supply

Revenue for the supply of electricity is accrued based on industry data flows and National Grid data. Revenue calculated from energy sales includes an estimate of the quantity in units of electricity or gas supplied to customers between the date of the last meter reading and the end of the reporting period. 14% of the total revenue figure is estimated, with a fixed transaction price and estimated unit consumption. The estimate is made using historical consumption patterns, industry estimated consumption rates, and seasonality data available, and takes into consideration industry reconciliation processes, upon which the Group takes a prudent position until final reconciliation data is available from the industry fourteen months after the supply date. Unbilled receivables is superseded when customer meter reads are received at which point estimates are adjusted to actual usage. Transaction price is explicitly stated per unit and per day. Unbilled receivables is considered to be a variable consideration which is not constrained as the Company considers it to be highly probable that a significant amount will not be reversed after year end. Unbilled receivables and the variable consideration is estimated using the most likely outcome approach.

Revenue is recognised over time as the electricity is delivered to the customer. The transaction price is clearly stated, there are no separate performance obligations to which a portion of the transaction price needs to be allocated, and there is no variable consideration. Discounts are given to 100% of customers who meet certain criteria, and a provision is built up monthly to account for these, offsetting against revenue over time as the discount is incurred, which is in line with IFRS 15.

For electricity supply, payment is collected either as a direct debit or paid on receipt of bill in arrears. Overdue amounts are reviewed regularly for impairment and provision made as necessary. No refunds, returns or warranties are applicable.

Feed-in-Tariff (FiT) administration services

The Company provides FiT administration services to micro-generators who are signed up to the FiT scheme. For FiT services, revenue is earned from Ofgem for administering the scheme, which is deemed to be the transaction price. For FiT services, revenue is recognised in two parts; there is an initial fee paid by Ofgem for taking on a generator, and then an ongoing amount that is received annually for provision of FiT services. The initial fee is spread over the period from when the customer signs up with Good Energy until the following April, when the FiT compliance year ends for a new customer, and the ongoing fee that is received is spread over the 12 month compliance period. No refunds, returns or warranties are applicable.

Good Energy Limited

Notes to the Financial Statements
For the Year Ended 31 December 2018

4. Revenue (continued)

Contract balances

Contract balances comprise trade receivables of £7,846,641 and expected credit losses of £5,921,784 (see note 16), and contract liabilities of £3,523,000 (see note 18). The Company has no contract assets.

A contract liability is the obligation to transfer goods or services to a customer for which the Company has received consideration (or an amount of consideration is due) from the customer.

If a customer pays consideration before the Company transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Company performs under the contract. The Company recognises contract liabilities when customers are in a credit position.

5. Operating profit

The operating profit is stated after charging:

	2018 £	2017 £
Depreciation of tangible fixed assets	143,219	133,202
Amortisation of intangible assets	867,031	1,008,496
Operating lease payments	471,986	430,933
	<u>1,482,236</u>	<u>1,572,631</u>

6. Auditor's remuneration

The Company paid the following amounts to its auditors in respect of the audit of the financial statements and for other services provided to the Company.

	2018 £	2017 £
Fees for the audit of the Company	21,630	20,000
	<u>21,630</u>	<u>20,000</u>

The Company has taken advantage of the exemption not to disclose amounts paid for non audit services as these are disclosed in the group accounts of the parent company.

Good Energy Limited

Notes to the Financial Statements
For the Year Ended 31 December 2018

7. Employees

Staff costs were as follows:

	2018	2017
	£	£
Wages and salaries	7,854,514	7,820,263
Social security costs	1,059,777	1,136,834
Pension costs - defined contribution pension plan	459,386	472,457
	<u>9,373,677</u>	<u>9,429,554</u>

The total for employee expenses has been stated net of amounts recharged to other group companies of £4,419,055 (2017: £3,951,972).

In addition to the employee costs above, a share based payment charge of £nil (2017: £263,259) has been recognised as an expense within administrative expenses.

The share based payments relate to the shares of Good Energy Group PLC. Therefore the Company determined that the associated costs should be accounted for within Good Energy Group PLC, and these were recharged during the year.

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

	2018	2017
	No.	No.
Operations	110	132
Business services	186	199
	<u>296</u>	<u>331</u>

All salary costs for the group are incurred by Good Energy Limited and are recharged to subsidiary companies. The staff numbers above represent those working for the group as a whole.

Good Energy Limited

**Notes to the Financial Statements
For the Year Ended 31 December 2018**

8. Directors' emoluments

	2018	2017
	£	£
Directors' emoluments	592,957	1,300,738
Company contributions to defined contribution pension schemes	53,558	114,695
	<u>646,515</u>	<u>1,415,433</u>

During the year retirement benefits were accruing to 3 directors (2017: 3) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £323,336 (2017: £252,154).

Included in the above is compensation for loss of office in the year of £66,798 (2017: £nil).

The value of the Company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £27,170 (2017: £25,750).

During the year, 100,350 share options were exercised by directors (2017: nil). The aggregate amount of gains made by directors or on the exercise of share options was £121,476 (2017: £nil).

9. Finance income

	2018	2017
	£	£
Bank interest receivable	11,955	768
Other interest receivable	4,209	1,494
	<u>16,164</u>	<u>2,262</u>

10. Finance costs

	2018	2017
	£	£
Bank interest payable	374	25,858
Other interest payable	3,531	8,508
	<u>3,905</u>	<u>34,366</u>

Good Energy Limited

**Notes to the Financial Statements
For the Year Ended 31 December 2018**

11. Taxation

	2018 £	2017 £
Total current tax	-	-
Deferred tax		
Origination and reversal of timing differences	24,001	1,111
Adjustments in respect of prior years	31,191	(11,607)
Total deferred tax	55,192	(10,496)
Taxation on profit/(loss) on ordinary activities	55,192	(10,496)

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2017: *lower than*) the standard rate of corporation tax in the UK of 19.00% (2017: 19.25%). The differences are explained below:

	2018 £	2017 £
Profit on ordinary activities before tax	3,395,879	1,435,636
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.00% (2017: 19.25%)	645,217	276,360
Effects of:		
Expenses not deductible for tax purposes	3,812	45,653
Adjustments in respect of prior years	31,191	(11,607)
Effects of changes in tax rate	(2,824)	(16,777)
Group relief not paid	(630,470)	(304,125)
Other deferred tax movements	(11,273)	-
Deferred tax on share-based payments	19,539	-
Total tax charge/(credit) for the year	55,192	(10,496)

Good Energy Limited

**Notes to the Financial Statements
For the Year Ended 31 December 2018**

11. Taxation (continued)

Factors that may affect future tax charges

The Finance Act 2015, which was substantively enacted on 26 October 2015, included legislation to reduce the main rate of corporation tax to 19% from 1 April 2017 and to 18% from 1 April 2020.

The March 2016 Budget Statement announced a further change to the UK corporation tax rate which will now reduce the main rate of corporation tax to 17% from 1 April 2020. As the change has been substantively enacted at the Statement of Financial Position date, its effects are included in these financial statements.

Accordingly, the deferred tax balance has been calculated using a rate of 17%.

Good Energy Limited

Notes to the Financial Statements
For the Year Ended 31 December 2018

12. Intangible assets

	Software licences	Power supply licences	Website developments costs	Goodwill	Assets under the course of development	Total
	£	£	£	£	£	£
Cost						
At 1 January 2018	5,451,859	180,000	142,417	600,000	-	6,374,276
Transfer of assets under the course of development	-	-	-	-	-	-
Additions	143,905	-	-	-	1,101,277	1,245,182
At 31 December 2018	5,595,764	180,000	142,417	600,000	1,101,277	7,619,458
Amortisation						
At 1 January 2018	(4,029,445)	-	-	-	-	(4,029,445)
Charge for the year	(867,031)	-	-	-	-	(867,031)
At 31 December 2018	(4,896,476)	-	-	-	-	(4,896,476)
Net book value						
At 31 December 2018	699,288	180,000	142,417	600,000	1,101,277	2,722,982
At 31 December 2017	1,422,414	180,000	142,417	600,000	-	2,344,831

Amortisation of intangibles assets is included in administrative expenses in the Statement of Comprehensive Income.

The carrying values of indefinite life assets included in intangible assets are goodwill of £600,000 (2017: £600,000) and power supply licences of £180,000 (2017: £180,000). In arriving at the conclusion that these assets have an indefinite life, management considers the fact that the company is a profitable business and expects to hold and support these assets for an indefinite period. Assets under the course of development represents the Company's investment in future products and services, including a suite of low carbon home services.

An impairment review is undertaken annually or more frequently using value-in use calculations, based on pre-tax cash flow projections over a five year period approved by management and discounted at appropriate rates. The result of this review was that no impairment is required in respect of the carrying values of the indefinite life assets.

Good Energy Limited

**Notes to the Financial Statements
For the Year Ended 31 December 2018**

13. Tangible assets

	Leasehold improvements £	Furniture, fixtures and fittings £	Total £
Cost or valuation			
At 1 January 2018	360,700	1,301,595	1,662,295
Additions	144,553	151,051	295,604
At 31 December 2018	<u>505,253</u>	<u>1,452,646</u>	<u>1,957,899</u>
Depreciation			
At 1 January 2018	293,969	1,050,989	1,344,958
Charge for the year on owned assets	84,927	58,292	143,219
Disposals	-	71,460	71,460
At 31 December 2018	<u>378,896</u>	<u>1,180,741</u>	<u>1,559,637</u>
Net book value			
At 31 December 2018	<u>126,357</u>	<u>271,905</u>	<u>398,262</u>
At 31 December 2017	<u>66,731</u>	<u>250,606</u>	<u>317,337</u>

14. Dividends

	2018 £	2017 £
Dividends declared	2,500,000	-
	<u>2,500,000</u>	<u>-</u>

The dividend declared amounts to £2.13 (2017: £nil) per share. The payment of the dividend has no tax consequences for the Company.

Good Energy Limited

**Notes to the Financial Statements
For the Year Ended 31 December 2018**

15. Inventories

	2018 £	2017 £
Work in progress (goods to be sold)	8,855	351,219
Finished goods and goods for resale	8,433,248	8,599,376
	<u>8,442,103</u>	<u>8,950,595</u>

As at 31 December 2018 there were Renewable Obligation Certificates (ROCs) of £5,199,973 (2017: £5,804,944) included in the above amount that were unissued for generation that had already taken place and therefore these ROCs are not available for sale before the end of the financial year.

The cost of inventories recognised as an expense and included in 'cost of sales' amounted to £10,629,783 (2017: £8,282,518).

16. Debtors

	2018 £	2017 £
Trade debtors	7,846,641	8,431,380
Amounts owed by group undertakings	2,428,179	83,474
Other debtors	1,085,494	1,263,304
Prepayments and accrued income	18,245,498	17,402,601
Deferred taxation (see note 19)	-	109,495
	<u>29,605,812</u>	<u>27,290,254</u>

Trade debtors are stated after expected credit loss allowances of £5,921,784 (2017: £4,534,760). Where a customer account is in credit, this is included within contract liabilities (see note 18).

Loans to group companies are unsecured, do not bear any interest and are repayable on demand.

17. Cash and cash equivalents

	2018 £	2017 £
Cash at bank and in hand	12,779,700	11,567,932
	<u>12,779,700</u>	<u>11,567,932</u>

Good Energy Limited

**Notes to the Financial Statements
For the Year Ended 31 December 2018**

18. Creditors

	2018 £	2017 £
Bank loans	-	3,617,860
Other loans	575,287	363,926
Trade creditors	2,426,706	1,720,312
Amounts owed to group undertakings	14,726,627	15,199,869
Corporation tax	-	601,872
Other taxation and social security	290,835	301,690
Accruals and deferred income	26,335,689	19,220,089
Contract liabilities	3,523,000	4,161,000
	<u>47,878,144</u>	<u>45,186,618</u>

The Company has provided a debenture and cross-guarantee to Lloyds Bank in respect of monies owed by Good Energy Gas Limited. At 31 December 2018, the monies owed subject to the arrangement were £nil (2017: £nil).

Loans from group companies are unsecured, do not bear any interest and are repayable on demand.

The total of the 2017 contract liabilities were recognised as revenue in 2018.

19. Deferred taxation

	2018 £	2017 £
At beginning of year	109,495	205,175
Charged to profit or loss	(43,956)	10,496
Charged to equity	(113,264)	(106,176)
At end of year	<u>(47,725)</u>	<u>109,495</u>

The deferred taxation balance is made up as follows:

	2018 £	2017 £
Accelerated capital allowances	(54,641)	(13,860)
Short term timing differences	6,916	123,355
	<u>(47,725)</u>	<u>109,495</u>

Good Energy Limited

**Notes to the Financial Statements
For the Year Ended 31 December 2018**

20. Called up share capital

	2018 £	2017 £
Allotted, called up and fully paid		
1,171,002 (2017: 1,171,002) Ordinary shares of £1.00 (2017: £1.00) each	<u>1,171,002</u>	<u>1,171,002</u>

21. Reserves

Share premium account

The share premium account represents the consideration received on the issue of shares in the Company in excess of the nominal value of those shares, net of share issue costs, bonus issues of shares and any subsequent capital reductions.

Profit and loss account

The retained earnings represents the accumulated profits, losses and distributions of the Company.

22. Share based payments

In order to retain the services of key employees and to incentivise their performance, the Company operates the Good Energy Employee Share Option Scheme under which certain employees of the Group are granted options to acquire Ordinary 5p shares at future dates. Costs in respect of these options of £nil (2017: £263,259) are recognised in the Statement of Comprehensive Income.

The share based payments relate to the shares of Good Energy Group PLC. Therefore the Company determined that the associated costs should be accounted for within Good Energy Group PLC, and these were recharged during the year.

23. Pension commitments

The Company is committed to contribute to the personal pension plans of all staff. The annual charge for the year was £458,538 (2017: £472,457). At the year end, pension contributions of £57,630 (2017: £60,217) were outstanding.

The Company has no further pension liability either realised or contingent and in line with the Company's environmental position all employer contributions are invested within a suitable fund.

Good Energy Limited

**Notes to the Financial Statements
For the Year Ended 31 December 2018**

24. Commitments under operating leases

At 31 December 2018 the Company had future minimum lease payments under non-cancellable operating leases as follows:

	2018 £	2017 £
Not later than 1 year	437,629	467,709
Later than 1 year and not later than 5 years	800,417	921,073
Later than 5 years	471,233	749,589
	<u>1,709,279</u>	<u>2,138,371</u>

The Company leases land under non-cancellable operating lease agreements. The lease terms are between 1-8 years, of which a maximum of 8 years remain.

25. Related party transactions

The Company is a wholly owned subsidiary of Good Energy Group PLC and has taken advantage of the exemption conferred by Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) not to disclose transactions with Good Energy Group PLC or its subsidiaries.

26. Events after the reporting period

After the year-end, but prior to the signing of these financial statements, the intercompany loan agreements were amended to state that intercompany loans are to bear interest at 0% and be repayable on demand.

The impact of this on the Statement of Comprehensive Income is £nil.

27. Ultimate parent undertaking and controlling party

The immediate and ultimate parent undertaking and controlling party is Good Energy Group PLC, a company incorporated in England and Wales.

Good Energy Group PLC is the parent undertaking of the largest and the smallest group of undertakings to consolidate these financial statements. The consolidated financial statements of Good Energy Group PLC can be obtained from:

Monkton Reach
Monkton Hill
Chippenham
Wiltshire
SN15 1EE