

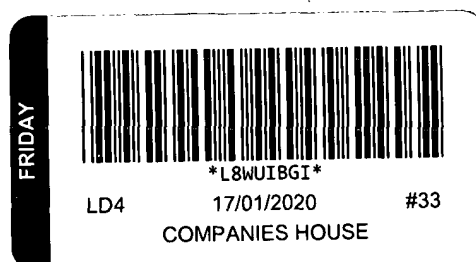
Simple Energy Limited

**Annual Report and Consolidated Financial
Statements**

Year Ended

31 March 2019

Company Number 09249540



Simple Energy Limited

Company Information

Directors	H Wood J Wells D Scott A Gudka
Registered number	09249540
Registered office	155 Bishopsgate London EC2M 3TQ
Independent auditor	BDO LLP 55 Baker Street London W1U 7EU

Simple Energy Limited

Contents

	Page
Strategic report	1 - 2
Directors' report	3 - 4
Independent auditor's report	5 - 7
Consolidated statement of comprehensive income	8
Consolidated statement of financial position	9
Company statement of financial position	10
Consolidated statement of changes in equity	11
Company statement of changes in equity	12
Consolidated statement of cash flows	13 - 14
Notes to the financial statements	15 - 33

Simple Energy Limited

Group strategic report for the Year Ended 31 March 2019

Principal activity and business review

Simple Energy Limited (the "company") is operating as a holding company for Bulb Energy Limited ("Bulb", together the "group"). The principal activity of the group is that of supplying renewable electricity and gas to its members. The group's mission is to help as many people as possible to lower their bills and carbon emissions. The group has therefore prioritised investing in growth.

Bulb had another very successful year, during which it achieved 250% growth in its customer base to 1,139,483 properties (2018: 326,303). At the same time, Bulb delivered best in class customer service (rated 9.6 on Trustpilot, multiple award winner in USwitch awards). Continued investment in technology has driven operational efficiency gains, meaning Bulb is able to supply energy for one of the lowest costs in the industry. Sustainable low costs, great service and a simple, single tariff model has meant Bulb has one of the lowest customer churn rates in the industry. The group continued to have positive unit economics and fast payback periods.

During the period, group revenue increased by 350% to £823 million (2018: £183 million). The average number of staff was 203 (2018: 67).

The group raised £60 million of equity from two institutions, DST Global and Magnetar Capital, to accelerate its growth. Operating losses grew to £128 million (2018: £28 million), as the company continued to invest heavily in growth and technology. These losses were expected and part of the directors' long term strategy.

Bulb donated £2.00 per signup to the charity, Trees for Cities. This amounted to £1.83 million during the year. Bulb re-certified as a B-Corp, maintaining its commitment to people, planet and profit. The group continued to award share options to all of its staff.

Bulb entered into a £35 million loan facility with a FTSE 250 listed debt fund. Subsequent to the balance sheet date, an investment bank committed an additional £20 million to this loan facility, which had not been drawn at the date of approval of these financial statements. The maturity date of this loan facility is 31 December 2021.

Principal risks and uncertainties

The group faces a number of risks and uncertainties. The directors believe that the key business risks are in respect of competition, wholesale market prices and bad debt. The directors are aware that the development of the group may be subject to factors beyond their control.

Competition

The company operates in highly competitive environments in the UK. The directors believe that the group is in a strong position due to its operating efficiency.

Wholesale market prices

To mitigate the risk of wholesale price movements the group operates a variable tariff, and unlike most other energy suppliers does not sell fixed price tariffs. Furthermore, the group purchases or 'hedges' its wholesale energy costs on a rolling four month forward basis and is therefore able to accurately forecast its margins and cash flow in advance.

Bad debt risk

On a seasonal basis the group holds significant customer debtor balances. However, the group collects monthly direct debits from a very high proportion of its customers and has established a variety of debt management procedures to mitigate the risk of non-payment and bad debts.

Simple Energy Limited

Group strategic report (continued)
for the Year Ended 31 March 2019

Key performance indicators (KPIs)

The management team responsible for the operation of the business uses a number of financial and non-financial KPIs in order to manage and develop the business to achieve the group's strategic objectives. The group's KPIs include revenue, number of supplied properties and customer service and are discussed above.

Future developments

The directors expect the group to continue to grow rapidly over the next year, helping more people to lower their bills and carbon emissions. Growing smart meter penetration will create opportunities for Bulb to offer more varied energy services. In addition, the group will launch its first international subsidiaries in the US, France and Spain.

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



.....
A Gudka
Director

Date: 17 January 2020

Simple Energy Limited

Directors' report for the Year Ended 31 March 2019

The directors present their annual report and audited consolidated financial statements for the year ended 31 March 2019.

Principal activity

The principal activity of Simple Energy Limited (the "company") is operating as a holding company for Bulb Energy Limited (together the "group").

Results and dividends

The loss for the year was £129,346,978, which was expected and part of the company's growth strategy (2018: £28,010,895).

The directors do not recommend the payment of a dividend (2018 - £Nil).

Political and charitable contributions

The group made no political contributions and made £1,966,250 (2018 - £636,082) in charitable donations.

Directors

The directors who held office during the year and after the year end were as follows:

H Wood
J Wells
D Scott
A Gudka

Directors' responsibilities statement

The directors are responsible for preparing the group strategic report, the directors' report and the consolidated 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 the group and of the profit or loss of the group for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies for the group's financial statements and then apply them consistently;
- make judgements and accounting 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group 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 the group 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 the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Simple Energy Limited

Directors' report (continued) for the Year Ended 31 March 2019

Post balance sheet events

Subsequent to the balance sheet date, another financial institution committed £20m on top of the existing £35m loan facility. The £20 million had not been drawn at the date of approving the Directors' report. The maturity date of the loan facility is 31 December 2021.

Matters covered in the strategic report

As permitted by paragraph 1A of schedule 7 to the Large and Medium Sized Companies and Groups (accounts and Reports) Regulation 2008, certain matters which are required to be disclosed in the directors' report have been omitted as they are included in the strategic report on page 1.

Directors' indemnities

The group and the company maintain liability insurance for its directors and officers. This is a qualifying third party indemnity provision for the purposes of the Companies Act 2006. The insurance cover was in force during the year ended 31 March 2019 and is still in force at the date of approving the Directors' report.

Disclosure of information to auditor

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

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

Auditor

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

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



.....
A Gudka
Director

Date: 17 January 2020

Simple Energy Limited

Independent auditor's report to the members of Simple Energy Limited

Opinion

We have audited the financial statements of Simple Energy Limited ("the parent company") and its subsidiaries (together "the group") for the year ended 31 March 2019 which comprise the consolidated statement of comprehensive income, the consolidated and the company statement of financial position, the consolidated and the company statements of changes in equity, the consolidated cash flow statement and notes to the financial statements, 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 group's and of the parent company's affairs as at 31 March 2019 and of the group's loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

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

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent 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.

Simple Energy Limited

Independent auditor's report to the members of Simple Energy Limited (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 auditor's 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.

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and 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 group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report and 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 by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company's financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the directors' responsibilities, 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 group's and the parent 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 group and the parent company or to cease operations, or has no realistic alternative but to do so.

Simple Energy Limited

Independent auditor's report to the members of Simple Energy Limited (continued)

Auditor's responsibilities for the audit of the financial statements

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

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

Use of our report

This report is made solely to the parent 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 parent 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 parent company and the parent company's members as a body, for our audit work, for this report, or for the opinions we have formed.



Julian Frost (senior statutory auditor)
For and on behalf of BDO LLP, statutory auditor
London
United Kingdom

Date: 17 January 2020

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Simple Energy Limited

Consolidated statement of comprehensive income for the Year Ended 31 March 2019

	Note	2019 £	Restated 2018 £
Turnover	4	823,306,818	182,770,092
Cost of sales		(814,896,264)	(174,964,209)
Gross profit		8,410,554	7,805,883
Administrative expenses		(136,280,067)	(35,511,333)
Operating loss	5	(127,869,513)	(27,705,450)
Interest receivable and similar income	9	20,240	3,933
Interest payable and similar charges	10	(1,497,705)	(449,699)
Loss before taxation		(129,346,978)	(28,151,216)
Taxation	11	-	140,321
Loss and total comprehensive income for the financial year		(129,346,978)	(28,010,895)

All amounts relate to continuing operations.

There was no other comprehensive income for 2019 (2018 - £Nil).

The notes on pages 15 to 33 form part of these financial statements.

Simple Energy Limited

Registered number: 09249540

Consolidated statement of financial position as at 31 March 2019

	Note	2019 £	Restated 2018 £
Fixed assets			
Intangible assets	12	11,615	58,202
Tangible assets	13	746,698	248,545
		<u>758,313</u>	<u>306,747</u>
Current assets			
Debtors	15	122,872,058	42,216,021
Cash and cash equivalents		20,868,481	10,616,305
		<u>143,740,539</u>	<u>52,832,326</u>
Creditors: amounts falling due within one year	16	(202,961,903)	(77,325,143)
Net current liabilities		<u>(59,221,364)</u>	<u>(24,492,817)</u>
Total assets less current liabilities		<u>(58,463,051)</u>	<u>(24,186,070)</u>
Creditors: amounts falling due after more than one year	17	(34,670,500)	-
Net liabilities		<u>(93,133,551)</u>	<u>(24,186,070)</u>
Capital and reserves			
Share capital	20	232,174	161,490
Share premium account	21	67,226,041	6,942,815
Accumulated losses	21	(160,591,766)	(31,290,375)
Shareholders' deficit		<u>(93,133,551)</u>	<u>(24,186,070)</u>

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



A Gudka
Director

Date: 17 January 2020

The notes on pages 15 to 33 form part of these financial statements.

Simple Energy Limited

Registered number: 09249540

Company statement of financial position as at 31 March 2019

	Note	2019 £	2018 £
Fixed assets			
Intangible assets	12	7,497	54,084
Tangible assets	13	-	2,772
Investments	14	100	100
		<u>7,597</u>	<u>56,956</u>
Current assets			
Debtors	15	63,725,285	4,712,544
Cash and cash equivalents		3,755,434	1,984,291
		<u>67,480,719</u>	<u>6,696,835</u>
Creditors: amounts falling due within one year	16	(618,032)	(177,616)
Net current assets		<u>66,862,687</u>	<u>6,519,219</u>
Total assets less current liabilities		<u>66,870,290</u>	<u>6,576,175</u>
Net assets		<u><u>66,870,290</u></u>	<u><u>6,576,175</u></u>
Capital and reserves			
Share capital	20	232,174	161,490
Share premium account	21	67,226,041	6,942,815
Accumulated losses	21	(587,925)	(528,130)
		<u>66,870,290</u>	<u>6,576,175</u>

Under Section 408 of the Companies Act 2006 the company is exempt from the requirement to present its own statement of comprehensive income. The parent company's result for the financial year was a loss of £105,382 (2018 - profit of £3,352).

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



A Gudka
 Director

Date: 17 January 2020

The notes on pages 15 to 33 form part of these financial statements.

Simple Energy Limited

Consolidated statement of changes in equity for the Year Ended 31 March 2019

	Share capital £	Share premium account £	Accumulated losses £	Total deficit £
At 1 April 2018 (as previously stated)	161,490	6,942,815	(26,993,395)	(19,889,090)
Prior year adjustment (note 23)	-	-	(4,296,980)	(4,296,980)
At 1 April 2018 (as restated)	161,490	6,942,815	(31,290,375)	(24,186,070)
Comprehensive income for the year				
Loss and total comprehensive income for the year	-	-	(129,346,978)	(129,346,978)
Contributions by owners				
Shares issued during the year	70,684	60,283,226	-	60,353,910
Share based payment credit	-	-	45,587	45,587
At 31 March 2019	232,174	67,226,041	(160,591,766)	(93,133,551)

Consolidated statement of changes in equity for the Year Ended 31 March 2018

	Share capital £	Share premium account £	Accumulated losses £	Total deficit £
At 1 April 2017	117,000	1,158,000	(3,279,480)	(2,004,480)
Comprehensive income for the year				
Loss and total comprehensive income for the year (as restated)	-	-	(28,010,895)	(28,010,895)
Contributions by owners				
Shares issued during the year	44,490	5,784,815	-	5,829,305
At 31 March 2018 (as restated)	161,490	6,942,815	(31,290,375)	(24,186,070)

The notes on pages 15 to 33 form part of these financial statements.

Simple Energy Limited

Company statement of changes in equity for the Year Ended 31 March 2019

	Share capital £	Share premium account £	Accumulated losses £	Total equity £
At 1 April 2018	161,490	6,942,815	(528,130)	6,576,175
Comprehensive income for the year				
Loss and total comprehensive income for the year	-	-	(105,382)	(105,382)
Contributions by owners				
Shares issued during the year	70,684	60,283,226	-	60,353,910
Share based payment credit	-	-	45,587	45,587
At 31 March 2019	232,174	67,226,041	(587,925)	66,870,290

Company statement of changes in equity for the Year Ended 31 March 2018

	Share capital £	Share premium account £	Accumulated losses £	Total equity £
At 1 April 2017	117,000	1,158,000	(531,482)	743,518
Comprehensive income for the year				
Profit and total comprehensive income for the year	-	-	3,352	3,352
Contributions by owners				
Shares issued during the year	44,490	5,784,815	-	5,829,305
At 31 March 2018	161,490	6,942,815	(528,130)	6,576,175

The notes on pages 15 to 33 form part of these financial statements.

Simple Energy Limited

Consolidated statement of cash flows for the Year Ended 31 March 2019

	Note	2019 £	As restated 2018 £
Cash flows from operating activities			
Loss for the financial year		(129,346,978)	(28,010,895)
Adjustments for:			
Amortisation of intangible assets	12	46,587	68,328
Depreciation of tangible assets	13	116,082	37,603
Amortisation of financing transaction costs		-	113,072
Interest payable	10	1,497,705	449,699
Interest receivable	9	(20,240)	(3,933)
Tax credit		-	(140,321)
Increase in debtors		(80,656,040)	(39,651,594)
Increase in creditors		155,152,028	42,617,887
Corporation tax received	11	-	90,574
Share based payment charge		45,587	-
Net cash used in operating activities		(53,165,269)	(24,429,580)
Cash flows from investing activities			
Purchase of tangible fixed assets	13	(617,007)	(220,889)
Sale of tangible fixed assets		2,776	1,919
Interest received	9	20,240	3,933
Purchase of intangible fixed assets		-	(4,118)
Net cash used in investing activities		(593,991)	(219,155)

Simple Energy Limited

Consolidated statement of cash flows (continued) for the Year Ended 31 March 2019

	2019 £	As restated 2018 £
Cash flows from financing activities		
Issue of ordinary shares	60,353,910	5,829,305
Issue of bank loan	35,000,000	29,547,713
Repayment of other bank loans	(30,000,000)	-
Interest paid	(1,342,474)	(449,699)
Net cash from financing activities	64,011,436	34,927,319
Net increase in cash and cash equivalents	10,252,176	10,278,584
Cash and cash equivalents at beginning of year	10,616,305	337,721
Cash and cash equivalents at the end of year	20,868,481	10,616,305
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	20,868,481	10,616,305
	20,868,481	10,616,305

The notes on pages 15 to 33 form part of these financial statements.

Simple Energy Limited

Notes to the financial statements for the Year Ended 31 March 2019

1. General information

Simple Energy Limited is a private company, limited by shares, incorporated in England & Wales under the Companies Act 2006. The address of the registered office is given on the contents page and the nature of the company's operations and its principal activities are set out in the strategic report.

2. Accounting policies

2.1 Basis of preparation of financial statements

These group and parent company financial statements were prepared in accordance with Financial Reporting Standard 102 *The Financial Reporting Standard* applicable in the UK and Republic of Ireland ("FRS 102") as issued in August 2014. The amendments to FRS 102 issued in July 2015 have been applied.

The preparation of financial statements in compliance with FRS102 require the use of certain critical accounting estimates. It also required management to exercise judgement in applying the company's accounting policies.

The parent company is included in the consolidated financial statements, and is considered to be a qualifying entity under FRS 102 paragraphs 1.8 to 1.12. The following exemptions available under FRS 102 in respect of certain disclosures for the parent company financial statements have been applied:

- The reconciliation of the number of shares outstanding from the beginning to the end of the period has not been included a second time;
- No separate parent company cash flow statement with related notes is included;
- Key Management Personnel compensation has not been included a second time;
- Certain disclosures required by FRS 102.26 Share Based Payments; and
- Certain disclosures required by FRS 102.11 Basic Financial Instruments and FRS 102.12 Other Financial Instruments Issues in respect of financial instrument not falling within the fair value accounting rules of Paragraph 36(4) of Schedule 1.

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

2.2 Basis of consolidation

The consolidated financial statements include the financial statements of the company and its subsidiary undertaking made up to 31 March 2019. A subsidiary is an entity that is controlled by the parent. The results of subsidiary undertakings are included in the consolidated statement of comprehensive income from the date that control commences until the date that control ceases. Control is established when the company has the power to govern the operating and financial policies of an entity so as to obtain benefits from its activities. In assessing control the group takes into consideration potential voting rights that are currently exercisable.

Simple Energy Limited

Notes to the financial statements for the Year Ended 31 March 2019

2. Accounting policies (continued)

2.3 Going concern

Notwithstanding current year losses of £129,346,978 (2018 - £28,010,895) and net liabilities of £93,133,551 (2018 - £24,186,070), which were expected and part of the company's growth strategy, the group's and the company's financial statements have been prepared on a going concern basis. This is on the grounds that current sources of funding at the date of signing of the 2019 financial statements are adequate to meet the company's needs for a period of at least 12 months from the date of approval of these financial statements.

The group's sources of external financing are its £35m loan facility, together with an additional £20m loan facility, which was committed post year end. These facilities fall due for repayment on 31 December 2021. The £20m additional loan facility has not been drawn down at the date of signing of the financial statements.

The key assumptions in the group's cash flow forecasts are management's ability to meet target gross profit margins, maintaining these despite wholesale price movements, and the growth of the group's member base and the associated acquisition and marketing costs. Management reached the going concern conclusion after modelling the group's forecast cash flow, income statement and balance sheet under different scenarios. The different scenarios focussed on changes to gross profit margins and on the numbers of new customers acquired which are viewed as the key drivers of profitability and cash balances for the business going forward.

The key risk to the going concern basis of preparation is a lack of working capital to manage the seasonality of the business' cash flows. Management addresses this through the use of the facilities outlined above.

2.4 Turnover

Turnover represents electricity and gas supplied during the year, net of VAT. This includes an estimate of the energy supplied to customers between the date of the last meter reading and the year end. Energy consumed but not yet billed to the customer is recognised as accrued income. Deferred income is recognised where customers are billed in advance of consuming energy.

2.5 Operating leases: the group as lessee

Rentals paid under operating leases are charged to the consolidated 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.

Simple Energy Limited

Notes to the financial statements for the Year Ended 31 March 2019

2. Accounting policies (continued)

2.6 Research and development

Expenditure on research activities is recognised in the income statement as an expense as incurred.

Expenditure on development activities may be capitalised if the product or process is technically and commercially feasible and the group intends and has the technical ability and sufficient resources to complete development, future economic benefits are probable and if the group can measure reliably the expenditure attributable to the intangible asset during its development. Development activities involve design for, construction or testing of the production of new or substantially improved products or processes. The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads and capitalised borrowing costs. Other development expenditure is recognised in the statement of comprehensive income as an expense as incurred. Capitalised development expenditure is stated at cost less accumulated amortisation and less accumulated impairment losses.

2.7 Interest income

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

2.8 Finance costs

Finance costs are charged to the consolidated 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.

2.9 Pensions

Defined contribution pension plan

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

The contributions are recognised as an expense in the consolidated statement of comprehensive income when they fall due. Amounts not paid are shown in accruals as a liability in the statement of financial position. The assets of the plan are held separately from the group in independently administered funds.

Simple Energy Limited

Notes to the financial statements for the Year Ended 31 March 2019

2. Accounting policies (continued)

2.10 Share based payments

Where share options are awarded to employees, the fair value of the options at the date of grant is charged to the consolidated statement of comprehensive income over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each statement of financial position date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

The fair value of the award also takes into account non-vesting conditions. These are either factors beyond the control of either party (such as a target based on an index) or factors which are within the control of one or other of the parties (such as the group keeping the scheme open or the employee maintaining any contributions required by the scheme).

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to consolidated statement of comprehensive income over the remaining vesting period.

Where equity instruments are granted to persons other than employees, the consolidated statement of comprehensive income is charged with fair value of goods and services received.

2.11 Intangible assets

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

All intangible assets are considered to have a finite useful life. If a reliable estimate of the useful life cannot be made, the useful life shall not exceed ten years.

The estimated useful lives range as follows:

Trademarks	-	10 years
Website development	-	3 years

2.12 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.

Simple Energy Limited

Notes to the financial statements for the Year Ended 31 March 2019

2. Accounting policies (continued)

2.12 Tangible fixed assets (continued)

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, on a reducing balance basis.

Depreciation is provided on the following basis:

Fixtures and fittings	- 25% on straight line
Office equipment	- 33% on reducing balance
Computer equipment	- 25% on reducing balance

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 consolidated statement of comprehensive income.

2.13 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

Investments in unlisted group shares, whose market value can be reliably determined, are remeasured to market value at each balance sheet date. Gains and losses on remeasurement are recognised in the consolidated statement of comprehensive income for the period. Where market value cannot be reliably determined, such investments are stated at historic cost less impairment.

Investments in listed company shares are remeasured to market value at each statement of financial position date. Gains and losses on remeasurement are recognised in profit or loss for the period.

2.14 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.

In the consolidated statement of cash flows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the group's cash management.

Simple Energy Limited

Notes to the financial statements for the Year Ended 31 March 2019

2. Accounting policies (continued)

2.15 Current and deferred taxation

Tax is recognised in the consolidated 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 reporting date in the countries where the company and the group operate and generate income.

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

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits;
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met; and
- Where they relate to timing differences in respect of interests in subsidiaries the group can control the reversal of the timing differences and such reversal is not considered probable in the foreseeable future.

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

Simple Energy Limited

Notes to the financial statements for the Year Ended 31 March 2019

2. Accounting policies (continued)

2.16 Financial instruments

The group 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, loans to related parties and investments in non-puttable ordinary shares.

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. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in the case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the consolidated statement of comprehensive income.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the group would receive for the asset if it were to be sold at the reporting date.

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

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

In preparing these financial statements, the directors have identified the following key sources of estimation uncertainty:

- Turnover for energy supply activities includes the energy supplied to customers between the date of the last meter reading and the year end on a customer by customer basis. The value of energy supplied but not billed or measured is calculated with reference to consumption data estimates provided by independent third parties.
- Provisions for doubtful debts (note 15) are recognised where receipt of cash is no longer probable. The directors have based their assessment of the level of provision on collection rates experienced by the group to date. The estimates and assumptions used to determine the level of provision will continue to be reviewed periodically.

Simple Energy Limited

Notes to the financial statements for the Year Ended 31 March 2019

4. Turnover

The whole of the turnover is attributable to the principal activity of the group.

All turnover arose within the United Kingdom.

5. Operating loss

The operating loss is stated after charging:

	2019 £	2018 £
Depreciation on tangible fixed assets	116,082	37,603
Amortisation of intangible assets	46,587	68,328
Marketing and customer acquisition	56,896,937	22,215,646
Loss on disposal of tangible fixed assets	-	1,913
Research and development	4,694,014	613,969

6. Auditor's remuneration

	2019 £	2018 £
Fees payable to the group's auditor and its associates for the audit of the group's annual financial statements	165,000	37,200

Fees payable to the group's auditor and its associates in respect of:

All other services	3,500	-
	3,500	-

Simple Energy Limited

Notes to the financial statements for the Year Ended 31 March 2019

7. Employees

Staff costs were as follows:

	Group 2019 £	Group 2018 £	Company 2019 £	Company 2018 £
Wages and salaries	9,094,775	4,359,681	9,094,775	4,359,681
Social security costs	1,019,813	305,231	1,019,813	305,231
Cost of defined contribution scheme	124,567	8,510	124,567	8,510
	<u>10,239,155</u>	<u>4,673,422</u>	<u>10,239,155</u>	<u>4,673,422</u>

The average monthly number of employees, including the directors, during the year was 203 (2018 - 67).

8. Directors' remuneration

	2019 £	2018 £
Directors' emoluments	80,000	71,124
Company contributions to defined contribution pension schemes	1,359	-
	<u>81,359</u>	<u>71,124</u>

During the year retirement benefits were accruing to no directors (2018 - Nil) in respect of defined contribution pension schemes.

During the year 1 director exercised the share options they had been granted.

9. Interest receivable and similar income

	2019 £	2018 £
Bank deposit interest	<u>20,240</u>	<u>3,933</u>

10. Interest payable and similar charges

	2019 £	2018 £
Bank loan interest	<u>1,497,705</u>	<u>449,699</u>

Simple Energy Limited

Notes to the financial statements for the Year Ended 31 March 2019

11. Taxation

	2019 £	2018 £
Corporation tax		
Adjustments in respect of previous periods	-	(140,321)
Total current tax	-	(140,321)
Taxation on loss on ordinary activities	-	(140,321)

Factors affecting tax charge for the year

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

	2019 £	2018 £
Loss on ordinary activities before tax	(129,346,978)	(28,151,216)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2018 - 19%)	(24,575,926)	(5,348,731)
Effects of:		
Expenses not deductible for tax purposes	174,587	9,808
Other permanent differences	-	54,532
Adjustment to tax charge in respect of previous period	-	(140,321)
Adjust deferred tax to average rate of 19%	-	470,222
Deferred tax not recognised	24,401,339	4,814,169
Total tax credit for the year	-	(140,321)

Factors that may affect future tax charges

The group has estimated tax losses of £155,399,443 (2018 - £26,227,052) available to be carried forward and offset against future profits. There has been no deferred tax asset recognised due to the uncertainty concerning the timescale as its recoverability.

Simple Energy Limited

Notes to the financial statements for the Year Ended 31 March 2019

12. Intangible assets

Group

	Trademarks £	Website development £	Total £
Cost			
At 1 April 2018 and 31 March 2019	4,118	203,362	207,480
Amortisation			
At 1 April 2018	-	149,278	149,278
Charge for the year	-	46,587	46,587
At 31 March 2019	-	195,865	195,865
Net book value			
At 31 March 2019	4,118	7,497	11,615
At 31 March 2018	4,118	54,084	58,202

Company

	Website development £
Cost	
At 1 April 2018 and at 31 March 2019	203,362
Amortisation	
At 1 April 2018	149,278
Charge for the year	46,587
At 31 March 2019	195,865
Net book value	
At 31 March 2019	7,497
At 31 March 2018	54,084

Simple Energy Limited

Notes to the financial statements for the Year Ended 31 March 2019

13. Tangible fixed assets

Group

	Fixtures and fittings £	Office equipment £	Computer equipment £	Total £
Cost or valuation				
At 1 April 2018	-	32,591	261,381	293,972
Additions	50,349	147,479	419,179	617,007
Disposals	-	(1,257)	(4,663)	(5,920)
At 31 March 2019	50,349	178,813	675,897	905,059
Depreciation				
At 1 April 2018	-	10,463	34,964	45,427
Charge for the year	278	19,463	96,341	116,082
Disposals	-	(667)	(2,481)	(3,148)
At 31 March 2019	278	29,259	128,824	158,361
Net book value				
At 31 March 2019	50,071	149,554	547,073	746,698
At 31 March 2018	-	22,128	226,417	248,545

Simple Energy Limited

Notes to the financial statements for the Year Ended 31 March 2019

13. Tangible fixed assets (continued)

Company

	Office equipment £	Computer equipment £	Total £
At 1 April 2018	1,257	4,663	5,920
Disposals	(1,257)	(4,663)	(5,920)
At 31 March 2019	-	-	-
At 1 April 2018	667	2,481	3,148
Disposals	(667)	(2,481)	(3,148)
At 31 March 2019	-	-	-
Net book value			
At 31 March 2019	-	-	-
At 31 March 2018	590	2,182	2,772

Simple Energy Limited

Notes to the financial statements for the Year Ended 31 March 2019

14. Fixed asset investments

Company

	Shares in group undertakings £
Cost or valuation	
At 1 April 2018	100
At 31 March 2019	<u>100</u>

Subsidiary undertakings

The following were subsidiary undertakings of the company:

Name	Registered office	Principal activity	Class of shares	Holding
Bulb Energy Ltd	England and Wales	Supplying renewable electricity and gas	Ordinary	100%
Bulb Energy US Inc	USA	Supplying renewable electricity and gas	Ordinary	100%
Bulb US LLC*	USA	Supplying renewable electricity and gas	Ordinary	100%

*indirect subsidiary

On 22 March 2019, the company incorporated Bulb Energy US Inc and its wholly owned subsidiary Bulb US LLC.

The registered office of Bulb Energy Ltd is 155 Bishopsgate, London, EC2M 3TQ.

The registered office of Bulb Energy US Inc and Bulb US LLC is 801 Barton Springs Road, Austin, TX 78704

Simple Energy Limited

Notes to the financial statements for the Year Ended 31 March 2019

15. Debtors

	Group 2019 £	Restated Group 2018 £	Company 2019 £	Company 2018 £
Trade debtors	55,557,305	22,550,730	-	-
Amounts owed by group undertakings	-	-	63,714,788	4,671,008
Other debtors	8,031,285	7,696,940	6,983	41,536
Prepayments and accrued income	59,283,468	11,968,351	3,514	-
	<u>122,872,058</u>	<u>42,216,021</u>	<u>63,725,285</u>	<u>4,712,544</u>

All amounts shown under debtors fall due for payment within one year.

Amounts owed by group undertakings bear no interest and are repayable on demand.

Trade debtors is stated net of a provision of £6,842,738 (2018 - £587,134).

16. Creditors: Amounts falling due within one year

	Group 2019 £	Restated Group 2018 £	Company 2019 £	Company 2018 £
Bank loan	145,515	29,660,784	-	-
Trade creditors	33,432,111	3,724,885	-	-
Other taxation and social security	507,362	85,647	507,362	85,647
Other creditors	276,008	150,309	100,670	54,937
Accruals and deferred income	168,600,907	43,703,518	10,000	37,032
	<u>202,961,903</u>	<u>77,325,143</u>	<u>618,032</u>	<u>177,616</u>

Simple Energy Limited

Notes to the financial statements for the Year Ended 31 March 2019

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

	Group 2019 £	Group 2018 £
Bank loan	34,670,500	-
	<u>34,670,500</u>	<u>-</u>

During the year the group fully drew down a new interest-bearing loan facility of £35,000,000. The principal is repayable in full by 31 December 2021.

The loan is secured by a mortgage and first fixed charges on the shares of Bulb Energy Limited held by the company, and the assets of the group.

18. Loans

Analysis of the maturity of loans is given below:

	Group 2019 £	Group 2018 £
Amounts falling due within one year		
Bank loan	145,515	29,660,784
Amounts falling due 1-2 years		
Bank loans	<u>34,670,500</u>	<u>-</u>

19. Financial instruments

	Group 2019 £	Group 2018 £	Company 2019 £	Company 2018 £
Financial assets				
Financial assets that are debt instruments measured at amortised cost	<u>131,950,874</u>	<u>51,843,449</u>	<u>67,477,002</u>	<u>6,696,791</u>
Financial liabilities				
Financial liabilities measured at amortised cost	<u>169,778,058</u>	<u>66,340,093</u>	<u>110,670</u>	<u>91,969</u>

Financial assets measured at amortised cost comprise cash at bank and in hand, trade debtors, amounts owed by parent undertakings and other debtors.

Financial liabilities measured at amortised cost comprise trade creditors, bank loans, amounts owed to group undertakings, other creditors and accruals.

Simple Energy Limited

Notes to the financial statements for the Year Ended 31 March 2019

20. Share capital

	2019 £	2018 £
Allotted, called up and fully paid		
22,222,200 (2018 - 222,222) Ordinary A shares of £0.0000225 (2018 - £0.00225) each	500	500
14,848,862 (2018 - 160,990) Ordinary B shares of £0.001 (2018 - £1.00) each	148,489	160,990
8,318,539 (2018 - Nil) Series A1 Preferred shares of £0.01 each	83,185	-
	232,174	161,490

All share classes hold equal voting rights.

Any dividends, or assets distributed on liquidation, will be distributed equally among the holders of the preference shares, prior and in preference to the holders of the ordinary shares, until such time as each preference shareholder has received in aggregate an amount per share equal to their subscription price.

After payment of such dividends, any further dividends or distributions of available profits shall be distributed among all shareholders in proportion to the number of ordinary shares that would be held by each shareholder if all preference shares were converted to ordinary shares at the then effective conversion rate.

On 2 May 2018 757 (2018 - 44,490) Ordinary B shares of £1 were issued and fully paid resulting in additional share premium of £Nil (2018 - £5,784,814).

On 12 June 2018 each Ordinary A share was split into 100 shares of 0.00225 pence each, and each Ordinary B share was split into 100 shares of 0.1 pence each.

On 12 June 2018 6,559,804 (2018 - Nil) A1 preference shares of £0.01 were issued and fully paid resulting in a premium of £59,934,305 (2018 - Nil).

On 9 November 2018 371,838 Ordinary B shares were redesignated as 371,838 A1 preference shares, and, on 28 November 2018 a further 1,386,897 Ordinary B shares were redesignated as 1,386,897 A1 preference shares, resulting in a £17,587 decrease to nominal Ordinary B share capital and increase to A1 preference share capital.

21. Reserves

Share premium account

The share premium account includes the premium on issue of equity shares, net of any issue costs.

Accumulated losses

Accumulated losses represents cumulative profits or losses, net of dividends paid and other adjustments.

Simple Energy Limited

Notes to the financial statements for the Year Ended 31 March 2019

22. Share based payments

The company runs a share based payments scheme, granting share options under both an approved EMI option plan and a CSOP option plan. The terms and conditions of the outstanding options granted are as follows:

	Weighted average exercise price (£) 2019	Number 2019	Weighted average exercise price (£) 2018	Number 2018
Outstanding at the beginning of the year	0.01	2,557,244	0.01	2,063,652
Granted during the year	2.74	175,890	0.01	493,590
Forfeited during the year	0.01	(47,232)	0.01	-
Exercised during the year	0.01	(124,897)	0.01	-
Outstanding at the end of the year	0.20	2,561,005	0.01	2,557,242

The majority of the options vest over a 4 year employment period. Of the total number of options outstanding at the end of the year, 2,012,436 (2018 - 1,123,000) had vested at the end of the year.

The exercise price of share options outstanding at the end of the year ranged between £0.01 and £2.74 (2018 - £0.01) and their weighted average contractual life was less than 4 years.

The weighted average share price of options exercised during the year was £9.1466 (2018 - none exercised) at the date of exercise of options.

There is a charge in the year of £45,587 (2018 - £Nil), due to the acceleration of the vesting of certain options under the EMI option plan.

23. Prior year adjustment

The prior year financial statements did not accrue for expenses relating to network electricity that were invoiced subsequent to the financial period end. The omission resulted in creditors falling due within a year being understated, and loss for the year understated by £3,054,758.

The prior year financial statements also incorrectly classified costs associated with wholesale gas as prepaid expenses, rather than expensing them in the year. The incorrect classification of the expenses resulted in prepaid expenses being overstated by £1,242,231 and consequently loss for the year being understated by the same amount.

The overall impact on the financial statements is a reduction in opening net assets and equity of £4,296,980.

24. Pension commitments

The group operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the group in an independently administered fund. The pension cost charge represents the contributions payable by the group to the fund and amounts to £124,567 (2018 - £8,510). Contribution totalling £43,431 (2018 - £2,777) were payable to the fund at the balance sheet date.

Simple Energy Limited

Notes to the financial statements for the Year Ended 31 March 2019

25. Commitments

At 31 March 2019 the group and the company had future minimum lease payments under non-cancellable operating leases as follows:

	Group 2019 £	Group 2018 £
Not later than 1 year	3,936,006	-
Later than 1 year and not later than 5 years	20,590,770	-
Later than 5 years	2,546,947	-
	<u>27,073,723</u>	<u>-</u>

The operating lease commitments relate to the minimum rent and service charge payments for 155 Bishopsgate. The lease was signed on 7 January 2019 and the property was moved into in July 2019. Part of the property is being sublet to a tenant, for a monthly fee of £19,430, guaranteed until 24 March 2021.

As at 31 March 2019 the group was committed to purchase electricity with a total value of £36,457,500 (2018: £5,942,720) under forward price contracts. As at 31 March 2019, the group was also committed to purchase gas under forward price contracts with a total value of £34,235,445 (2018: £10,488,52).

26. Related party transactions

The group has taken advantage of the exemption conferred by Financial Reporting Standard 102 Section 33 'Related Party Disclosures' paragraph 33.1A not to disclose transactions with certain group companies on the grounds that the entities party to the transactions are wholly owned members within the same group.

Total compensation of key management personnel (including the Directors) in the year amounted to £81,359 (2018 - £71,124).

In April 2018, Bulb Energy Limited received an unsecured short term loan from Amit Gudka and a family member of £750,000. The loan was non-interest bearing and was fully repaid by 30 April 2018.

In April 2018 Simple Energy Limited received an unsecured short term loan of £690,000 from Hamilton Holdings Partnership. Hayden Wood is a partner in Hamilton Holdings Partnership. The loan was non-interest bearing and was fully repaid by 30 April 2018.

27. Post balance sheet events

Subsequent to the balance sheet date, another financial institution committed £20m on top of the existing £35m loan facility. The £20 million had not been drawn at the date of approving the Directors' report.

28. Controlling party

There is no one ultimate controlling party.