Registered number: 03899612

Good Energy Limited

Annual Report and Financial Statements

For the Year Ended 31 December 2019

Company Information

Directors	Juliet Davenport Rupert Sanderson (appointed 20 March 2020)
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

Contents

Strategic Report
For the Year Ended 31 December 2019

Introduction

The directors present the Strategic Report of Good Energy Limited (the "Company" or "Good Energy") for the year ended 31 December 2019.

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 2019, Good Energy Limited's revenue increased by 11.8% to £95.1m (2018: £85.1m) driven by growth in business supply customers and domestic price rise in January 2019. Gross profit decreased by 4.1% to £19.0m (2018: £19.8m), due to the planned shift to lower gross margin business growth, the impact of rising commodity costs and one off impact of the 2018 'Beast from the East'.

Administrative expenses increased 1.8% to £16.7m (2018: £16.4m) as a result of the additional £865k of costs associated to the Kraken customer services investment, without which we see a decrease in administrative expenses by 3.4% in like for like costs in year, this is in line with a planned focus on cost control across the business.

Operating profit decreased 35.3% to £2.2m (2018: £3.4m).

At the year end the Company had net assets of £6.4m (2018: £6.0m).

Future developments

Our aim is to support the wider transition to a zero-carbon Britain, whilst delivering value for all our stakeholders. Our long-term goal is to support Good Energy customers on their journey to having a zero-carbon footprint in electricity, heat and transport. In 2020, our focus is on building the platform to allow customers to start their journey towards a zero-carbon future. We will deliver this through genuinely SMART tariffs and products, electric vehicle (EV) propositions and continued supply backed by 100% green power.

We see our medium term growth focused on two key areas: (i) the home and (ii) businesses. This is underpinned by our access to power purchase agreements (PPAs) and export from generators in the future.

In both home and business, we intend to build a platform for future growth through system investments, which will enable us to benefit from scale and drive efficiencies. In the home, this will be realised through the investment in the Kraken customer technology platform, while business will enhance its existing customer service capabilities.

This platform will allow us to expand the customer proposition through improved products and services. We have a clear roadmap for future energy services, ranging from expanding the number of business customers the Group supplies gas to, to battery storage and electric vehicle (EV) opportunities. We will invest in the right systems, technology and customer service levels to benefit all our customers and drive growth.

It is our belief that the clean energy grid of the future will no longer be dominated by a few large fossil fuel and nuclear based gigawatt generators, but will instead be comprised of millions of households and businesses generating, using and sharing their own renewable and clean energy. These new generators will need energy services to support this investment and this shift represents a major opportunity for us. Our vision of the energy sharing future is one in which we will no longer simply be selling energy but selling the services that enable energy sharing. We see a significant opportunity to build upon the foothold we have already established in this future in establishing ourselves as a leading 100% renewable brand.

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.

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 2019 and 2018, 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 within which the impact of COVID-19 on collection rates to date has been taken into account, the directors believe 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 an loan with the holding company over which no interest is charged, and an overdraft over which interest is charged. 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. The directors have not assessed any additional impact on this risk due to the COVID-19 pandemic.

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.

Directors' statement of compliance with duty to promote the success of the Company

The information below incorporates information about the ways in which the Directors discharge our duties under the Companies Act 2006, s172.

Good Energy's strategy seeks to accelerate the transition towards energy as a service, facilitating a clean, secure and affordable energy future which benefits energy consumers as a whole and reduced environmental impacts from the energy lifecycle. Good Energy has aligned its business model to better enable delivery of its strategic ambitions.

The Directors consider that our duty is not to balance the interests of the Company and those of other stakeholders, but instead to determine the course of action we consider best leads to the long-term success of the company. Good Energy secured a permanent derogation from OFGEM's price cap in August 2019, we source all our electricity from certified renewables, and we have been an accredited Living Wage employer since 2015.

We have engaged our employees through ongoing communication to reinforce the agile culture that enables Good Energy to continue to innovate and drive change. The Directors recognise our primary legal responsibility to promote the success of the Company for the benefit of its members as a whole, taking into account the interests of other stakeholders including customers, employees, partners, suppliers, regulators, the environment and the local communities in which Good Energy operates.

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

Juliet Davenport
Director

Date: Dec 17, 2020

Directors' Report
For the Year Ended 31 December 2019

The directors present their report and the financial statements for the year ended 31 December 2019.

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.

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 £2,399,311 *(2018 - £3,340,687)*.

During the year a dividend of £2,500,000 (2018: £nil) was paid. The directors recommend the payment of a final dividend of £2,000,000 (2018: £2,500,000).

Directors

The directors who served during the year were:

Juliet Davenport
Stephen Rosser (resigned 20 March 2020)
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.

COVID-19 Disclosures

Following the ongoing COVID-19 pandemic, we are witnessing unprecedented actions from both Governments and businesses. As a business, we believe that our financial and operational resilience will allow us to react to these market challenges. We remain cash generative and have a strong cash balance.

The Company forms part of Good Energy Group PLC (the 'Group'), the operations and related funding for which are all connected. At a Group-wide level, the Board has considered a Downside case which reflects what effects have been seen so far during the lockdown periods, and other periods since COVID-19 started to have an impact nationally. The Board considered a Downside Case which assumes the reduced energy usage during a lockdown period of four months, assumes that 10% of domestic customers and 25% of business customers make no payments during this period, and that 25% of these debts are not subsequently collected within a twelve-month period and that 50% of bondholders elect to redeem their bonds in June 2021. The Downside case indicates that the Group is compliant with the counterparty covenant test and able to operate for twelve months from the date of approval of the Annual Report and Accounts.

Given the uncertainty over the lockdown period and collection rates, this has been sensitised under a severe but plausible cash stress test such that the COVID-19 impacted period extends a further two months, with a consistent decline of circa 5% of domestic and business customers, that 75% of these debts are not collected post lockdown and that 100% of bondholders elect to redeem their bonds. Management includes some controllable mitigation to be able to pay for the bonds. Under this scenario, the Group would have sufficient cash to repay the bond in full in June 2021, with nil cash balance remaining, and would be compliant with its counterparty covenant.

It is plausible that COVID-19 has a longer impact, the impact on cash collection are worse than the scenarios above. If either of these were the case in addition to the severe but plausible cash stress test scenario, the Group would breach its counterparty covenant and/or would have insufficient cash to repay the bond in full in June 2021. The Company is considered as an integral part of the Group being the one of the main trading entities that supports the Group.

The Directors are confident that further mitigating actions could be taken by inception of new banking facilities, the sale of generation sites, issuing new equity or obtaining a waiver from the counterparty covenant breach. However at this point, these plans, whilst under contemplation by the Board, are not in place and therefore the risk of not being able to mitigate the liquidity risk including the breach of the counterparty covenant represent material uncertainty that may cast doubt over the Group's ability to continue to apply the going concern basis of accounting.

This material uncertainty may cast significant doubt upon the Company's ability to continue as a going concern and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business. The financial statements do not contain the adjustments that would result if the Company was unable to continue as a going concern.

Notwithstanding the material uncertainty described above, after making enquiries, obtaining a letter of comfort from the parent company that intercompany loans will not be called during the going concern period, and assessing the progress against forecast, projections and status of the mitigating actions referred to above, the Directors have a reasonable expectation that the Company will continue in operation and meet its commitments as they fall due over the going concern period. Accordingly, the Directors continue to adopt the going concern basis in preparing the financial statements.

Future developments

Future developments are detailed within the Future Developments section of the Strategic Report on page 4.

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.

Engagement with suppliers, customers and others

The Directors recognise their primary legal responsibility to promote the success of the Company for the benefit of its members as a whole, taking into account the interests of other stakeholders including customers, employees, partners, suppliers, regulators, the environment and the local communities in which Good Energy operates.

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 and signed on its behalf.

Juliet Davenport
Director

Date: Dec 17, 2020

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 2019 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity and the related notes 1 to 29, 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 2019 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.

Material uncertainty related to going concern

We draw attention to Note 2.5 in the financial statements, which indicates that the ability of the Company to continue as a going concern is subject to material uncertainty. With the current outbreak of COVID-19 in the UK, there is uncertainty over the length of lockdown periods, and economic conditions which may cause decreases in electricity consumption and the ability of the Company's customers to pay their debts. This uncertainty means the Company's parent group, Good Energy Group plc (the 'Group'), may be unable to repay its bondholders when the debt becomes due in June 2021. Therefore, there is a material uncertainty as to the Group's ability to remain as a going concern. The Company is an integral part of the Group by virtue of its operations and cashflows being a key part of the Group's ability to repay its bondholders and therefore there is a material uncertainty as to the Company's ability to continue as a going concern.

As stated in Note 2.5, these events or conditions indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

The financial statements do not contain the adjustments that would result if the Company was unable to continue as a going concern.

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 6, 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.

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.

Ernst & Young LLP

John Howarth (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Bristol, UK
Date: Dec 18, 2020

Statement of Comprehensive Income
For the Year Ended 31 December 2019

	Note	2019 £	2018 £
Revenue	4	**95,135,914**	*85,069,398*
Cost of sales		**(76,142,772)**	*(65,266,209)*
Gross profit		**18,993,142**	*19,803,189*
Administrative expenses		**(16,748,264)**	*(16,419,569)*
Operating profit	5	**2,244,878**	*3,383,620*
Finance income	9	**77,597**	*16,164*
Finance costs	10	**(49,902)**	*(3,905)*
Profit before tax		**2,272,573**	*3,395,879*
Taxation	11	**126,738**	*(55,192)*
Profit for the financial year		**2,399,311**	*3,340,687*
Total comprehensive income for the year		**2,399,311**	*3,340,687*

The notes on pages 19 to 49 form part of these financial statements.

Statement of Financial Position
As at 31 December 2019

	Note		2019 £		2018 £
Fixed assets					
Intangible assets	12		3,797,521		2,722,982
Tangible assets	13		844,874		398,262
			4,642,395		3,121,244
Current assets					
Inventories	15	9,505,726		8,442,103	
Debtors	16	57,209,931		29,605,812	
Cash and cash equivalents	17	4,308,375		12,779,700	
		71,024,032		50,827,615	
Creditors	18	(69,012,017)		(47,878,144)	
Net current assets			2,012,015		2,949,471
Total assets less current liabilities			6,654,410		6,070,715
Creditors: amounts falling due after more than one year	19		(232,109)		-
			6,422,301		6,070,715
Provisions for liabilities					
Deferred taxation	20	-		(47,725)	
			-		(47,725)
Net assets			6,422,301		6,022,990

Statement of Financial Position (continued)
As at 31 December 2019

	Note	2019 £	2018 £
Capital and reserves			
Called up share capital	21	**1,171,002**	*1,171,002*
Share premium account		**1,150,000**	*1,150,000*
Profit and loss account		**4,101,299**	*3,701,988*
		6,422,301	*6,022,990*

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

Juliet Davenport
Director

Date: Dec 17, 2020

The notes on pages 19 to 49 form part of these financial statements.

Statement of Changes in Equity
For the Year Ended 31 December 2019

	Ordinary shares	Share premium account	Retained earnings	Total equity
	£	£	£	£
At 1 January 2019	1,171,002	1,150,000	3,701,988	6,022,990
Comprehensive income for the year				
Profit for the year	-	-	2,399,311	2,399,311
Other comprehensive income for the year	-	-	-	-
Total comprehensive income for the year	-	-	2,399,311	2,399,311
Dividends: Equity capital	-	-	(2,000,000)	(2,000,000)
Total transactions with owners	-	-	(2,000,000)	(2,000,000)
At 31 December 2019	1,171,002	1,150,000	4,101,299	6,422,301

The notes on pages 19 to 49 form part of these financial statements.

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
Other comprehensive income for the year	-	-	-	-
Total comprehensive income for the year	-	-	3,340,687	3,340,687
Dividends: Equity capital	-	-	(2,500,000)	(2,500,000)
Deferred tax related 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 19 to 49 form part of these financial statements.

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. Accounting policies (continued)

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 requirements of paragraph 52, the second sentence of paragraph 89, and paragraphs 90, 91 and 93 of IFRS 16 Leases. The requirements of paragraph 58 of IFRS 16, provided that the disclosure of details in indebtedness relating to amounts payable after 5 years required by company law is presented separately for lease liabilities and other liabilities, and in total
- 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.

2. Accounting policies (continued)

2.3 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. 15% 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.

2. Accounting policies (continued)

2.3 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.

2. Accounting policies (continued)

2.4 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. Accounting policies (continued)

2.5 Going concern

Following the ongoing COVID-19 pandemic, we are witnessing unprecedented actions from both Governments and businesses. As a business, we believe that our financial and operational resilience will allow us to react to these market challenges. We remain cash generative and have a strong cash balance.

The Company forms part of Good Energy Group PLC (the 'Group'), the operations and related funding for which are all connected. At a Group-wide level, the Board has considered a Downside case which reflects what effects have been seen so far during the lockdown periods, and other periods since COVID-19 started to have an impact nationally. The Board considered a Downside Case which assumes the reduced energy usage during a lockdown period of four months, assumes that 10% of domestic customers and 25% of business customers make no payments during this period, and that 25% of these debts are not subsequently collected within a twelve-month period and that 50% of bondholders elect to redeem their bonds in June 2021. The Downside Case indicates that the Group is compliant with the counterparty covenant test and able to operate for twelve months from the date of approval of the Annual Report and Accounts.

Given the uncertainty over the lockdown period and collection rates, this has been sensitised under a severe but plausible cash stress test such that the COVID-19 impacted period extends a further two months, with a consistent decline of circa 5% of domestic and business customers, that 75% of these debts are not collected post lockdown and that 100% of bondholders elect to redeem their bonds. Management includes some controllable mitigation to be able to pay for the bonds. Under this scenario, the Group would have sufficient cash to repay the bond in full in June 2021, with nil cash balance remaining, and would be compliant with its counterparty covenant.

It is plausible that COVID-19 has a longer impact, the impact on cash collection are worse than the scenarios above. If either of these were the case in addition to the severe but plausible cash stress test scenario, the Group would breach its counterparty covenant and/or would have insufficient cash to repay the bond in full in June 2021. The Company is considered as an integral part of the Group being the one of the main trading entities that supports the Group.

The Directors are confident that further mitigating actions could be taken by inception of new banking facilities, the sale of generation sites, issuing new equity or obtaining a waiver from the counterparty covenant breach. However at this point, these plans, whilst under contemplation by the Board, are not in place and therefore the risk of not being able to mitigate the liquidity risk including the breach of the counterparty covenant represent material uncertainty that may cast doubt over the Group's ability to continue to apply the going concern basis of accounting.

This material uncertainty may cast significant doubt upon the Company's ability to continue as a going concern and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business. The financial statements do not contain the adjustments that would result if the Company was unable to continue as a going concern.

Notwithstanding the material uncertainty described above, after making enquiries, obtaining a letter of comfort from the parent company that intercompany loans will not be called during the going concem period, and assessing the progress against forecast, projections and status of the mitigating actions referred to above, the Directors have a reasonable expectation that the Company will continue in operation and meet its commitments as they fall due over the going concern period. Accordingly, the Directors continue to adopt the going concern basis in preparing the financial statements.

2. Accounting policies (continued)

2.6 Impact of new international reporting standards, amendments and interpretations

The company applied IFRS 16 Leases for the first time. The nature and effect of the changes as a result of adoption of these new standards are described below.

Several other amendments and interpretations apply for the first time in 2019, 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 16 Leases

IFRS 16 Leases supersedes IAS 17 Leases, along with three Interpretations: IFRIC 4 Determining whether an Arrangement contains a Lease, SIC 15 Operating Leases – Incentives, and SIC 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases. As a lessee, the adoption of this standard requires the company to recognise a right-of-use asset and a related lease liability on the Statement of Financial Position. The company has no leasing activities as a lessor. The standard provides specific transition requirements and practical expedients, which have been applied by the company as detailed below.

The company adopted IFRS 16 using the modified retrospective approach, with the date of initial application of 1 January 2019. Under this approach, the standard is applied retrospectively, with any cumulative effect of initially adopting IFRS 16 being recognised within equity as an adjustment to the opening balance of retained earnings for the current period.

For the company however, there was no impact on opening retained earnings, as the right-of-use assets were recognised at an amount equal to the lease liabilities, adjusted for any accrued or prepaid lease payments. Comparatives have therefore not been restated as permitted under the specific transition provisions within the standard.

Upon adoption, the company applied a single recognition and measurement approach for all leases, with the exception of those identified as low-value, or as having a remaining lease term of less than 12 months from the date of initial application.

Please refer to note 2.6 for the accounting policy for leases beginning from 1 January 2019.

The effect of adoption of IFRS 16 as at 1 January 2019 is as follows:

- Right-of-use assets of £1,026,675 were recognised and presented within fixed assets in the Statement of Financial Position.
- Additional lease liabilities of £1,026,675 were recognised within borrowings.

For the year ended 31 December 2019:

- The depreciation expense increased due to the depreciation of additional assets recognised. This resulted in increases in administration expenses of £387,935.
- The rent expense included within administration expenses relating to previous operating leases decreased by £435,000.
- Finance costs increased by £48,767, relating to the interest expense on additional lease liabilities recognised.

The company has lease contracts for the access to, and use of, two office buildings. Prior to the adoption of IFRS 16, the company classified each of these leases (as a lessee) as an operating

2. Accounting policies (continued)

2.6 Impact of new international reporting standards, amendments and interpretations (continued)

lease.

Please refer to note 2.16 for the accounting policy for leases prior to 1 January 2019.

For leases previously accounted for as operating leases, the following have been applied by the company:

- For leases identified as low value, or as short-term (i.e. having a remaining lease term of less than 12 months from the date of initial application), the company has elected to apply the recognition exemption and practical expedient to not recognise right-of-use assets. Instead, the lease expense will be accounted for on a straight-line basis over the remaining lease term and recognised in the Statement of Comprehensive Income.

- For those leases not identified as low value or short-term, the company recognised right-of-use assets and lease liabilities. The right-of-use assets were recognised at an amount equal to the lease liability, adjusted for any prepaid or accrued lease payments that existed at the date of initial application.

The lease liabilities were recognised based on the present value of the lease payments which remain unpaid at the date of initial application, discounted using the incremental borrowing rate at that same date

The Company has applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 January 2019.

On transition to IFRS 16, the Company elected to apply the following practical expedients:

- the Company has not reassessed contracts that were not identified as leases under IAS 17 and IFRIC 4 to determine whether these is a lease under IFRS 16. Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered into or modified on or after 1 January 2019.
- for leases previously classified as operating leases under IAS 17 -
- the Company has applied a single discount rate to a portfolio of leases with similar characteristics.
- the Company has adjusted the right-of-use assets by the amount of IAS 37 onerous contract provisions immediately before the date of initial application, as an alternative to an impairment review.
- the Company has applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of remaining lease term at the date of application.
- the Company has excluded initial direct costs from measuring the right-of-use asset at the date of initial application.
- the Company has used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

The following tables summarise the impacts of adopting new reporting standards on the Company's financial statements.

2. Accounting policies (continued)

2.6 Impact of new international reporting standards, amendments and interpretations (continued)

Statement of Financial Position (extract)

	31 December 2018 As originally presented £	IFRS 16 £	1 January 2019 Adjusted balance £
Fixed assets			
Tangible assets	398,262	1,026,675	1,424,937
	2,722,982	1,026,675	3,749,657
Creditors: amounts falling due within one year	(47,878,144)	(386,233)	(48,264,377)
Total assets less current liabilities	6,070,715	640,442	6,711,157
Creditors: amounts falling due after more than one year	-	(640,442)	(640,442)
Net assets	6,022,990	-	6,022,990
Capital and reserves			
	6,022,990	-	6,022,990

2.7 Leases

The Company as a lessee

The Company assesses whether a contract is or contains a lease, at inception of a contract. The Company recognises a right-of-use asset and a corresponding lease liability with respect to all lease agreements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Company recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Company uses its incremental borrowing rate. The Company has utilised an

2. Accounting policies (continued)

2.7 Leases (continued)

incremental borrowing rate of 4.75%.

Lease payments included in the measurement of the lease liability comprise:

- fixed lease payments (including in-substance fixed payments), less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;

The lease liability is included in 'Creditors' on the Statement of Financial Position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Company remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised discount rate.
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).

The Company did not make any such adjustments during the periods presented.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Company incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37. The costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Company expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are included in the 'Intangible Assets', 'Tangible Fixed Assets' and 'Investment Property' lines, as applicable, in the Statement of Financial Position.

The Company applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in note 2.8.

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The

2. Accounting policies (continued)

2.7 Leases (continued)

Company has used this practical expedient.

2.8 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.

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.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss.

2.9 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 ae 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. Accounting policies (continued)

2.10 Impairment of fixed assets and goodwill

Assets that are subject to depreciation or amortisation are assessed at each reporting date to determine whether there is any indication that the assets are impaired. Where there is any indication that an asset may be impaired, the carrying value of the asset (or cash-generating unit to which the asset has been allocated) is tested for impairment. 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 (or CGU'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 (CGUs). Non-financial assets that have been previously impaired are reviewed at each reporting date to assess whether there is any indication that the impairment losses recognised in prior periods may no longer exist or may have decreased.

2.11 Financial instruments

The Company recognises financial instruments when it becomes a party to the contractual arrangements of the instrument. Financial instruments are de-recognised when they are discharged or when the contractual terms expire. The Company's accounting policies in respect of financial instruments transactions are explained below:

Financial assets and financial liabilities are initially measured at fair value.

Financial assets

All recognised financial assets are subsequently measured in their entirety at either fair value or amortised cost, depending on the classification of the financial assets.

2.12 Share capital and Reserves

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.

Share premium

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.

2.13 Finance income

Interest income is recognised in profit or loss using the effective interest method.

2. Accounting policies (continued)

2.14 Finance costs

Finance costs are charged to profit or loss 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.

2.15 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.

2.16 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 Parent. 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.

2. Accounting policies (continued)

2.17 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 profit or loss 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.

2.18 Current and deferred taxation

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

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the 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.

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. 15% 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.

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.

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.

Estimates over 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.

Estimates over 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.

Estimates over 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.

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

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

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.

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:

	2019 £	*2018* *£*
Electricity supply	**89,888,657**	*80,212,385*
FiT administration	**5,247,257**	*4,857,013*
	95,135,914	*85,069,398*

Contract balances

Contract balances comprise trade receivables of £6,820,229 and expected credit losses of £9,175,940 (see note 16), and contract liabilities of £4,143,957 (see note 18). The Company has no contract assets.

5. Operating profit

The operating profit is stated after charging:

	2019 £	*2018* *£*
Depreciation of tangible fixed assets	**605,057**	*143,219*
Amortisation of intangible assets, including goodwill	**483,812**	*867,031*
Impairment of intangible assets	**275,598**	-
Defined contribution pension cost	**528,104**	*459,386*

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.

	2019 £	*2018 £*
Fees for the audit of the Company	**20,000**	*21,630*

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.

7. Employees

Staff costs were as follows:

	2019 £	*2018 £*
Wages and salaries	**7,916,214**	*8,405,792*
Social security costs	**1,205,114**	*1,059,777*
Pension costs - defined contribution pension plan	**528,104**	*459,386*
	9,649,432	*9,924,955*

The total for employee expenses has been stated net of amounts recharged to other group companies of £4,854,932 (2018: £4,419,055).

In addition to the employee costs above, a share based payment charge of £81,271 (2018: £nil) has been recognised as an expense within administrative expenses.

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

	2019 No.	*2018 No.*
Operations	**121**	*110*
Business services	**185**	*186*
	306	*296*

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.

8. Directors' emoluments

	2019 £	*2018* *£*
Directors' emoluments	**516,722**	*592,957*
Company contributions to defined contribution pension schemes	**37,180**	*53,558*
	553,902	*646,515*

During the year retirement benefits were accruing to 2 directors (2018: 3) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £340,322 (2018: £323,336).

Included in the above is compensation for loss of office in the year of £nil (2018: £66,798).

The value of the Company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £27,580 (2018: £27,170).

During the year, £15,000 share options were exercised by directors (2018: 100,350). The aggregate amount of gains made by directors or on the exercise of share options was £4,875 (2018: £121,476).

9. Finance income

	2019 £	*2018* *£*
Bank interest receivable	**49,977**	*11,955*
Other interest receivable	**27,620**	*4,209*
	77,597	*16,164*

10. Finance costs

	2019 £	*2018 £*
Bank interest payable	**1**	*374*
Interest on lease liabilities*	**48,767**	-
Other interest payable	**1,134**	*3,531*
	49,902	*3,905*

*The company initially applied IFRS 16 at 1 January 2019, using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of initially applying IFRS 16 is recognised in retained earnings at the date of initial application. In 2018 there was no interest expense relating to finance leases under IAS 17, while in 2019 the interest expense is for lease liabilities under IFRS 16.

11. Taxation

	2019 £	*2018 £*
Corporation tax		
Current tax on profits for the year	380,134	-
Adjustments in respect of previous periods	(334,612)	-
	45,522	-
Total current tax	45,522	-
Deferred tax		
Origination and reversal of timing differences	(194,957)	*24,001*
Adjustments in respect of prior years	22,697	*31,191*
Total deferred tax	(172,260)	*55,192*
Taxation on (loss)/profit on ordinary activities	(126,738)	*55,192*

Factors affecting tax charge for the year

The tax assessed for the year is lower than *(2018 - lower than)* the standard rate of corporation tax in the UK of 19.00% *(2018 - 19.00%)*. The differences are explained below:

	2019 £	*2018 £*
Profit on ordinary activities before tax	2,272,573	*3,395,879*
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.00% (2017: 19.25%)	431,789	*645,217*
Effects of:		
Fixed asset differences	8,987	-
Expenses not deductible for tax purposes	16,164	*3,812*
Adjustments in respect of prior years	(334,612)	*31,191*
Adjustments in respect of prior years - deferred tax	22,697	-
Non-taxable income	(285)	-
Effects of changes in tax rate	22,936	*(2,824)*
Group relief surrendered/(claimed)	(674,548)	*(630,470)*
Payment/(receipt) for group relief	380,134	-
Other deferred tax movements	-	*(11,273)*
Deferred tax on share-based payments	-	*19,539*

11. Taxation (continued)

Total tax charge/(credit) for the year	**(126,738)**	*55,192*

Factors that may affect future tax charges

Changes to the UK corporation tax rates were substantively enacted as part of the Finance Act 2016 (on 15 September 2016), which included a reduction to the main rate of corporation tax to 17% from 1 April 2020.

As the changes have been substantively enacted at the reporting date, their effects are included within these financial statements. Accordingly, deferred tax balances have been calculated using a rate of 17%.

The Chancellor's Spring Budget on 11 March 2020 announced that the UK corporation tax rate is to remain at 19% effective from 1 April 2020. This was enacted on 11 March 2020. The deferred tax balances have not been updated to reflect this and the overall impact of this rate change on the closing deferred tax asset would be an increase of £14,651.

12. Intangible assets

	Power Supply licence £	Website development costs £	Goodwill £	Software licences £	Assets under the course of development £
Cost					
At 1 January 2019	180,000	142,417	600,000	5,595,764	1,101,277
Additions - external	-	-	-	1,710,582	123,367
At 31 December 2019	180,000	142,417	600,000	7,306,346	1,224,644
Amortisation					
At 1 January 2019	-	-	-	4,896,476	-
Charge for the year on owned assets	-	94,945	-	69,762	-
Charge for the year on right-of-use assets	-	-	-	319,105	-
Impairment charge	-	-	-	-	275,598
At 31 December 2019	-	94,945	-	5,285,343	275,598
Net book value					
At 31 December 2019	180,000	47,472	600,000	2,021,003	949,046

12. Intangible assets (continued)

At 31 December 2018	*180,000*	*142,417*	*600,000*	*699,288*	*1,101,277*

	Total £
Cost	
At 1 January 2019	**7,619,458**
Additions - external	**1,833,949**
At 31 December 2019	**9,453,407**
Amortisation	
At 1 January 2019	**4,896,476**
Charge for the year on owned assets	**164,707**
Charge for the year on right-of-use assets	**319,105**
Impairment charge	**275,598**
At 31 December 2019	**5,655,886**
Net book value	
At 31 December 2019	**3,797,521**
At 31 December 2018	*2,722,982*

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

12. Intangible assets (continued)

The net book value of owned and leased assets included as "Intangible assets" in the Statement of Financial Position is as follows:

	2019 £	*2018* *£*
Intangible assets owned	**3,605,512**	*2,722,982*
Right-of-use assets	**192,009**	-
	3,797,521	*2,722,982*

Information about right-of-use assets is summarised below:

Net book value

	2019 £
Software licences	**192,009**
	192,009

Amortisation charge for the year ended

	2019 £
Computer software	**319,105**
	319,105

Indefinite useful life

The net book value of assets assessed as having an indefinite useful life are as follows:

	2019 £	*2018* *£*
Goodwill	**600,000**	*600,000*
Power supply licence	**180,000**	*180,000*
At 31 December 2019	**780,000**	*780,000*

12. Intangible assets (continued)

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.

13. Tangible fixed assets

	Long-term leasehold property £	Fixtures and fittings £	Total £
Cost or valuation			
At 1 January 2019	**505,253**	**1,452,646**	**1,957,899**
Impact of change in accounting policy	**1,026,675**	**-**	**1,026,675**
At 1 January 2019 (adjusted balance)	**1,531,928**	**1,452,646**	**2,984,574**
Additions	**-**	**61,661**	**61,661**
Disposals	**-**	**(36,667)**	**(36,667)**
At 31 December 2019	**1,531,928**	**1,477,640**	**3,009,568**
Depreciation			
At 1 January 2019	**378,896**	**1,180,741**	**1,559,637**
Charge for the year on owned assets	**63,966**	**153,156**	**217,122**
Charge for the year on right-of-use assets	**387,935**	**-**	**387,935**
At 31 December 2019	**830,797**	**1,333,897**	**2,164,694**
Net book value			
At 31 December 2019	**701,131**	**143,743**	**844,874**
At 31 December 2018	*126,357*	*271,905*	*398,262*

13. Tangible fixed assets (continued)

The net book value of owned and leased assets included as "Tangible fixed assets" in the Statement of Financial Position is as follows:

	2019 £
Tangible fixed assets owned	**206,134**
Right-of-use tangible fixed assets	**638,740**
	844,874

Information about right-of-use assets is summarised below:

Net book value

	2019 £
Long-term leasehold property	**638,740**
	638,740

Depreciation charge for the year ended

	2019 £
Long-term leasehold property	**(387,935)**
	(387,935)

14. Dividends

	2019 £	*2018 £*
Dividends declared	**2,000,000**	*2,500,000*
	2,000,000	*2,500,000*

The dividend declared amounts to £1.71 (2018: £2.13) per share. The payment of the dividend has no tax consequences for the Company.

15. Inventories

	2019 £	2018 £
Work in progress (goods to be sold)	-	8,855
Finished goods and goods for resale	9,505,726	8,433,248
	9,505,726	8,442,103

As at 31 December 2019 there were Renewable Obligation Certificates (ROCs) of £6,263,879 (2018: £5,199,973) 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 £12,076,027 (2018: £10,629,783).

16. Debtors

	2019 £	2018 £
Trade debtors	6,820,229	7,846,641
Amounts owed by group undertakings	32,330,972	2,428,179
Other debtors	174,664	1,085,494
Prepayments and accrued income	17,759,531	18,245,498
Deferred taxation (see note 19)	124,535	-
	57,209,931	29,605,812

Trade debtors are stated after expected credit loss allowances of £9,175,940 (2018: £5,921,784). Where a customer account is in credit, this is included within contract liabilities (see note 18).

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

17. Cash and cash equivalents

	2019 £	2018 £
Cash at bank and in hand	4,308,375	12,779,700
	4,308,375	12,779,700

18. Creditors

	2019 £	2018 £
Other loans	-	575,287
Contract Liabilities	4,143,957	3,523,000
Trade creditors	1,609,075	2,426,706
Amounts owed to group undertakings	37,586,659	14,726,627
Corporation tax	380,134	-
Other taxation and social security	259,645	290,835
Lease liabilities	408,333	-
Accruals and deferred income	24,624,214	26,335,689
	69,012,017	47,878,144

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 2019, the monies owed subject to the arrangement were £nil (2018: £nil).

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

The information about the company's leases have been disclosed in more detail in Note 23.

The total of the 2018 contract liabilities were recognised as revenue in 2019.

19. Creditors: amounts falling due after more than one year

	2019 £	2018 £
Lease liabilities	232,109	-
	232,109	-

The information about the company's leases have been disclosed in more detail in Note 23.

20. Deferred taxation

	2019 £	2018 £
At beginning of year	**(47,725)**	*109,495*
Charged to profit or loss	**172,260**	*(43,956)*
Charged to equity	**-**	*(113,264)*
At end of year	**124,535**	*(47,725)*

The deferred taxation balance is made up as follows:

	2019 £	2018 £
Accelerated capital allowances	**(53,476)**	*(54,641)*
Short term timing differences	**178,011**	*6,916*
	124,535	*(47,725)*

21. Called up share capital

	2019 £	2018 £
Allotted, called up and fully paid		
1,171,002 *(2018 - 1,171,002)* Ordinary shares of £1.00 each	**1,171,002**	*1,171,002*

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 (2018: £nil) 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. Leases

Company as a lessee

The Company has lease contracts for the access to, and use of, office buildings, other equipment and software licences.
Leases of office buildings typically have lease terms of between 4 to 6 years, whilst other equipment and software licences have lease terms of between 3 and 10 years. The Company's obligations under its leases are secured by the lessor's title to the leased assets.
The Company also has certain leases of printers, laptops, and coffee and water machines, with low value underlying assets. The Company has applied the recognition exemption in respect of these leases. Each lease generally imposes a restriction from subleasing the underlying assets to another party, therefore the right-of-use assets can only be used by the Company.
The lease payments within all of the Company's lease agreements (with the exception of short-term leases, leases of low value underlying assets, and those leases containing a variable lease payment component) are linked to annual charges in the Retail Price Index.

Lease liabilities are due as follows:

	2019 £
Not later than one year	408,333
Between one year and five years	232,109
	640,442

The following amounts in respect of leases, where the Company is a lessee, have been recognised in profit or loss:

	2019 £
Interest expense on lease liabilities	48,767

24. Pension commitments

The Company is committed to contribute to the personal pension plans of all staff. The annual charge for the year was £528,781 (2018: £458,538). At the year end, pension contributions of £41,250 (2018: £57,630) 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.

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

In March 2020 the outbreak of COVID-19 became a global issue. In light of the outbreak's wide-ranging implications, a detailed going concern review has been undertaken by the parent company Good Energy Group PLC at a group level to ensure continued operations throughout the period affected, with a focus on cash flows and business continuity plans. To date, the group has not seen any significant financial impact from the COVID-19 outbreak, however it continues to monitor the situation closely throughout the coming weeks and months. Estimates of these impacts cannot be made precisely at this time due to the rapidly changing nature of the outbreak, and its subsequent effects.

The extent of this period of closure and the impact on the economy after lockdown are uncertain, but the Group's downside scenario forecasting indicates impacts on customer energy usage and cash collection rates as compared to the Board's expectations prior to development of the COVID-19 pandemic. In this scenario there is a potential impairment of the amounts owed from the related party as outlined in note 2.5. The Directors do not currently expect an impairment of property, plant and equipment or intangibles.

The Directors have concluded that the latest developments up to the date of signing of these financial statements have not provided further information about the circumstances existing at the reporting date, therefore do not expect any adjustments to these financial statements to be made as a consequence.

In May 2020, the Company served noticed to it's landlord of its intent to terminate the lease of the Company's primary office, Monkton Reach, prior to the lease end date. This early termination of the lease is part of the Company's plans to relocate its office head quarters. As a result of this notice, the lease contract will now end on 01 March 2021.

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