REGISTERED NUMBER: 06993470
England and Wales

CO-OPERATIVE ENERGY LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE 52 WEEKS ENDED 25 JANUARY 2020

Co-operative Energy Limited

Directors' report and financial statements for the 52 weeks ended 25 January 2020

Co-operative Energy Limited

Strategic report for the 52 weeks ended 25 January 2020

Review of the business

In September 2019 we entered into a strategic partnership with Octopus Energy. The partnership combines their industry-leading technology and excellent customer service with our co-operative values and community focus. It included the outright sale of the GB Energy customer books, and the transfer of our Co-op Energy customers onto the systems used by Octopus.

This marked the culmination of a lengthy process which saw us tackle the growing issues within the business that were affecting the energy sector as a whole. Rising industry costs, record switching rates, greater price competition and the effects of the price cap and other regulatory interventions have hit the profitability of domestic energy suppliers hard over the last few years. In the case of Co-op Energy, the above factors pushed the business into loss, a position common to almost all other domestic suppliers, and one that continued through into 2019/20.

At the time of the sale, a 'White Label' agreement was signed with Octopus energy, to allow the Midcounties Co-operative to promote and sell energy tariffs through its Co-operative Energy brand. Co-operative Energy Ltd will provide the ongoing services on behalf of Midcounties Co-operative and for this reason the basis of accounting preparation has changed to a view of a going concern, and the accounts are prepared on that basis. Initially the directors expected the white label income to be recognised in a subsidiary company and therefore prepared the January 2019 financial statement on a breakup basis. However subsequently the white label income is going to be recognised by Co-operative Energy Limited.

Results for the period are set out on page 9.

Key performance indicators

	2020	2019
Gross sales	**£165m**	£323m
Gross margin	**4.61%**	9.66%
Net margin (before tax)	**(17.64)%**	(21.64)%
Customers on supply	**-**	269,000

Covid-19 and Going concern

In light of the ongoing Covid-19 pandemic and its expected impact upon the Company, the Board has considered whether any adjustments are required to the financial statements. As at the 25 January 2020 balance sheet date, no global pandemic had been declared, albeit some impact was first being felt in China and the Republic of Korea. At that time the full impact of Covid-19 upon the worldwide economy or indeed UK businesses was not known neither were the actions of the UK government in response.

The World Health Organisation declared a pandemic on 11 March 2020 following which social distancing measures and restrictions on the workings of normal society were introduced by the UK government. As these interventions and actions only became apparent after the balance sheet date any consequences arising represent non-adjusting post balance sheet events.

The directors have reviewed cash flow forecasts prepared by The Midcounties Co-operative Limited (the ultimate parent and ultimate controlling entity and the "Group") through to January 2022, which include the cashflows of the company. These forecasts were prepared taking into account reasonably possible downsides, and severe but plausible downsides as a result of Covid-19. More details on the impact and the possible mitigating actions are set out in note 1 to the financial statements.

Based on the above mitigating actions as well as consideration that the severe but plausible downsides forecasted may not materialise, the directors believe that it remains appropriate to prepare the financial statements on a going concern basis. However, the material uncertainty over the Group's ability to provide additional financial support and to not seek repayment of debt may cast significant doubt on the Company's ability to continue as a going concern and, therefore, to continue realising its assets and discharging its liabilities in the normal course of business. The financial statements do not include any adjustments that would result from the basis of preparation being inappropriate.

S172 Statement

The directors of the Company, as those of all UK companies must act in accordance with a set of general duties. These duties are detailed in section 172 of the UK Companies Act 2006 which is summarised as follows:

A director of a company must act in the way they consider, in good faith, would be most likely to promote the success of the company for the benefit of its shareholders as a whole and, in doing so have regard (amongst other matters) to:

- the likely consequences of any decision in the long term
- the interests of the company's employees
- the need to foster the company's business relationships with suppliers, customers and others
- the impact of the company's operations on the community and environment

Risk management

Principal risks and uncertainties

We continue to develop and refine our risk identification, monitoring and reporting mechanisms to ensure risk is appropriately managed within the Company. Risks are rated using a probability and impact matrix. Risk management is an evolving process and further focus will continue through 2020 and beyond.

Principal risks and uncertainties

Brexit
– The implications and uncertainty caused by Brexit

Business continuity & disaster recovery
– Failure to develop/maintain robust business continuity and disaster recovery plans

Competition
– The impact of significant disrupting activity by new/existing competitors in the markets where we operate

Coronavirus
– The impact of the pandemic on the Company

Environment
– By not taking action in line with our policies and procedures to meet our environmental obligations

Financial performance
– Failure to deliver our business plan numbers impacting our ability to operate as a member-based co-operative

Funding
– Failure to develop/maintain a relationship with our financial stakeholders affecting our ability to fund our businesses

Global events
– For example, acts of terrorism, natural disasters, health scares

Governance
– A breakdown in effective decision making and governance for the long-term interests of the Company and its members

Health & Safety
– Failure to develop/maintain appropriate policies and procedures
– The risk of a serious Health & Safety breach

Innovation
– Failure to innovate – in our ways of working; in our use of technology; in our customer and member propositions

Membership
– Failure to uphold the membership model
– Failure to develop/maintain a co-operative relationship with our members

People
– A risk of weak management capability and/or succession planning

Principle 6 – co-operation among co-operatives
– A risk that our relationship with other co-operative societies becomes damaged/unworkable

Regulatory risk
– Failure to plan for and implement regulatory change
– The impact of unforeseen regulatory change

Reputational risk
– Arising from significant non-compliance with our policies and procedures
– Arising from the actions of our partners

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

Edward Parker
Secretary
26 October 2020

Co-operative Energy Limited

Directors' report for the 52 weeks ended 25 January 2020

Principal activity

Co-operative Energy Limited was an electricity and gas supply company until 17 September 2019. Going forwards it operates a white label partnership with Octopus Energy.

Political donations

The Company made no political donations during the period (2019: £nil).

Charitable donations

The Company made no charitable donations during the period (2019: £nil).

Modern Slavery Act

For the Company Modern Slavery Act Disclosure go to www.midcounties.coop.

Directors

The directors of the Company as at 25 January 2020, all of whom had held office for the whole of the period unless otherwise stated, were:

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

On 13 October 2020, M Cook, J Feeney, P Gray and G Hayes resigned as directors. O Birch, B Connor, I Kirkman and P Mather were appointed as directors.

Dividends

The directors do not propose the payment of a dividend in respect of the current financial year. No dividend was paid in respect of the previous 52 weeks ended 31 January 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

The Company is in the process of appointing auditors for the 52 week period ended 23 January 2021. KPMG LLP will continue in office until the formal resignation process is complete.

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

Edward Parker
Secretary
26 October 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 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.

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.

On behalf of the Board.

Edward Parker, Secretary
26 October 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 25 January 2020 which comprise the Profit and Loss Account and Other 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 25 January 2020 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*
- 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.

Material uncertainty related to going concern

We draw your attention to note 1 to the financial statements which indicates that changes in the forecast assumptions could result in the Company's ultimate parent undertaking not being able to provide additional financial support and to require repayment of balances owed to group undertakings. These events and conditions, along with the other matters explained in note 1, constitute a material uncertainty 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.

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 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.

Directors' responsibilities

As explained more fully in their statement set out on page 5, 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.

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

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.

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.

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

28 October 2020

Co-operative Energy Limited
Profit and Loss Account and Other Comprehensive Income for the 52 weeks ended 25 January 2020

	Note	25 January 2020 £000 Continuing	25 January 2020 £000 Discontinued	25 January 2020 £000 Total	2019 £'000 Discontinued
Turnover	2	33	165,390	165,423	323,275
Cost of sales		-	(157,799)	(157,799)	(292,039)
Gross profit		33	7,591	7,624	31,236
Administrative expenses		(95)	(32,570)	(32,665)	(42,095)
Significant items	6	-	(958)	(958)	-
Operating loss		(62)	(25,937)	(25,999)	(10,859)
Gain on sale of customers		-	12,863	12,863	-
Loss on sale of debt		-	(3,195)	(3,195)	-
Loss on disposal of fixed assets		-	-	-	(4)
Impairment of Flow Energy Limited subsidiary debtor		-	(12,430)	(12,430)	(7,978)
Impairment of Flow Energy Limited subsidiary investment		-	-	-	(10,267)
Impairment of discontinued operations	18	-	-	-	(40,249)
Interest payable	7	-	(416)	(416)	(607)
Loss before taxation		(62)	(29,115)	(29,177)	(69,964)
Tax on loss	8	10	-	10	1,992
Loss for the financial year and other comprehensive income		(52)	(29,115)	(29,167)	(67,972)

The notes on pages 11 to 19 form an integral part of the financial statements.

Co-operative Energy Limited
Statement of Financial Position as at 25 January 2020
Registered no. 06993470

	Note	2020 £'000	2019 £'000
Fixed assets			
Intangible assets	9	-	13,229
Tangible assets	10	-	839
Right of use assets	11	6,070	-
Investments	12	-	-
Other debtors	13	1,374	
		7,444	14,068
Current assets			
Debtors	13	18,035	56,905
Cash at bank and in hand		560	778
		18,595	57,683
Current liabilities			
Creditors: amounts falling due within one year	14	(121,247)	(144,528)
Right of use liability	14	(207)	-
		(121,454)	(144,528)
Net current liabilities		(102,859)	(86,845)
Total assets less current liabilities		(95,415)	(72,777)
Long term liabilities			
Right of use liability	15	(6,529)	-
Net liabilities		(101,944)	(72,777)
Capital and reserves			
Called up share capital	16	-	-
Profit and loss account		(101,944)	(72,777)
Shareholders' deficit		(101,944)	(72,777)

The notes on pages 11 to 19 form an integral part of the financial statements.

Signed on behalf of the board of directors

Helen Wiseman
Director
Approved by the board: 26 October 2020

Co-operative Energy Limited
Statement of Changes in Equity for the 52 weeks ended 25 January 2020

	Called up share capital £'000	Profit and loss account £'000	Total equity £'000
Balance at 27 January 2018	-	(4,805)	(4,805)
Loss for the period	-	(67,972)	(67,972)
Total comprehensive loss for the period	-	(67,972)	(67,972)
Balance at 26 January 2019	-	(72,777)	(72,777)
Loss for the period	-	(29,167)	(29,167)
Total comprehensive loss for the period	-	(29,167)	(29,167)
Balance at 25 January 2020	-	(101,944)	(101,944)

The notes on pages 11 to 19 form an integral part of the financial statements.

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 25 January 2020 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.

The financial statements are prepared on a historical cost basis.

Notwithstanding net current liabilities of £102,859,000 as at 25 January 2020, a loss for the year then ended of £29,167,000 the financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons.

The directors of the company have reviewed cash flow forecasts prepared by The Midcounties Co-operative Limited ("Group") through to January 2022, which include the cashflows of the company. These forecasts were prepared taking into account reasonably possible downsides, and severe but plausible downsides as a result of COVID-19. The Group has external financing facilities, which the company relies on. The company is reliant on The Midcounties Co-operative Limited ("Group") not seeking repayment of the amounts currently due to the group and providing additional financial support during that period, as required. The Group has indicated its intention to continue to make available such funds as are needed by the company, and that it does not intend to seek repayment of the amounts due at the balance sheet date, for the period covered by the forecasts.

However, the ability of the Group to continue to provide this support is dependent on factors which are outside of the Group's control, principally in relation to the Group's Travel business, which may result in the Group requiring additional working capital beyond its existing facilities or may need to reset covenants to avoid covenant breaches. These factors represent a material uncertainty as to the ability of the Group to continue to provide additional financial support and to not seek repayment of debt from the company.

The directors of the company have reviewed the Group's mitigating actions which include, but are not limited to, capital investment restrictions, recruitment and headcount controls, increased sale and leaseback deals, finance lease re-gearing, bonus and pay curtailment, pension deficit payment restrictions, marketing savings and cessation of non-essential services. In addition, Government support has been granted and will be accessed in the form of the Job Retention Scheme, the Business Rates Reduction Scheme, Business Rates grants, Childcare funding and support for PPE in Healthcare. Furthermore, the Group continues to have a strong relationship with its existing lenders and an open dialogue should further funds be required.

Based on the above mitigating actions as well as consideration that the severe but plausible downsides forecasted may not materialise, the directors of the company believe that it remains appropriate to prepare the financial statements on a going concern basis. However, the material uncertainty over the Group's ability to provide additional financial support and to not seek repayment of debt may cast significant doubt on the company's ability to continue as a going concern and, therefore, to continue realising its assets and discharging its liabilities in the normal course of business. The financial statements do not include any adjustments that would result from the basis of preparation being inappropriate.

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.

1. ***Accounting policies (continued)***

iii) **Use of estimates and judgements (continued)**
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.

In the opinion of the directors there are no estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year.

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.

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. Revenue on White label commission is recognised on the sign up to the Co-operative Energy tariff with Octopus Energy. An annual commission is recognised for customer loyalty, this is recognised 15 months after going on supply and then annually after that.

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.

1. Accounting policies (continued)

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.

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

1. Accounting policies (continued)

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.

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

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

IFRS 16 leases

The Company adopted IFRS 16 using 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.

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 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.

Right of use asset treatment and depreciation: The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Company by the end of the lease term or the cost of the right-of-use asset reflects that the Company will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

1. Accounting policies (continued)

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

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Company is reasonably certain to exercise,
- lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and
- penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

Detail on accounting for lease liability: The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, if the Company changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, to the extent that the right-of-use asset is reduced to nil, with any further adjustment required from the remeasurement being recorded in profit or loss. The Company presents right-of-use assets that do not meet the definition of investment property in 'property, plant and equipment' and lease liabilities in 'loans and borrowings' in the statement of financial position.

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 operating profit, which is reported prior to interest being 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.

2. Turnover

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

3. Loss on ordinary activities before taxation

The audit fee is met by the ultimate parent undertaking.

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 £8,475,000 (2019: £12,804,000) are recharged. The emoluments of the directors are borne by the ultimate holding Society.

6. Significant items

	2020	2019
	£'000	£'000
Expense of business acquisitions	**16**	206
Expenses of selling discontinued operations	**453**	-
Restructuring costs	**81**	-
Right of use asset impairment	**408**	-
	958	206

7. Interest payable and similar charges

	2020 £'000	2019 £'000
Total interest expense on financial liabilities at amortised cost	**140**	607
Interest expense in respect of IFRS16	**276**	-
	416	607

8. Taxation

	2020 £'000	2019 £'000 Restated
Recognised in the profit and loss account		
UK corporation tax		
Current tax on income for the period	**10**	(1,904)
Total current tax	**10**	(1,904)
Deferred tax		
Origination and reversal of temporary differences	**-**	(770)
Recognition of previously unrecognised tax losses	**-**	682
Total deferred tax	**-**	(88)
Taxation on profit on ordinary activities	**10**	(1,992)

	2020 £'000	2019 £'000
Reconciliation of effective tax rate		
Loss for the year	**(52)**	(67,972)
Total tax credit	**10**	(1,992)
Loss excluding taxation	**(62)**	(69,964)
Tax using the UK corporation tax rate of 19.00% (2019: 19.00%)	**(11)**	(13,293)
Non-deductible expenses	**1**	10,619
Recognition of previously unrecognised tax losses	**-**	682
Total tax credit	**(10)**	(1,992)

Factors affecting future tax changes

A reduction in the UK corporation tax rate from 19% to 17% (effective from 1 April 2020) was substantively enacted on 6 September 2016, and the UK deferred tax asset as at 25 January 2020 has been calculated based on this rate. The March 2020 Budget announced that a rate of 19% would continue to apply with effect from 1 April 2020, and this change was substantively enacted on 17 March 2020.

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**
Cost					
At 27 January 2018		14,459	17,330	8,346	**40,135**
Additions		-	6,070	-	**6,070**
Disposals		-	(81)	-	**(81)**
Impairment	**18**	(6,868)	(19,045)	-	**(25,913)**
At 26 January 2019		**7,591**	**4,274**	**8,346**	**20,211**
Disposals		(7,591)	(4,274)	(8,346)	**(20,211)**
At 25 January 2020		**-**	**-**	**-**	**-**
Accumulated amortisation					
At 28 January 2018		-	2,400	1,942	**4,342**
Charge for the year		-	1,054	1,663	**2,717**
		-	(77)	-	**(77)**
At 26 January 2019		**-**	**3,377**	**3,605**	**6,982**
Charge for the year		-	624	992	**1,616**
Disposals		-	(4,001)	(4,597)	**(8,598)**
At 25 January 2020		**-**	**-**	**-**	**-**
Carrying amount					
At 26 January 2019		7,591	897	4,741	13,229
At 25 January 2020		**-**	**-**	**-**	**-**

10. Tangible fixed assets

	Plant, fixtures & fittings £'000
Cost	
At 27 January 2018	7,121
Additions	544
Impairment (note 18)	(846)
At 26 January 2019	**6,819**
Additions	1,715
Disposals	(8,534)
At 25 January 2020	-
Accumulated depreciation	
At 27 January 2018	3,751
Provided in the year	2,229
At 26 January 2019	**5,980**
Provided in the year	948
Disposals	(6,928)
At 25 January 2020	-
Carrying amount	
At 26 January 2019	839
At 25 January 2020	-

11. Right of use assets

The adoption of IFRS 16 on 27th January 2019 resulted in the recognition of opening balances for right of use assets of £7,024,717 and right of use liabilities of £6,944,953. Adjustments were also required to onerous lease provisions of £543,983 and to prepayments of £79,764.

The impact on the current year statement of comprehensive income has been to increase depreciation by £331,411, increase finance costs by £276,288 and to reduce operating expenses by £485,120. This has increased operating profit by £153,710, as the new standard moves costs previously accounted for in operating expenses into finance costs. After the impact on finance costs the loss for the year to date has decreased by £122,579 as a result of the adoption of the standard. The impact on the statement of financial position since adoption has been a net increase in the right of use liability of £208,832.

The Company has used a range of discount rates in arriving at the above estimates, between 2.0% to 4.3% dependent on the length of lease remaining and the quality of the right of use asset.

Right-of-use assets related to lease properties that do not meet the definition of investment properties are presented as property, plant and equipment.

	2020 **£'000**
Opening position	**7,025**
Onerous lease	**(544)**
Prepayment	**(80)**
Depreciation	**(331)**
Right of use assets	**6,070**

12. Investments

	2020 **£**	2019 £
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	Dormant	100	100

13. Debtors

	2020 **£'000**	2019 £'000
Trade debtors	**3,619**	14,434
Other debtors	**11,020**	32
Prepayments and accrued income	**3,386**	42,439
Deferred Tax Asset	**10**	-
	18,035	56,905

Trade debtors have been impaired by £nil (2019: £13,490,000 (note 18)).

The other debtor figure contains a further £10,360,000 deferred consideration from the sale to Octopus energy, also a contingent consideration of £2,016,000 is split across debtors less and greater than one year.

14. Creditors: amounts falling due within one year

	2020 £'000	2019 £'000
Trade creditors	**32,895**	86,825
Accruals and deferred income	**2,353**	17,284
Tax and other social security	**-**	1,110
Onerous contracts	**-**	7
Right of use liability	**207**	-
Amounts owed to group undertakings	**85,999**	39,302
	121,454	144,528

15. Long term liabilities

	2020 £'000	2019 £'000
Right of use liability	**6,529**	-

16. Share capital

Allotted, called up and fully paid:	2020 £	2019 £
1 ordinary share of £1 each	**1**	1

17. 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 25 January 2020 £85,999,000 (2019: £58,171,000). 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.

18. Prior year 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.

19. Post balance sheet event

The World Health Organisation declared a pandemic on 11 March 2020 following which social distancing measures and restrictions on the workings of normal society were introduced by the UK government. As these interventions and actions only became apparent after the balance sheet date any consequences arising, represent non-adjusting post balance sheet events.

20. 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.