
AFFECT ENERGY LTD

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 30 APRIL 2019

AFFECT ENERGY LTD

COMPANY INFORMATION

Directors James Andrew Eddison
Christopher Robert Hulatt
Greg Sean Jackson
Stuart Keith Jackson
Simon Andrew Rogerson

Registered number 09263368

Registered office 6th Floor
33 Holborn
London
England
EC1N 2HT

Independent auditors Barnes Roffe LLP
Chartered Accountants
Leytonstone House
Leytonstone
London
E11 1GA

AFFECT ENERGY LTD

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AFFECT ENERGY LTD

STRATEGIC REPORT FOR THE PERIOD ENDED 30 APRIL 2019

Principal activities

The principal activity of the Company during the period was that of supply of gas and electricity to domestic and commercial customers in Great Britain. Affect Energy commits to do this in a way which provides low, transparent, sustainable pricing for customers with a high proportion of renewable and low-carbon energy.

Business review and and key performance indicators KPIs

	30 April 2019	31 March 2018
Trust Pilot score - out of 5	<u>5</u>	<u>5</u>

Business review

The Directors are delighted to report Affect has delivered this level of service at the same time as migrating all customers onto Octopus Energy's proprietary platform Kraken

The Company was acquired by Octopus Energy Limited in August 2018. Octopus Capital Limited has continued to provide substantial committed funding during this period via the Company's immediate parent company Octopus Energy Limited. Octopus Energy Ltd is able to draw-down as required to fund the growth forecast over the medium term and operates a comprehensive hedging policy to mitigate market risk. This funding supports the Directors review that going concern basis of preparation for these financial statements is appropriate (after consideration of the risks and uncertainties detailed below) as set out in Note 1 to the financial statements.

Principal risks and uncertainties

The Group's Management Committee identifies, assesses and manages risks associated with the Company's business objectives and strategy in the following categories:

Wholesale Market Risks

The Company follows a strict and sophisticated hedging policy, and does not speculate on market movements, nor does it assume, rely upon, nor benefit from, market movement in either direction. The Company makes forward commitments for power and gas delivery for each customer that is acquired or renewed onto a fixed price contract for the duration of the term offered to the customer and allows for some expected attrition (the company does not "lock in" customers with exit fees, and instead models attrition and allows for this). Daily adjustments are made to correct the wholesale position for variances in demand and renewable generation vs forecast. This largely locks in margin for customers across the life of their contracts and provides a basis for financial planning. Variances to expected margin for fixed products come about as a result of "shaping loss" (tailoring a hedge constructed from freely available market products to the specific consumption shape of the Company's portfolio) and "imbalance costs" (consumption turns out differently from hedged-for expectations): these risks are monitored closely and on both the Company performs within expectation. For customers on variable price contracts, the Company executes a rolling hedge that follows the price-cap methodology and effectively provides a six month hedge (against a product for which prices can be varied).

**STRATEGIC REPORT (CONTINUED)
FOR THE PERIOD ENDED 30 APRIL 2019**

Cashflow and Liquidity Risk

The Company manages cash responsibly and has clear sight to expected cash requirements. The Group operates financial models on two levels: 1. Detailed daily cashflow model that provides sight to the next three months. This is formally reviewed on a weekly basis to ensure that short-term liquidity is optimised and maintained; 2. Long-range forecast model that generates a rolling forecast for P&L, Balance Sheet and monthly peak cash (and potential variances to) over the next three years. Through this, the Group can plan capital allocation accordingly. There are three principle risks to liquidity and the Company monitors these closely as well as utilising proprietary modelling / forecasting tools:

(1) Mark to market risk that arises from commodity price movements: The Company no longer carries this risk, which was removed as part of a wider trading arrangement.

(2) Customer attrition risk: the business has now harvested extensive data sets that enable sophisticated prediction of customer attrition, both at an individual customer level and across the portfolio. In addition, the Company continues to invest in brand, customer experience and account features that all contribute to growing underlying levels of customer persistency. In addition, Affect has been careful to acquire customers across a range of channels to reduce the concentration of attrition risk.

(3) Customer account management: the Company undertakes careful, systematic monitoring and management of customer accounts to ensure that monthly direct debit amounts are suitable for consumption levels to avoid excessive debt / credit building up.

Commercial Risk

The Company generates two types of commercial risk:

(1) that generated by the competitive environment, against which the Company is relatively well placed as a result of its highly efficient operating model and

(2) credit risk, which the Company manages through:

(a) very high penetration of direct debit collections

(b) the application of credit risk data

(c) close monitoring of customer account performance and strict processes for non-payment.

Operational Risk

Operational risk arises from a weakness or failure in a business's systems and controls. The Company relies on efficient and well-controlled processes. The potential impact and likelihood of processes failing and operational risk materialising is assessed on a regular basis. Where these likelihoods are felt to be outside of the Directors' appetite for risk, management actions and/or control improvements are identified in order to bring each potential risk back to within acceptable levels. The Company also has a disaster recovery plan in place covering current business requirements.

Brexit risk

The Company has considered the effect on the activities performed following the exit of the UK from the European Union. Although the outcome is unclear, the conclusion was that the current business model would be sustainable in the event of a no deal Brexit, and the Directors do not consider that there would be a material impact to the financial statements.

AFFECT ENERGY LTD

**STRATEGIC REPORT (CONTINUED)
FOR THE PERIOD ENDED 30 APRIL 2019**

Future developments

The Directors expect the business to continue at a steady pace during the forthcoming year as a result of further investment in the business, to drive efficiency and capability.

This report was approved by the board on 28 May 2020 and signed on its behalf.

S Jackson
Director

AFFECT ENERGY LTD

DIRECTORS' REPORT FOR THE PERIOD ENDED 30 APRIL 2019

The directors present their report and the financial statements for the period ended 30 April 2019.

Future developments

Details of future developments can be found in the Strategic Report on p3.

Events after the balance sheet date

Details of significant events since the balance sheet date are contained in note 25 to the financial statements.

Directors' responsibilities statement

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. 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 for the Company's financial statements and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Results and dividends

The loss for the period, after taxation, amounted to £502,687 (2018 - loss £1,608,831).

The directors did not recommend interim or final dividend to be paid during the period (2018 - *Nil*).

Directors

The directors who served during the period were:

James Andrew Eddison (appointed 23 October 2018)
Christopher Robert Hulatt (appointed 23 October 2018)
Greg Sean Jackson (appointed 23 October 2018)
Stuart Keith Jackson (appointed 31 August 2018)
Simon Andrew Rogerson (appointed 23 October 2018)
John Szymik (resigned 31 August 2018)

**DIRECTORS' REPORT (CONTINUED)
FOR THE PERIOD ENDED 30 APRIL 2019**

Disclosure of information to auditors

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

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

Going concern

The Company's business activities are set out in the Business Review which forms part of the Strategic Report. The Strategic Report also describes the funding line available to the Company's immediate parent company, Octopus Energy Limited. The Company is currently in a net liability position, but the Company has the support of its immediate parent company, Octopus Energy Limited. Based on this support, and the projections of the business over the foreseeable future, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Auditors

Each of the persons who is a director at the date of approval of this report confirms that:

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

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Barnes Roffe LLP has indicated its willingness to be reappointed for another term and a resolution to reappoint them will be proposed at the next Annual General Meeting.

This report was approved by the board on 28 May 2020 and signed on its behalf.

S Jackson

Director

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF AFFECT ENERGY LTD

Opinion

We have audited the financial statements of Affect Energy Ltd (the 'Company') for the period ended 30 April 2019, which comprise the Statement of comprehensive income, the Balance sheet, the Statement of changes in equity and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 30 April 2019 and of its loss for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

Other Matter

In the previous accounting period the directors of the company took advantage of audit exemption under s477 of the Companies Act. Therefore the prior period financial statements were not subject to audit.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF AFFECT ENERGY LTD (CONTINUED)

Other information

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

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

We have nothing to report in this regard.

Opinion on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

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

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF AFFECT ENERGY LTD (CONTINUED)

Responsibilities of directors

As explained more fully in the Directors' responsibilities statement on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an Auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Use of our report

This report is made solely to the Company's members 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 Auditors' 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 for our audit work, for this report, or for the opinions we have formed.

Ricky Downey (Senior statutory auditor)
for and on behalf of
Barnes Roffe LLP
Chartered Accountants
Leytonstone House
Leytonstone
London
E11 1GA
29 May 2020

AFFECT ENERGY LTD

STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 30 APRIL 2019

	Note	13 month period ended 30 April 2019 £	<i>Unaudited</i> 17 month period ended 31 March 2018 £
Turnover	4	24,834,893	28,452,977
Cost of sales		(25,493,695)	(28,395,018)
Gross (loss)/profit		(658,802)	57,959
Administrative expenses		(1,419,197)	(1,718,371)
Other operating income	5	1,569,219	6,000
Operating loss	6	(508,780)	(1,654,412)
Interest receivable and similar income	10	6,758	49,121
Interest payable and similar charges	11	(665)	(3,540)
Loss before tax		(502,687)	(1,608,831)
Loss for the financial period		(502,687)	(1,608,831)

There were no recognised gains and losses for 2019 or 2018 other than those included in the statement of comprehensive income.

The notes on pages 12 to 27 form part of these financial statements.

AFFECT ENERGY LTD
REGISTERED NUMBER: 09263368

BALANCE SHEET
AS AT 30 APRIL 2019

	Note	30 April 2019 £	<i>Unaudited Restated 31 March 2018 £</i>
Fixed assets			
Intangible assets	13	132,621	73,263
Tangible assets	14	9,708	123,104
		142,329	196,367
Current assets			
Debtors: amounts falling due within one year	15	5,066,562	6,621,445
Cash at bank and in hand	16	2,024,159	458,112
		7,090,721	7,079,557
Creditors: amounts falling due within one year	17	(10,192,748)	(9,686,127)
Net current liabilities		(3,102,027)	(2,606,570)
Total assets less current liabilities		(2,959,698)	(2,410,203)
Creditors: amounts falling due after more than one year	18	-	(46,808)
Net liabilities		(2,959,698)	(2,457,011)
Capital and reserves			
Called up share capital	21	1,000	1,000
Profit and loss account		(2,960,698)	(2,458,011)
		(2,959,698)	(2,457,011)

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 28 May 2020.

S Jackson
Director

The notes on pages 12 to 27 form part of these financial statements.

AFFECT ENERGY LTD

**STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 30 APRIL 2019**

	Called up share capital £	Profit and loss account £	Total equity £
At 1 May 2017	1,000	(849,180)	(848,180)
Comprehensive income for the period			
Loss for the period	-	(1,608,831)	(1,608,831)
At 1 April 2018	1,000	(2,458,011)	(2,457,011)
Comprehensive income for the period			
Loss for the period	-	(502,687)	(502,687)
At 30 April 2019	<u>1,000</u>	<u>(2,960,698)</u>	<u>(2,959,698)</u>

The notes on pages 12 to 27 form part of these financial statements.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 APRIL 2019**

1. General information

Affect Energy Ltd ("the Company") is a private company, limited by shares, registered in England and Wales. The company's registered number and registered office address can be found on the company information page.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies (see note 3).

The following principal accounting policies have been applied:

2.2 Financial reporting standard 102 - reduced disclosure exemptions

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 4 Statement of Financial Position paragraph 4.12(a)(iv);
- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 11 Financial Instruments paragraphs 11.41(b), 11.41(c), 11.41(e), 11.41(f), 11.42, 11.44 to 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b) and 11.48(c);
- the requirements of Section 12 Other Financial Instruments paragraphs 12.26 to 12.27, 12.29(a), 12.29(b) and 12.29A;
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statements of Octopus Capital Limited as at 30 April 2019 and these financial statements may be obtained from the registered office Company secretary, Octopus Capital Limited, 6th Floor, 33 Holborn, London, EC1 2HT.

2.3 Going concern

The company's business activities are set out in the Business Review which forms part of the Strategic report. The strategic report also describes the funding line available to the Company's immediate parent company, Octopus Energy Limited. The company is currently in a net liability position but the company has the support of its immediate parent company, Octopus Energy Limited. Based on this support, and the projections of the business over the foreseeable future, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 APRIL 2019

2. Accounting policies (continued)

2.4 Foreign currency translation

Functional and presentation currency

The Company's functional and presentational currency is GBP.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

2.5 Revenue

Energy supply revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Energy supply revenue is recognised on the basis of electricity and gas supplied during the period and is attributable to the supply of electricity and gas. This includes an estimate of the sales value of units and therms supplied to customers between the date of the last meter reading and the year end. Any unbilled revenue is included in prepayments and accrued income to the extent that it is considered recoverable, based on historical data.

2.6 Derivatives and Hedging

The company mitigates its exposure to fluctuation in commodity prices by hedging. When these contracts are initiated as to fulfil the supply requirement for customers, the Company classifies them as 'own use' and outside the scope of FRS 102 section 11 and 12. The volume of energy delivered to the Company is in line with customer usage and no contracts are entered into on a speculative basis.

2.7 Operating leases: the Company as lessee

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

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight-line basis over the lease term, unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 APRIL 2019

2. Accounting policies (continued)

2.8 Research and development

In the research phase of an internal project it is not possible to demonstrate that the project will generate future economic benefits and hence all expenditure on research shall be recognised as an expense when it is incurred. Intangible assets are recognised from the development phase of a project if and only if certain specific criteria are met in order to demonstrate the asset will generate probable future economic benefits and that its cost can be reliably measured. The capitalised development costs are subsequently amortised on a straight-line basis over their useful economic lives, which range from 3 to 6 years.

If it is not possible to distinguish between the research phase and the development phase of an internal project, the expenditure is treated as if it were all incurred in the research phase only.

2.9 Interest income

Interest income is recognised in the Statement of comprehensive income using the effective interest method.

2.10 Finance costs

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

2.11 Pensions

Defined contribution pension plan

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

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 APRIL 2019

2. Accounting policies (continued)

2.12 Taxation

Tax is recognised in the Statement of comprehensive income, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

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

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

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

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

2.13 Intangible assets

Intangible assets consist of:

Goodwill

Goodwill represents the difference between amounts paid on the cost of a business combination and the acquirer's interest in the fair value of its identifiable assets and liabilities of the acquiree at the date of acquisition. Subsequent to initial recognition, goodwill is measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is amortised on a straight line basis to the Statement of comprehensive income over its useful economic life.

Acquisition costs

Capitalised acquisition costs relate to the direct cost of acquiring customers via the different acquisition channels.

Acquisition cost is included at cost where it can be directly attributed to a customer. The assets are amortised over a period of 3 years on a straight-line basis.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 APRIL 2019

2. Accounting policies (continued)

2.13 Intangible assets (continued)

Website costs

Internally developed software costs are included at cost to the extent that they can be recovered by future revenues and include both external purchases as well as employment cost of the development team. They are amortised over the useful economic life of the asset. Development costs have been capitalised in line with FRS 102 Section 18 "Intangible Assets other than Goodwill" and are therefore not treated, for dividend purposes as a realised loss. Any expenditure incurred that does not relate to development of the final asset in use is expensed as incurred. There were no such expenses in the current period. The amortisation is treated as an admin expense.

The asset started to be amortised at the point it became available for use, over a period of 3 years on a straight-line basis. This is reviewed for impairment on an annual basis.

2.14 Tangible fixed assets

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

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives.

Depreciation is provided on the following basis:

Motor vehicles	-	25%	reducing balance
Fixtures and fittings	-	20%	straight line
Computer equipment	-	33%	straight line
Leasehold improvements	-	33%	straight line

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Statement of comprehensive income.

2.15 Debtors

Short term debtors are measured at transaction price, less any impairment.

2.16 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours.

2.17 Creditors

Short term creditors are measured at the transaction price.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 APRIL 2019

2. Accounting policies (continued)

2.18 Financial instruments

The Company only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties and loans to related parties.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received.

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

In the application of the Company's accounting policies, which are described above, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Key source of estimation uncertainty - revenue recognition

Revenue includes an estimate of the sales value of units supplied to customers between the date of the last meter reading and the period end. This is calculated by reference to data received through third party settlement systems, together with estimate of consumption not yet processed through settlements and selling price estimates. These estimates are sensitive to the assumptions used in determining the portion of sales not billed and based on meter readings at the reporting date.

Key source of estimation uncertainty - amortisation of acquisition costs

The current amortisation period for acquisition customer costs in intangibles is 3 years however, there is no reliable historical information to determine that this is appropriate. Management will continue evaluating the appropriateness of the estimate used as historical information becomes available.

AFFECT ENERGY LTD

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 APRIL 2019

3. Judgments in applying accounting policies (continued)

Key source of estimation uncertainty - bad debt provisions

Bad debts are provided for at 1.5% of turnover. This is calculated based on industry norms and analysis of our debt book. Management will continue evaluating the appropriateness of the estimate used as historical information becomes available.

4. Turnover

	13 month period ended 30 April 2019 £	<i>Unaudited</i> <i>17 month period ended 31 March 2018 £</i>
Sales	<u>24,834,893</u>	<u><i>28,452,977</i></u>

All turnover arose within the United Kingdom.

5. Other operating income

	13 month period ended 30 April 2019 £	<i>Unaudited</i> <i>17 month period ended 31 March 2018 £</i>
Discount on loans	1,569,219	-
Sundry income	<u>-</u>	<u><i>6,000</i></u>

AFFECT ENERGY LTD

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 APRIL 2019

6. Operating loss

The operating loss is stated after charging:

	13 month period ended 30 April 2019 £	<i>Unaudited</i> 17 month period ended 31 March 2018 £
Exchange differences	2	(15)
Other operating lease rentals	<u>52,500</u>	<u>37,297</u>

7. Auditors' remuneration

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

8. Employees

Staff costs, including directors' remuneration, were as follows:

	13 month period ended 30 April 2019 £	<i>Unaudited</i> 17 month period ended 31 March 2018 £
Wages and salaries	344,226	610,000
Cost of defined contribution scheme	6,556	2,082
	<u>350,782</u>	<u>612,082</u>

The average monthly number of employees, including the directors, during the period was 5 (2018 - 15).

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 APRIL 2019

9. Directors' remuneration

	13 month period ended 30 April 2019 £	<i>Unaudited</i> <i>17 month period ended 31 March 2018 £</i>
Directors' emoluments	<u>51,404</u>	<u>110,921</u>

10. Interest receivable and similar income

	13 month period ended 30 April 2019 £	<i>Unaudited</i> <i>17 month period ended 31 March 2018 £</i>
Interest on energy deposits	<u>6,758</u>	<u>49,121</u>

11. Interest payable and similar charges

	13 month period ended 30 April 2019 £	<i>Unaudited</i> <i>17 month period ended 31 March 2018 £</i>
Other loan interest payable	132	-
Finance leases and hire purchase contracts	533	3,540
	<u>665</u>	<u>3,540</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 APRIL 2019

12. Taxation

	13 month period ended 30 April 2019 £	<i>Unaudited</i> 17 month period ended 31 March 2018 £
Total current tax	-	-

Factors affecting tax charge for the period

The tax assessed for the period is higher than (2018 - higher than) the standard rate of corporation tax in the UK of 19% (2018 - 19%). The differences are explained below:

	13 month period ended 30 April 2019 £	<i>Unaudited</i> 17 month period ended 31 March 2018 £
Loss on ordinary activities before tax	<u>(502,687)</u>	<u>(1,608,831)</u>
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2018 - 19%)	(95,511)	(305,678)
Effects of:		
Expenses not deductible and income not taxable for tax purposes, other than goodwill amortisation and impairment	2,013	-
Transfer to tax losses carried forward	93,498	305,678
Total tax charge for the period	<u>-</u>	<u>-</u>

Factors that may affect future tax charges

There are losses of £2,598,862 which have been carried forward against future taxable profits.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 APRIL 2019

13. Intangible assets

	Customer acquisition £	Website £	Goodwill £	Total £
Cost				
At 1 April 2018	-	68,425	100,000	168,425
Additions	136,701	-	-	136,701
At 30 April 2019	<u>136,701</u>	<u>68,425</u>	<u>100,000</u>	<u>305,126</u>
Amortisation				
At 1 April 2018	-	40,158	55,004	95,162
Charge for the year	31,211	24,465	21,667	77,343
At 30 April 2019	<u>31,211</u>	<u>64,623</u>	<u>76,671</u>	<u>172,505</u>
Net book value				
At 30 April 2019	<u>105,490</u>	<u>3,802</u>	<u>23,329</u>	<u>132,621</u>
<i>At 31 March 2018</i>	<u>-</u>	<u>28,267</u>	<u>44,996</u>	<u>73,263</u>

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 APRIL 2019

14. Tangible fixed assets

	Motor vehicles £	Fixtures and fittings £	Leasehold improvements to property £	Computer equipment £	Total £
Cost or valuation					
At 1 April 2018	76,419	8,032	29,341	145,072	258,864
Additions	-	-	-	795	795
Disposals	(76,419)	-	-	-	(76,419)
At 30 April 2019	-	8,032	29,341	145,867	183,240
Depreciation					
At 1 April 2018	27,065	2,568	13,855	92,272	135,760
Charge for the period on owned assets	-	1,740	10,596	52,501	64,837
Disposals	(27,065)	-	-	-	(27,065)
At 30 April 2019	-	4,308	24,451	144,773	173,532
Net book value					
At 30 April 2019	-	3,724	4,890	1,094	9,708
At 31 March 2018	<u>49,354</u>	<u>5,464</u>	<u>15,486</u>	<u>52,800</u>	<u>123,104</u>

15. Debtors

	30 April 2019 £	<i>Unaudited Restated 31 March 2018 £</i>
Trade debtors	1,226,153	1,940,094
Other debtors	1,679,680	2,734,568
Prepayments and accrued income	2,160,729	1,946,783
	<u>5,066,562</u>	<u>6,621,445</u>

AFFECT ENERGY LTD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 APRIL 2019**

16. Cash and cash equivalents

	30 April 2019 £	<i>Unaudited</i> <i>31 March</i> <i>2018</i> £
Cash at bank and in hand	<u>2,024,159</u>	<u>458,112</u>

17. Creditors: Amounts falling due within one year

	30 April 2019 £	<i>Unaudited</i> <i>Restated</i> <i>31 March</i> <i>2018</i> £
Trade creditors	2,524,199	2,919,136
Amounts owed to group undertakings	1,159,359	-
Other taxation and social security	-	18,021
HP liabilities and finance leases	-	6,823
Other creditors	15,000	2,054,461
Accruals and deferred income	6,494,190	4,687,686
	<u>10,192,748</u>	<u>9,686,127</u>

18. Creditors: Amounts falling due after more than one year

	30 April 2019 £	<i>Unaudited</i> <i>Restated</i> <i>31 March</i> <i>2018</i> £
Net obligations under finance leases and hire purchase contracts	<u>-</u>	<u>46,808</u>

AFFECT ENERGY LTD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 APRIL 2019**

19. Hire purchase and finance leases

Minimum lease payments under hire purchase fall due as follows:

	30 April 2019	<i>Unaudited</i> 31 March 2018
	£	£
Within one year	-	6,823
Between 1-5 years	-	46,808
	-	53,631
	-	53,631

20. Financial instruments

	30 April 2019	<i>Unaudited</i> 31 March 2018
	£	£
Financial assets		
Financial assets measured at fair value through profit or loss	2,024,159	458,112
Financial assets that are debt instruments measured at amortised cost	2,711,935	4,643,705
	4,736,094	5,101,817
	4,736,094	5,101,817
Financial liabilities		
Financial liabilities measured at amortised cost	(10,192,748)	(9,661,283)
	(10,192,748)	(9,661,283)

21. Share capital

	30 April 2019	<i>Unaudited</i> 31 March 2018
	£	£
Allotted, called up and fully paid		
1,000 (2018 - 1,000) Ordinary shares of £1.00 each	1,000	1,000
	1,000	1,000

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 APRIL 2019

22. Prior year adjustment

Included in other creditors due within one year as at 31 March 2018, is an amount of £1,800,896 which was previously shown under other creditors greater than one year. This amount represents loans which were considered repayable on demand and as such are presented as due within one year.

Included in trade debtors and trade creditors as at 31 March 2018, are amounts of £1,940,094 and £1,760,801 respectively. These were previously shown under other debtors. This adjustment has been made to correctly show the gross amount of customer account debtors and creditors that were not being presented separately in the prior year.

These adjustments have no effect on the prior year results or reserves.

23. Commitments under operating leases

At 30 April 2019 the Company had future minimum lease payments under non-cancellable operating leases as follows:

	30 April 2019 £	<i>Unaudited</i> 31 March 2018 £
Not later than 1 year	42,000	42,000
Later than 1 year and not later than 5 years	26,696	72,148
	<u>68,696</u>	<u>114,148</u>

24. Related party transactions

The company has taken advantage of the exemption, under FRS 102 paragraph 1.12 and paragraph 33.1A, from disclosing transactions and balances with its group companies.

25. Post balance sheet events

Since 30 April 2019, the directors are not aware of any matters or circumstances that have significantly affected or may significantly affect the Company.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 APRIL 2019

26. Controlling party

The immediate parent Company is Octopus Energy Limited, a Company incorporated in the UK and registered in England and Wales. Copies of these financial statements can be obtained from the registered office Company Secretary, Octopus Energy Limited, 6th floor, 33 Holborn, London, EC1N 2HT.

The ultimate controlling party is Octopus Capital Limited, a Company incorporated in the United Kingdom and registered in England and Wales. The smallest and largest group of undertakings of which the company is a member that draws up group financial statements is that of Octopus Capital Limited. Octopus Capital Limited prepares consolidated financial statements, and copies of these financial statements can be obtained from the registered office Company Secretary, Octopus Capital Limited, 6th Floor, 33 Holborn, London, EC1N 2HT.

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