

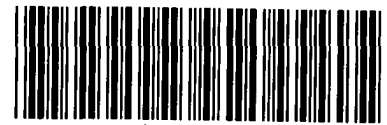
**REGISTERED NUMBER: 06993470**  
England and Wales

**CO-OPERATIVE ENERGY LIMITED**

**DIRECTORS' REPORT  
AND FINANCIAL STATEMENTS**

**FOR THE 52 WEEKS ENDED 26 JANUARY 2019**

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**Co-operative Energy Limited**

**Directors' report and financial statements for the 52 weeks ended 26 January 2019**

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## Co-operative Energy Limited

### Strategic report for the 52 weeks ended 26 January 2019

#### Review of the business

It has been a difficult year in the energy industry as wholesale prices saw sustained increases and the retail market became even more competitive. Despite this our sales were in line with last year.

The market has been flooded with loss making tariffs from suppliers seeking to acquire customers. We have had to choose between acquiring at a loss or maintaining fair margins but losing customers. Inevitably, this has meant fewer customers and, coupled with the squeeze on margins, resulted in a significant loss for the year.

A lot of smaller suppliers have ceased trading as a result of this pricing pressure. This will impact us as we have to contribute to their unpaid social and climate change obligations.

We acquired Flow Energy, welcoming 120,000 customers into our business without having to acquire them through price comparison websites.

Managing our energy costs is crucial. Unlike many suppliers, we were not affected by the 'Beast from the East'. The freezing weather in March pushed wholesale gas prices to record levels. However, our prudent and well-hedged approach to buying gas protected us from this spike in prices.

A key highlight has been the growth in our community Power Purchase Agreements portfolio, which now number 75, well ahead of target. These community generators say it our competence in this area that makes them want to work with us.

Following the balance sheet date of these accounts the ongoing trade of the entity was sold to Octopus Energy on 17 September 2019. The financial statements are therefore prepared to include, where appropriate, the write down of the company's assets to net realisable value. Provision has also been made for any contractual commitments that have become onerous at the balance sheet date. The financial statements do not include any provision for the future costs of terminating the business of the company except to the extent that such costs were committed at the balance sheet date.

Results for the period are set out on page 7.

#### Key performance indicators

	2019	2018 Restated
Gross sales	£323m	£400m
Gross margin	9.66%	9.43%
Net margin (before tax)	(21.64)%	(1.10)%
Customers on supply	269,000	333,000

#### Dividends

The directors have proposed a final ordinary dividend in respect of the current financial year of £nil. Dividends paid during the year comprise of a final dividend of £nil in respect of the previous 52 weeks ended 27 January 2018.

#### Brexit assessment

There is continuing watching brief on Brexit and any implications for the business. A Brexit Committee meets at critical milestones and weekly whilst Brexit negotiations are occurring to discuss all issues and ensure contingency planning is still relevant and up to date. Currently no significant issues or required contingencies have been identified. Any fluctuations in exchange rate or devaluation of Sterling is monitored on an ongoing basis for any potential future implications.

Co-operative Energy Limited

Strategic report for the 52 weeks ended 26 January 2019

Principal risks and uncertainties

Risk	Category	Mitigating actions
Reputational damage	Brand and reputation	Controls at operational level; policies in place to protect legal and regulatory requirements.
Uncertainty arising from Brexit	Legal and regulatory	Monitor regulation and policies as they are formulated; contingency planning reviewed at weekly Executive Brexit briefings.
Volatility in the markets where we trade	Strategic	Close evaluation of our market positions and the propositions we offer; detailed reviews of our operating models
Regulatory non-compliance	Legal and regulatory	Dedicated compliance team.
Serious health and safety breach	Legal and regulatory	Robust Health & Safety framework, policies and procedures in place; monitoring through a risk-based audit programme.
Failure to maintain IT infrastructure, security and stability	Technology	Manual process to route the network traffic if a link fails. Third party data centre is ISO27001 compliant; scheduled backups available for all the identified critical systems. Firewalls in place and security threats are monitored through various sources.
Commodity price risk	Finance	Management monitors energy prices and will initiate instruments to manage exposure when it is deemed appropriate.
Cash flow risk	Finance	Management monitors working capital movements for seasonality.
Customer credit risk	Finance	Management has a policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on customers requiring credit over a certain amount.

Approved by the Board of Directors  
And signed on behalf of the Board



Edward Parker  
Secretary  
6 February 2020

**Co-operative Energy Limited**

**Directors' report for the 52 weeks ended 26 January 2019**

**Principal activity**

Co-operative Energy Limited is an electricity and gas supply company. On 17 September 2019, the directors took the decision to cease trading following the transfer of the ongoing trade to Octopus Energy Limited. The financial statements have not been prepared on a going concern basis. The effect is explained in note 1.

**Political donations**

The company made no political donations during the period (2018: £nil).

**Charitable donations**

The company made no charitable donations during the period (2018: £nil).

**Modern Slavery Act**

For the Company Modern Slavery Act Disclosure go to [www.midcounties.coop](http://www.midcounties.coop).

**Directors**

The directors of the Company as at 29 January 2019, all of whom had held office for the whole of the period unless otherwise stated, were:

S Allsopp P H Gray OBE V S Woodell	C Booker G Hayes	E Boyle M Lane	M Cook H Richardson	J Feeney H R Wiseman
B Rainford K Petersen	resigned appointed	18 October 2018 18 October 2018		
O Birch I Kirkman D Morrison J Nunn-Price MBE	resigned resigned resigned resigned	17 October 2019 17 October 2019 17 October 2019 17 October 2019		
V Green B Rainford F Ravenscroft W Willis	appointed appointed appointed appointed	17 October 2019 17 October 2019 17 October 2019 17 October 2019		


**Disclosure of information to auditors**

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditor is unaware, and each director has taken all the steps that they ought to have taken as director to make them aware of any relevant audit information and to establish that the company's auditor is aware of that information.

**Auditors**

Pursuant to Section 487 of the Companies Act 2006, the auditors will be deemed to be re-appointed and KPMG LLP will, therefore, continue in office.

**Approved by the Board of Directors  
And signed on behalf of the Board**

  
**Edward Parker  
Secretary  
6 February 2020**

Registered office: Co-operative House, Warwick Technology Park, Gallows Hill, Warwick, CV34 6DA.

**Co-operative Energy Limited**  
**Statement of Directors' Responsibilities in respect of the Strategic Report, Directors' Report and the Financial Statements**

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 they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 Reduced Disclosure Framework.

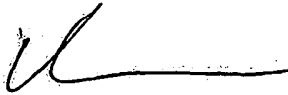
Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so. As explained in note 1, the directors do not believe that it is appropriate to prepare these financial statements on a going concern basis.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

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

On behalf of the Board.



**Edward Parker, Secretary**  
6 February 2020

## Independent Auditor's report to the directors of Co-operative Energy Limited

### Opinion

We have audited the financial statements of Co-operative Energy Limited ("the company") for the year ended 26 January 2019 which comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 26 January 2019 and of its loss for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 Reduced Disclosure Framework; 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 are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

### The impact of uncertainties due to the UK exiting the European Union on our audit

Uncertainties related to the effects of Brexit are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by the directors, such as recoverability of goodwill and related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the Company's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. We applied a standardised firm-wide approach in response to that uncertainty when assessing the Company's future prospects and performance.

However, no audit should be expected to predict the unknowable factors or all possible future implications for an organisation and this is particularly the case in relation to Brexit.

### Emphasis of matter – non-going concern basis of preparation

We draw attention to the disclosure made in note 1 to the financial statements which explains that the financial statements are now not prepared on the going concern basis for the reasons set out in that note. Our opinion is not modified in respect of this matter.

### Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion [those reports have]/[that report has] been prepared in accordance with the Companies Act 2006.

### Matters on which we are required to report by exception

Under the Companies Act 2006 we are required 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.

We have nothing to report in these respects.

## Independent Auditor's report to the directors of Co-operative Energy Limited

### Directors' responsibilities

As explained more fully in their 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; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; 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 they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

### Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities).

### The purpose of our audit work and to whom we owe our responsibilities

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.



Simon Purkess (Senior Statutory Auditor)  
for and on behalf of KPMG LLP, Statutory Auditor  
Chartered Accountants  
One Snowhill  
Snow Hill Queensway  
Birmingham  
B4 6GH

6 February 2020



**Co-operative Energy Limited**  
**Statement of Comprehensive Income for the 52 weeks ended 26 January 2019**

	Note	2019 £'000	2018 £'000 Restated
<b>Turnover</b>	2	323,275	399,666
<b>Cost of sales</b>		(292,039)	(361,996)
<b>Gross profit</b>		<u>31,236</u>	<u>37,670</u>
<b>Administrative expenses (including significant items of £206,000)</b>	6	(42,095)	(42,035)
<b>Operating loss</b>		<u>(10,859)</u>	<u>(4,365)</u>
<b>Loss on disposal of fixed assets</b>		(4)	-
<b>Interest payable and similar charges</b>	7	(607)	(16)
<b>Impairment of Flow Energy Limited subsidiary debtor</b>		(7,978)	-
<b>Impairment of Flow Energy Limited subsidiary investment</b>		(10,267)	-
<b>Impairment of discontinued operations</b>	20	(40,249)	-
<b>Loss before taxation</b>	3	<u>(69,964)</u>	<u>(4,381)</u>
<b>Tax on loss</b>	8	1,992	1,287
<b>Loss for the financial year</b>		<u>(67,972)</u>	<u>(3,094)</u>

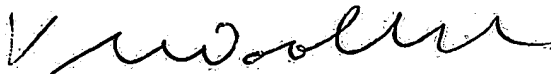
The restatement of the prior year is explained in note 1 under IFRS 9 – Financial Instruments  
The notes on pages 10 to 19 form an integral part of the financial statements.

**Co-operative Energy Limited**  
**Statement of Financial Position as at 26 January 2019**  
Registered no. 06993470

	Note	2019 £'000	2018 £'000 Restated
<b>Fixed assets</b>			
Intangible assets	9	13,229	35,793
Tangible assets	10	839	3,370
Investments	11	<u>-</u>	<u>-</u>
		<u>14,068</u>	<u>39,163</u>
<b>Current assets</b>			
Stocks	12	-	120
Debtors	13	56,905	80,262
Cash at bank and in hand		778	654
		<u>57,683</u>	<u>81,036</u>
<b>Creditors: amounts falling due within one year</b>	14	<u>(144,528)</u>	<u>(124,916)</u>
<b>Net current liabilities</b>		<u>(86,845)</u>	<u>(43,880)</u>
<b>Total assets less current liabilities</b>		<u>(72,777)</u>	<u>(4,717)</u>
<b>Provisions for liabilities and charges</b>			
Deferred tax liability	15	-	(88)
<b>Net liabilities</b>		<u>(72,777)</u>	<u>(4,805)</u>
<b>Capital and reserves</b>			
Called up share capital	16	-	-
Profit and loss account		<u>(72,777)</u>	<u>(4,805)</u>
Shareholders' deficit		<u>(72,777)</u>	<u>(4,805)</u>

The notes on pages 10 to 19 form an integral part of the financial statements.

Signed on behalf of the board of directors



**Vivian Woodell**  
**Director**

Approved by the board: 6 February 2020

**Co-operative Energy Limited**  
**Statement of Changes in Equity for the 52 weeks ended 26 January 2019**

	Called up share capital £'000	Profit and loss account £'000	Total equity £'000
<b>Balance at 28 January 2017</b>	-	(1,711)	(1,711)
<b>Loss for the period</b>	-	(3,094)	(3,094)
<b>Total comprehensive loss for the period</b>	-	(3,094)	(3,094)
<b>Balance at 27 January 2018</b>	-	(4,805)	(4,805)
<b>Loss for the period</b>	-	(67,972)	(67,972)
<b>Total comprehensive loss for the period</b>	-	(67,972)	(67,972)
<b>Balance at 26 January 2019</b>	-	<u>(72,777)</u>	<u>(72,777)</u>

The notes on pages 10 to 19 form an integral part of the financial statements.

**Co-operative Energy Limited**  
**Notes to the financial statements for the 52 weeks ended 26 January 2019**

**1. Accounting policies**

**Basis of preparation**

**i) Statement of compliance**

Co-operative Energy Limited is a limited company domiciled in the United Kingdom. The financial statements for the period ended 26 January 2019 have been prepared in accordance with UK Accounting Standards – Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101).

**ii) Basis of preparation**

The financial statements are presented in pounds sterling (GBP), which is the Company's functional currency. All financial information presented in GBP has been rounded to the nearest thousand.

On 17 September 2019, the ongoing trade of the company was sold to Octopus Energy Limited. As the trade of the company has ceased, the directors have not prepared the financial statements on a going concern basis.

The financial statements are prepared on a historical cost basis.

**iii) Use of estimates and judgements**

The preparation of financial statements in conformity with FRS 101 requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

**iv) UK Accounting Standards – Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) - exemptions**

The Company's ultimate parent undertaking, The Midcounties Co-operative Limited includes the Company in its consolidated financial statements. The consolidated financial statements of The Midcounties Co-operative Limited are prepared in accordance with International Financial Reporting Standards and are available to the public and may be obtained from the Secretary, Co-operative House, Warwick Technology Park, Gallows Hill, Warwick, CV34 6DA. Company financial statements have been prepared and approved by the directors in accordance with International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs").

In these financial statements, the company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- (a) a Cash Flow Statements and related notes;
- (b) comparative period reconciliations for intangible assets;
- (c) disclosure in respect of transactions with wholly owned subsidiaries;
- (d) disclosures in respect of capital management;
- (e) the effects of new but not yet effective IFRSs;
- (f) disclosures in respect of the compensation of Key Management Personnel.

**Co-operative Energy Limited**  
**Notes to the financial statements for the 52 weeks ended 26 January 2019**

**1. Accounting policies (continued)**

As the consolidated financial statements of The Midcounties Co-operative Limited include equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- (a) certain disclosures required by IAS 36 *Impairment of assets* in respect of the impairment of goodwill and indefinite life intangible assets;
- (b) certain disclosures required by IFRS 3 *Business Combinations* in respect of business combinations undertaken by the Company in prior periods including the comparative period reconciliation for goodwill; and
- (c) certain disclosures required by IFRS 13 *Fair Value Measurement* and the disclosures required by IFRS 7 *Financial Instrument Disclosures*.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

**Turnover**

Revenue on energy sales comprises sales to retail end-user customers including an estimate of the value of electricity and gas supplied to customers between the date of the last meter reading and the year end. Unread energy sales are estimated using historical consumption patterns taking account of industry volume reconciliation processes. Revenue is recognised at point of delivery to end user.

**Cost of sales**

Energy supply includes the cost of gas and electricity purchased during the year taking into account the industry reconciliation process for total gas and total electricity usage by supplier, and related transportation and distribution costs.

**Consolidation**

The Company has taken advantage of Section 400 Companies Act 2006 exempting it from the requirement to produce consolidated financial statements on the grounds that the Company is included in consolidated financial statements for a larger group established under the law of a member state of the European Union, those of The Midcounties Co-operative Limited. These financial statements, therefore, present information about Co-operative Energy Limited as an individual Company and not as a group.

**Taxation**

Income tax expense comprises current and deferred tax. Tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity through other comprehensive income, in which case it is recognised as in equity.

Current tax is the expected tax payable on the taxable income for the year using tax rates enacted at the balance sheet date and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not recognised; the initial recognition of goodwill; the initial recognition of assets and liabilities that affect neither accounting or taxable profit other than in a business combination, and the differences relating to the investment in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future.

**Co-operative Energy Limited**  
**Notes to the financial statements for the 52 weeks ended 26 January 2019**

**1. Accounting policies (continued)**

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

**Tangible fixed assets**

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. The estimated useful lives are as follows:

Plant, Fixtures and Fittings      5% to 33.3% per annum

Depreciation methods, useful lives and residual values are reviewed at each balance sheet date.

**Intangible assets**

*Other intangible assets*

Other intangible assets that are acquired by the Company are stated at cost less accumulated amortisation and less accumulated impairment losses.

The cost of an intangible asset acquired in a business combination is its fair value at the acquisition date.

*Amortisation*

Amortisation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Intangible assets with an indefinite useful life and goodwill are systematically tested for impairment at each balance sheet date. Other intangible assets are amortised from the date they are available for use. The estimated useful lives are as follows:

Licences                                      10 years  
Customer relationships                      5 years

**Stocks**

Stocks are stated at the lower of cost and net realisable value. Net realisable value is the price at which stocks can be sold in the normal course of business after allowing for the costs of realisation. Provision is made where necessary for obsolete, slow moving and defective stocks.

**Financial instruments**

Within its regular course of business, the Company routinely enters into sale and purchase derivative contracts for the commodities electricity and gas. These contracts are entered into and continue to be held for the purpose of receipt and delivery in accordance with the Company's expected sale, purchase or usage requirements. The contracts are designated as 'own use' contracts under IAS39 and are all measured at cost. Where surplus energy is purchased it is sold back to the open market and the related contractual commitments are then held at an appropriate fair value.

**Non-derivative financial instruments**

*Trade and other debtors*

Trade and other debtors are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses.

**Co-operative Energy Limited**  
**Notes to the financial statements for the 52 weeks ended 26 January 2019**

**1. Accounting policies (continued)**

*Trade and other creditors*

Trade and other creditors are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

*Investments in debt and equity securities*

Investments in unlisted investments are carried at cost.

*Cash and cash equivalents*

Cash and cash equivalents comprise of cash balances and call deposits. Bank overdrafts that are payable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

**New standards and interpretations not adopted**

The following standards and interpretations have been adopted in the current year.

- (a) IFRS 15 Revenue from Contracts with Customers – the Company adopted IFRS 15 Revenue from Contracts with Customers on 28 January 2018. IFRS 15 established a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced previous revenue recognition guidance, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes.

IFRS 15 has not had a material impact on the financial statements.

- (b) IFRS 9 Financial Instruments – the Company adopted IFRS 9 Financial Instruments from 28 January 2018. We provide here an explanation of the effect of its adoption on the financial statements. In summary, whilst there have been changes in disclosures, there were no material changes in the quantification or measurement of financial assets or financial liabilities.

*Financial assets* – The Company's financial statements were previously prepared using IAS 39 financial instruments. IAS 39 classified financial assets into classes according to their nature i.e. loans and receivables, held to maturity or available for sale. IFRS 9, by contrast, classifies assets according to the business model for their realisation, as determined by the expected contractual cash flows. This classification determines the accounting treatment, and the new classification under IFRS 9 is by reference to the accounting treatment i.e. amortised cost, fair value through other comprehensive income or fair value through the income statement.

*Impairment of financial assets* – IAS 39 used an incurred loss approach for measuring impairment while IFRS 9 adopts an expected credit loss approach (ECL). The IAS 39 incurred loss approach relied on a credit event occurring (an actual loss or a debt past a number of days due) before an impairment could be recognised. The bad debt provision for revenue is currently calculated based on the age profile of the debt. The aged debt is reviewed at the end of each period and a provision for the debt is calculated. The bad debt provision will increase as debt ages and will be reduced by any monies received that relate specifically to the debt. All bad debt provision movements are recorded in Administrative Expenses in the Statement of Comprehensive Income. The IFRS 9 approach does not require a credit event to occur but is based on changes in expectations of credit losses. IFRS 9 also requires that impairment of financial assets be shown as a separate line item in either the statement of comprehensive income or the income statement.

- (c) A percentage of revenue is impaired to create a doubtful debt provision at the point of sale based on historic collections analysis of the business. The impairment is recognised on a monthly basis. Annually, the percentage applied is reviewed and on a quarterly basis the provisioning policy is validated to ensure that it reflects the actual amounts of bad and doubtful debts experienced. Any impaired amounts that are subsequently paid are adjusted through other expenses and the provision reduced accordingly.

The opening profit and loss reserves have been reduced by £740,000 in respect of the increase in the bad debt provision due to the recognition of the potential impairment within the 2018 income statement.

There was no material change in the period following the adoption of IFRS 9 – Financial Instruments.

**Co-operative Energy Limited**  
**Notes to the financial statements for the 52 weeks ended 26 January 2019**

**1. Accounting policies (continued)**

**The following standards and interpretations will be adopted in future periods**

**IFRS 16 Leasing**

*IFRS 16 Leasing is effective for annual periods beginning on or after 1 January 2019. The new standard replaces existing leases guidance, principally IAS 17 Leases.*

*IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short term leases and leases of low-value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases.*

The Company has conducted an initial assessment of the potential impact on its financial statements.

IFRS 16 is effective for all accounting periods beginning on or after 1 January 2019. As such, the Company's first reported accounting period under IFRS 16 will be the 2019/20 financial year, which runs from 27 January 2019 to 25 January 2020. On the 27 January 2019 the Company has adopted the modified approach utilising recognition exemptions for short term leases and leases of low-value items. The new standard replaces existing leases guidance, principally IAS 17 Leases. IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees.

The standard has no economic impact on the Company. It has no effect on how the business is run, nor on cash flows for the Company. It does however have a significant impact on the way the assets, liabilities and the income statement of the Company are presented, as well as the classification of cash flows relating to lease contracts.

In summary, IFRS 16 seeks to align the presentation of leased assets more closely to owned assets. In doing so, a right of use asset and lease liability are brought on to the balance sheet, with the lease liability recognised at the present value of future lease payments. Whilst the right of use asset is matched in value to the lease liability at inception, it differs in value through the life of the lease. From an income statement perspective, the pre-IFRS 16 rental charge is replaced by depreciation and interest. IFRS 16 therefore results in an increase in the operating profit, which is reported prior to interest deducted. Whilst depreciation reduces on a straight-line basis, interest is charged on outstanding lease liabilities and therefore for any given lease, interest is higher in the earlier years and decreases over time. As a result, the impact on the income statement below operating profit is highly dependent on average lease maturity.

Our 2018/19 results have been reported on a pre-IFRS 16 basis.

**Transition**

As a lessee, the Company can apply the standard using either a retrospective approach or a modified retrospective approach with optional practical expedients. The Company adopted IFRS 16 on 27 January 2019, using the modified retrospective approach, where the cumulative effect of adopting IFRS 16 will be recognised as an adjustment to the opening balance of retained earnings at 27 January 2019, with no restatement of comparative information. The lessee applies the election consistently to all of its leases.

**2. Turnover**

Turnover represents amounts receivable for good and services net of VAT.

**3. Profit on ordinary activities before taxation**

The audit fee is met by the ultimate parent undertaking.



**Co-operative Energy Limited**  
**Notes to the financial statements for the 52 weeks ended 26 January 2019**

**4. Directors' remuneration**

The directors receive remuneration from The Midcounties Co-operative Limited in respect of their services to the company and receive no emoluments from the company. Their remuneration is reflected in the group financial statements of The Midcounties Co-operative Limited.

**5. Employees**

All staff including directors are employed by the ultimate holding society The Midcounties Co-operative Limited from which staff costs of £12,804,000 (2018: £13,375,000) are recharged. The emoluments of the directors are borne by the ultimate holding Society.

**6. Significant Items**

	2019 £'000	2018 £'000
Expense of business acquisitions	<u>206</u>	<u>-</u>

**7. Interest payable and similar charges**

	2019 £'000	2018 £'000
Total interest expense on financial liabilities at amortised cost	<u>607</u>	<u>16</u>

**8. Taxation**

	2019 £'000	2018 £'000 Restated
<b>Recognised in the profit and loss account</b>		
UK corporation tax		
Current tax on income for the period	<u>(1,904)</u>	<u>(1,196)</u>
Total current tax	<u>(1,904)</u>	<u>(1,196)</u>
Deferred tax		
Origination and reversal of temporary differences	<u>(770)</u>	<u>(261)</u>
Recognition of previously unrecognised tax losses	<u>682</u>	<u>170</u>
Total deferred tax	<u>(88)</u>	<u>(91)</u>
<b>Taxation on profit on ordinary activities</b>	<u>(1,992)</u>	<u>(1,287)</u>

	2019 £'000	2018 £'000
<b>Reconciliation of effective tax rate</b>		
Loss for the year	<u>(67,972)</u>	<u>(3,094)</u>
Total tax credit	<u>(1,992)</u>	<u>(1,287)</u>
Loss excluding taxation	<u>(69,964)</u>	<u>(4,381)</u>
Tax using the UK corporation tax rate of 19.00% (2018: 19.17%)	<u>(13,293)</u>	<u>(840)</u>
Non-deductible expenses	<u>10,619</u>	<u>(617)</u>
Recognition of previously unrecognised tax losses	<u>682</u>	<u>170</u>
Total tax credit	<u>(1,992)</u>	<u>(1,287)</u>

**Co-operative Energy Limited**  
**Notes to the financial statements for the 52 weeks ended 26 January 2019**

**8. Taxation (continued)**

**Factors affecting future tax changes**

A reduction in the UK corporation tax rate from 20% (effective from 1 April 2015) to 17% (effective from 1 April 2020) with an interim reduction to 19% (effective from 1 April 2017) was substantively enacted on 26 October 2015 and 15 September 2016. This will change the Company's future current tax charge accordingly. The deferred tax assets at 27 January 2018 have been calculated based on the rate of 17% substantively enacted at the balance sheet date.

The Company will respect all tax laws and will not structure transactions in a way which does not reflect genuine commercial reasons. This includes establishing operations in other jurisdictions for the purpose of evading or avoiding the tax laws of the United Kingdom.

**9. Intangible fixed assets**

	Note	Purchased goodwill £'000	Licences £'000	Customer relationships £'000	Total £'000
<b>Cost</b>					
At 28 January 2017		6,311	10,860	8,346	25,517
Additions		8,148	6,470	-	14,618
At 27 January 2018		14,459	17,330	8,346	40,135
Additions		-	6,070	-	6,070
Disposals		-	(81)	-	(81)
Impairment	20	(6,868)	(19,045)	-	(25,913)
At 26 January 2019		7,591	4,274	8,346	20,211
<b>Accumulated amortisation</b>					
At 28 January 2017		-	1,414	-	1,414
Charge for the year		-	986	1,942	2,928
At 27 January 2018		-	2,400	1,942	4,342
Charge for the year		-	1,054	1,663	2,717
Disposals		-	(77)	-	(77)
At 26 January 2019		-	3,377	3,605	6,982
<b>Carrying amount</b>					
At 27 January 2018		14,459	14,930	6,404	35,793
At 26 January 2019		7,591	897	4,741	13,229

**10. Tangible fixed assets**

	Plant, fixtures & fittings £'000
<b>Cost</b>	
At 28 January 2017	6,408
Additions	713
At 27 January 2018	7,121
Additions	544
Impairment (note 20)	(846)
At 26 January 2019	6,819
<b>Accumulated depreciation</b>	
At 28 January 2017	2,335
Provided in the year	1,416
At 27 January 2018	3,751
Provided in the year	2,229
At 26 January 2019	5,980
<b>Carrying amount</b>	
At 27 January 2018	3,370
At 26 January 2019	839

**Co-operative Energy Limited**  
Notes to the financial statements for the 52 weeks ended 26 January 2019

**11. Investments**

	2019 £	2018 £
Energy Coop Limited	2	2
Flow Energy Limited	-	-
	2	2

Name	Registered office address	Place of incorporation and operation	Nature of business	Proportion of ownership interest (%)	Proportion of voting power held (%)
Energy Coop Limited	Co-operative House, Warwick Technology Park, Gallows Hill, Warwick. CV34 6DA.	England & Wales	Dormant	100	100
Flow Energy Limited	Co-operative House, Warwick Technology Park, Gallows Hill, Warwick. CV34 6DA.	England & Wales	Utilities	100	100

**12. Stocks**

	2019 £'000	2018 £'000
Goods for resale	-	120
	-	120

All stock is expected to be realised within 12 months.

Goods bought for resale recognised as a cost of sale amounted to £nil (2018: £52,745).

The year-end stock provision is £nil (2018: £nil).

Stock writedowns in the year were £nil (2018: £nil).

**13. Debtors**

	2019 £'000	2018 £'000
Trade debtors	14,434	39,202
Other debtors	32	-
Prepayments and accrued income	42,439	41,060
	56,905	80,262

Trade debtors have been impaired by £13,490,000 (note 20).

**14. Creditors: amounts falling due within one year**

	2019 £'000	2018 £'000
Trade creditors	86,825	66,823
Accruals and deferred income	17,284	21,919
Tax and other social security	1,110	-
Onerous contracts	7	705
Amounts owed to group undertakings	39,302	35,469
	144,528	124,916

**Co-operative Energy Limited**  
**Notes to the financial statements for the 52 weeks ended 26 January 2019**

**15. Deferred tax assets and liabilities**

	Assets		Liabilities		Net	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Accelerated capital allowances	-	-	-	440	-	440
Other	-	(352)	-	-	-	(352)
<b>Net tax (assets) / liabilities</b>	<b>-</b>	<b>(352)</b>	<b>-</b>	<b>440</b>	<b>-</b>	<b>88</b>

There are £1,185,000 (accelerated capital allowances £557,000, other £628,000) unrecognised deferred tax assets (2018: £nil). The asset has been unrecognised as the trade of the company has ceased and there will be no future profits to utilise the asset.

**16. Share capital**

	2019 £	2018 £
Alotted, called up and fully paid:		
1 ordinary share of £1 each	1	1

**17. Capital commitments**

	2019 £'000	2018 £'000
Expenditure contracted but not provided for	-	945
	-	945

**18. Contingent liability**

The Company is party to a cross guarantee secured on the assets of the Company and other companies and societies in the group in respect of amounts owed by the group, at 26 January 2019 £39,224,000 (2018: £54,120,000). Details of group bank borrowings are disclosed in the group accounts of The Midcounties Co-operative Limited, copies of which may be obtained from the Secretary, Co-operative House, Warwick Technology Park, Gallows Hill, Warwick, CV34 6DA.

**19. Subsequent events**

On 17 September 2019 The Midcounties Co-operative Limited agreed to sell its energy businesses to Octopus Energy. The deal sees the cessation of activities as an energy supplier. The intercompany owed by Flow Energy Limited to Co-operative Energy has been impaired and a fair value adjustment of £8m has been debited to the income statement.

As the company no longer intends to trade, the financial statements have been prepared to include, where appropriate, the write down of the company's assets to net realisable value. Provision has also been made for any contractual commitments that have become onerous at the balance sheet date. The financial statements do not include any provision for the future costs of terminating the business of the company except to the extent that such costs were committed at the balance sheet date.

**20. Impairment of discontinued operations**

Management have formed a view of the likely impairment of the assets and liabilities of the energy business following the sale to Octopus Energy Limited. Reflected in these financial statements are the impairment of intangible assets £25,913,000, tangible assets £846,000 and debtors £13,490,000.

**Co-operative Energy Limited**  
**Notes to the financial statements for the 52 weeks ended 26 January 2019**

**21. Immediate and ultimate parent undertaking**

The directors regard The Midcounties Co-operative Limited as the ultimate parent and ultimate controlling entity. Copies of the ultimate parent's consolidated financial statements may be obtained from the Secretary, Co-operative House, Warwick Technology Park, Gallows Hill, Warwick, CV34 6DA.

As the company is a wholly owned subsidiary of The Midcounties Co-operative Limited, the Company has taken advantage of the exemption contained in FRS 101 and has therefore not disclosed transactions or balances with wholly owned subsidiaries which form part of the group.