

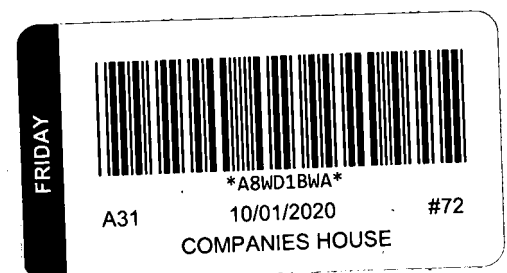
# Pure Planet Limited

09735688

Annual report and financial statements

31 March 2019

(The prior period was six months to 31 March 2018)



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## Company Information

Chairman	Andrew Ralston
Directors	Andrew Ralston Christopher James Alliott
Company Secretary	Andrew Ralston
Registered number	09735688
Registered office	Cramer House The Square, Lower Bristol Road, Bath, BA2 3BH
Independent Auditor	KPMG LLP 66 Queen Square Bristol, Avon, BS1 4BE

## Strategic report

### Purpose

Pure Planet Limited ("the Company") is here to help everyone make a difference to the world. We're a for-purpose, for-profit business. We believe in using business to do good, for our Members, for wider society and for the environment. We are sustainable, smart and shared in everything we do.

We supply 100% renewable electricity and 100% carbon-offset gas for less than power that pollutes. We've developed a new business model for energy supply to benefit our Members and our environment.

- **Digital platform.** Our service can be accessed through an account which contains everything you need to manage your energy service: joining, service, meter readings, direct debit, payment and rate information and Priority Services Register (PSR).
- **Membership model.** Our Members pay a low monthly fee per fuel to access our wholesale energy prices. This means we don't aim to make money on our Members' energy use, and they are always on our best rate.
- **100% Green.** All this means we can offer 100% renewable electricity and 100% carbon offset gas for a competitive rate. Clean, fresh energy for less than power that pollutes.

We aim to be open and transparent with our Members and with our team. We are building a culture that rewards collaboration, simplicity and treating others fairly.

### Business Review

The Company's principal activity is the supply of electricity and gas to domestic customers in Great Britain.

The year to 31 March 2019 was Pure Planet's first full year of trading following its exit from Ofgem's "controlled market entry" process. During the year, the business continued to deliver significant improvements to its operational, technical and marketing capability. At the end of the year, Pure Planet had 109,931 Members (2018: 15,643) on supply.

The business would not have been able to achieve the significant growth in its Membership without the effort of its team of employees, which increased from 30 at the beginning of the year to 60 by the end of it. Recognising that its people are its most valuable asset, Pure Planet is a Living Wage Employer and a Disability Confident Employer.

During the year, Pure Planet invested significantly in its service platform, marketing and customer acquisition, generating £85,082,866 (2018: £6,963,902) in revenues. While the Company made a loss of £17,046,485 (2018: £3,789,766) in the year. As expected, current assets £16,088,183 (2018: £2,487,402) and current liabilities £35,852,127 (2018: £4,455,623) have both increased to support our growth. The Directors are confident that the Company will continue to deliver strong growth and future profitability.

To consolidate and improve on this growth management is committed to use all the tools in its disposal to continue to drive affordable growth. These tools include pricing, brand recognition, member get member and third-party marketing like price comparison websites and digital marketing.

### Risks and uncertainties

The business is still at an early stage in its development and the directors are focusing on sustainable growth while managing cost. To manage the risks associated with the industry and this stage of the company's life cycle, Key Performance Indicators are continuously reviewed to make sure action are taken to correct any deviation from plans where possible. These KPIs include;

	Year ended 31 Mar 2019	Period ended 31 Mar 2018
Proportion of eligible switches completed within the specified timeframe	99.96%	99.6%
Proportion of final bills issued within the specified timeframe	98.44%	90.6%
Proportion of credit account balances refunded within the specified timeframe	98.81%	88.1%
Gross margin	(10%)	-
Cash and cash equivalents	£246,665	£342,785

The above timeframes are specified by Energy Switch Guarantee and are for the last quarter of the year / period end.

## Strategic report Cont.

The principal risks and uncertainties which the company faces are:

### *Wholesale prices*

As the business grows, commodity price risk is a principal area of financial risk and uncertainty. The Company sought to mitigate this risk from the outset with the preferred supply agreement it has signed with BP plc. This agreement will allow it to access the wide range of wholesale products offered by BP along with enhanced working capital terms. Pure Planet also operates a market risk policy, which provides a framework for suitably hedging its commodity price risk.

### *Bad debt*

Bad debt is a risk for energy suppliers. The Company mitigates this risk by taking direct debits from its Members a month in advance, which limits the business' exposure to non-payment. The business operates a detailed, ongoing direct debit review process, which aligns Members' payments to their expected usage and recovers any outstanding sums due.

### *Competition*

Competition in the GB domestic energy supply market remains intense, with a number of new entrants to the market during the course of the year. Pure Planet believes that a combination of its digital, community-based, low-cost service model as well as its competitively priced, 100% green, pass-through offer puts it in a strong competitive position. Combining this with its ability to access wholesale products through BP puts the business in a strong position to compete with a differentiated product at a competitive price.

### *Liquidity risk*

With significant cash movements throughout the year, the company ensures it manages its liquidity risk closely. The company maintains a detailed daily cashflow model, which forecasts the next 12 months expected cash requirements and is reviewed on a regular basis between the shareholders and also by the Board. The company has identified two key risks to liquidity, which it manages closely. First, short-term working capital, which the Group through a working capital arrangement it has in place with its indirect shareholder, BP Gas Marketing Limited, enabling the management of short-term cash requirements. Second, Members' debt, where the Company has implemented a detailed direct debit review process to assess each account and ensure that Members' direct debits are sufficient to cover their expected annual consumption.

In addition to the detailed cashflow model, the Company maintains a long-term business model for the next five years, which provides a forecast of the expected operating and financial performance and cash requirements. This gives the Company with visibility into the longer-term expected cash requirements in order to plan and manage its capital.

### *Brexit*

Management considered the potential impact of the United Kingdom's exit from the European Union and has concluded that, beyond the potential macroeconomic impact to the country to which all businesses will be exposed; there are no specific risks to the Company. The Company's business is wholly based in Great Britain; there are not expected to be any impacts from the EU exit on power and gas prices which are specific to the Company; and all its other major suppliers are entirely domestic.

This report was approved by the board on 10 January 2020 and signed on its behalf by;



Christopher James Allott

Director

## Directors' report

### Research and development

The Company has invested £959,869 (2018: £687,242) in its information technology platform, this includes research and development of a number of technology platforms to enable the functioning of its digital account and operational infrastructure.

### Financial instruments

The financial risk management objective and policies of the Company and the assessment of the Company's exposure to price, liquidity, credit and capital risk management is discussed in note 20 of these financial statements.

### Going concern

The directors are confident that the company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis. Further details regarding the adoption of the going concern basis, and material uncertainty regarding going concern can be found in note 2.

### Proposed dividend

Dividend of £nil was paid during the year (2018: £nil). The directors do not recommend the payment of a final dividend.

### Directors

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

Andrew Ralston

Christopher James Allott

### Employees

From its inception the Company has focused on its team and creating a collaborative culture. It believes in results through people and strives to ensure all employees feel valued, are listened to and share knowledge.

The Company has an agile management structure that is not as rigid as a traditional corporate structure. This encourages cross-departmental collaboration and continuous learning for the team. All employees can share feedback on product, purpose and process. In a recent survey of all employees, 100% were proud to work for the Company and enjoyed coming to work.

Diversity and equality are also very important to the Company and the directors - the Company has committed to the UK Living Wage and is a disability confident employer. Every single employee, including the directors, gets the same benefits, regardless of job title.

### Political contributions

The Company has not made any disclosable political donations or incurred any disclosable political expenditure during the year (2018: £nil).

## Directors' Report Cont.

### Future developments

The Group continues to show strong growth, with the membership base expanding rapidly in during the year. We are targeting continued rapid expansion of the membership base in 2020, but will also focus on a number of significant internal developments such as:

- continued development of the app to provide excellent in-life support for members;
- go live with our new website;
- implementation of more payment methods.

Each of these developments, as well as the ongoing continual improvement in processes, development of the community and a focus building Pure Planet's brand values, should ensure the Group becomes increasingly distinctive in what remains a highly competitive market.

### Disclosure of information to auditor

The directors who held office at the date of approval of this directors' report confirm that;

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

### Other information

Ofgem's consultation on its Supplier Licencing Review – On 22nd October, Ofgem issued a consultation on its approach to supplier licensing, to ensure that appropriate protections are in place against poor customer service and financial instability. This policy consultation and draft Impact Assessment sets out proposals for Ofgem's Supplier Licensing Review, comprising a package of proposals for 'ongoing requirements' on suppliers operating in the market and 'exit arrangements' to mitigate the negative effects of supplier exit.

These proposals seek to ensure suppliers have effective risk management processes in place, maintain appropriate governance, increase accountability, enhance Ofgem's market oversight, and improve the Supplier of Last Resort experience. The review recommends certain service and financial protections that suppliers will be required to provide to ensure their ability to deliver a good level of customer service and to provide some financial protection in the event of a supplier's failure.

The directors believe the company can demonstrate a strong level of service that it provides to its Member, either through the complaints data it provides to Ofgem or the Energy Switch Guarantee standards, which the company has been consistently attaining. The company will look to provide its input to the consultation and will take into account in its financial planning any additional requirements as a result of this review.

### Independent auditors

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

This report was approved by the board on 10 January 2020 and signed on its behalf by;



Christopher James Alliott

Director

## Statement of directors' responsibilities in respect of the Strategic Report, the Directors' Report and the Financial Statements

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

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU) and applicable law.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant and reliable;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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



## Independent Auditor's report to the members of Pure Planet Limited

### Opinion

We have audited the financial statements of Pure Planet Limited ("the company") for the year ended 31 March 2019 which comprise the Income Statement, Balance Sheet, Statement of Changes in Equity, Statement of Cash Flows, and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2019 and of its loss for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

### Going concern

We draw attention to Note 1 to the financial statements which describes the uncertainties related to the ability of Blue Marble Holdings Limited to provide support.

These events and conditions, along with the other matters explained in Note 1, constitute a material uncertainty that may cast significant doubt on the company's ability to continue as a going concern.

Our opinion is not modified in respect of this matter.

### Strategic report and directors' report

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

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

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

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

Under the Companies Act 2006, we are required to report to you if, in our opinion:

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

We have nothing to report in these respects.

### Other Matter – prior period financial statements

We note that the prior period financial statements were not audited. Consequently ISAs (UK) require the auditor to state that the corresponding figures contained within these financial statements are unaudited. Our opinion is not modified in respect of this matter

## Independent Auditor's report cont.

### Directors' responsibilities

As explained more fully in their statement set out on page 8, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

### Auditor's responsibilities

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

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

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

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.



**James Ledward (Senior Statutory Auditor)**  
**for and on behalf of KPMG LLP, Statutory Auditor**

*Chartered Accountants*

66 Queen Square

Bristol

BS1 4BE

10 January 2020

## Income Statement

For the year ended 31 March 2019

		Year to March 2019	6 Months to 31 March 2018
	Note	£	£
<b>Revenue</b>	3	<b>85,082,866</b>	<b>6,963,902</b>
Cost of sales		<b>(92,395,014)</b>	<b>(6,986,987)</b>
<b>Gross loss</b>		<b>(7,312,148)</b>	<b>(23,085)</b>
Administrative expenses		<b>(8,667,173)</b>	<b>(3,434,678)</b>
<b>Operating loss</b>	4	<b>(15,979,321)</b>	<b>(3,457,763)</b>
Financial income	8	<b>1,221</b>	<b>127</b>
Financial expenses	8	<b>(1,068,385)</b>	<b>(332,130)</b>
<b>Loss before taxation</b>		<b>(17,046,485)</b>	<b>(3,789,766)</b>
Taxation	9	<b>-</b>	<b>48,811</b>
<b>Loss for the financial year</b>		<b>(17,046,485)</b>	<b>(3,740,955)</b>
Other comprehensive income		-	-
<b>Total comprehensive income for the year</b>		<b>(17,046,485)</b>	<b>(3,740,955)</b>

The results for the period all arose from continuing operations.

The notes on pages 15 to 27 form part of these financial statements.

# Balance Sheet

As at 31 March 2019

	Note	2019 £	2018 £
<b>Non-current assets</b>			
Property, plant and equipment	10	183,625	27,221
Intangible assets	11	2,064,808	1,550,241
Trade and other receivables	12	2,906,870	117,908
		<u>5,155,303</u>	<u>1,695,370</u>
<b>Current assets</b>			
Trade and other receivables	12	15,841,518	2,095,806
Tax receivables		-	48,811
Cash and cash equivalents	13	246,665	342,785
		<u>16,088,183</u>	<u>2,487,402</u>
<b>Total assets</b>		<u>21,243,486</u>	<u>4,182,772</u>
<b>Current Liabilities</b>			
Trade and other payables	14	(35,852,127)	(4,455,623)
		<u>(35,852,127)</u>	<u>(4,455,623)</u>
<b>Non-current liabilities</b>			
Other interest-bearing loans and borrowings	15	(9,418,211)	(6,871,348)
		<u>(9,418,211)</u>	<u>(6,871,348)</u>
<b>Total Liabilities</b>		<u>(45,270,338)</u>	<u>(11,326,971)</u>
<b>Net Liabilities</b>		<u>(24,026,852)</u>	<u>(7,144,199)</u>
<b>Equity</b>			
Share capital	18	1	1
Share premium account		-	-
Retained earnings		(24,026,853)	(7,144,200)
<b>Equity attributable to the owners of the company</b>		<u>(24,026,852)</u>	<u>(7,144,199)</u>

These financial statements on pages 11 to 27 were approved by the board of directors on 10 January 2020 and were signed on its behalf by:



Christopher James Alliott

Director

Company registered number: 09735688

**Statement of Changes in Equity**  
**For the year ended 31 March 2019**

	Share capital £	Share premium account £	Retained earnings £	Total equity £
Balance at 1 October 2018	1	-	(3,403,243)	(3,403,242)
<b>Total comprehensive income for the period</b>				
Result for the period			(3,740,957)	(3,740,957)
<b>Total comprehensive income for the period</b>	-	-	(3,740,957)	(3,740,957)
<b>Transaction with owners, recorded directly in equity</b>	-	-	-	-
<b>Balance at 31 March 2018</b>	1	-	(7,144,200)	(7,144,199)
<b>Balance at 1 April 2018</b>	1	-	(7,144,200)	(7,144,199)
Opening balance adjustments	-	-	163,832	163,832
Revised balance	1	-	(6,980,368)	(6,980,367)
<b>Total comprehensive income for the year</b>				
Result for the year			(17,046,485)	(17,046,485)
<b>Total comprehensive income for the year</b>	-	-	(17,046,485)	(17,046,485)
<b>Transaction with owners, recorded directly in equity</b>	-	-	-	-
<b>Balance at 31 March 2019</b>	1	-	(24,026,853)	(24,026,852)

## Statement of Cash Flows

For the year ended 31 March 2019

	Notes	2019 £	2018 £
<b>Cash flow from operating activities</b>			
Loss after tax		(17,046,485)	(3,740,955)
<b>Adjustments for:</b>			
Depreciation	10	27,397	3,586
Amortisation of intangible assets	11	445,302	141,238
Interest income	8	(1,221)	(127)
Interest expense	8	1,068,385	332,130
Non-cash adjustments arising from IFRSs 9 and 15	25	163,830	-
<b>Changes in working capital</b>			
Increase in receivables and prepayments	12	(16,534,674)	(2,058,425)
Increase in trade payables and accruals	14	31,396,504	3,978,799
		(480,962)	(1,343,754)
Interest paid		(460)	-
Tax received	9	48,811	-
<b>Net cash from operating activities</b>		(432,611)	(1,343,754)
<b>Cash flow from investing activities</b>			
Interest received	8	1,221	151
Acquisition of tangible fixed assets	10	(190,598)	(4,579)
Disposal of tangible fixed assets	10	6,798	-
Acquisition of intangible fixed assets	11	(959,869)	(687,242)
<b>Net cash from investing activities</b>		(1,142,448)	(691,670)
<b>Cash flow from financing activities</b>			
Proceeds from the issue of new debt	15	1,478,939	2,341,212
<b>Net cash from financing activities</b>		1,478,939	2,341,212
<b>Net (decrease) /increase in cash and cash equivalents</b>		(96,120)	305,788
Opening cash and cash equivalents		342,785	36,997
Closing cash and cash equivalents	13	246,665	342,785

## Notes to the Financial Statement

### 1. General information

The Company is a private company incorporated, domiciled and registered in England in the UK. The registered number is 09735688 and the registered address is The Square, Cramer House, Lower Bristol Road, Bath, BA2 3BH.

### 2. Accounting policies

The Company's financial statements have been prepared and approved by the directors in accordance with International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs").

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

Judgements made by the directors, in the application of these accounting policies that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 24.

#### *Measurement convention*

The financial statements are prepared on the historical cost basis.

#### *Going concern*

Notwithstanding net liabilities of £45,270,338 as at 31 March 2019 and a loss for the year then ended of £17,046,485, the financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons.

The directors have prepared cash flow forecasts for a period of 12 months from the date of approval of these financial statements which indicate that, taking account of reasonably possible downsides, the company will have sufficient funds, through funding from its ultimate parent company, Blue Marble Holdings Limited, to meet its liabilities as they fall due for that period.

Those forecasts are dependent on Blue Marble Holdings Limited not seeking repayment of the amounts currently due to the group, which at 31 March 2019 amounted to £10,264,278, and providing additional financial support during that period. Blue Marble Holdings Limited has indicated its intention to continue to make available such funds as are needed by the company, and that it does not intend to seek repayment of the amounts due at the balance sheet date, for the period covered by the forecasts. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

However, the ability of Blue Marble Holdings Limited to continue to provide this support is dependent on them receiving financial support from BP Gas Marketing Limited. Based on these indications the directors believe that it remains appropriate to prepare the financial statements on a going concern basis. However, these circumstances represent a material uncertainty that may cast significant doubt on the company's ability to continue as a going concern and, therefore, to continue realising its assets and discharging its liabilities in the normal course of business. The financial statements do not include any adjustments that would result from the basis of preparation being inappropriate.

#### *Transition to Adopted IFRSs*

The Company is preparing its financial statements in accordance with Adopted IFRS for the first time and consequently has applied IFRS 1. An explanation of how the transition to Adopted IFRSs has affected the reported financial position, financial performance and cash flows of the Company is provided in note 25.

## Accounting Policies Cont.

### *New standards, interpretations and amendments*

Certain new standards, interpretation and amendments to existing standards have been published and are mandatory for the Company's accounting periods beginning on or after 1 April 2018. Those that are applicable to the Company are as follows;

	Effective Date
• IFRS 9 Financial Instruments	1 January 2018
• IFRS 15 Revenue from Contracts with Members	1 January 2018
• IFRS 16 Leases	1 January 2019

### *IFRS 9 Financial Instruments*

IFRS 9 replaces the provisions of IAS 39 that relates to the recognition, classification and measurement financial asset and liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

It established that an expected credit loss model should be applied that will result in a day one loss on initial recognition of trade receivables or contract assets that arise from transactions in the scope of IFRS 15.

IFRS 9 requires the use of two criteria to determine the classification of financial assets; the entity's business model for the financial assets and the contractual cash flow characteristics of the financial assets. The Standard goes on to identify three categories of financial assets

- amortised cost;
- fair values through profit or loss (FVTPL); and
- fair value through other comprehensive income (FVOCI).

The Group has adopted IFRS 9 using the modified retrospective approach. Consequently, comparatives for the year-end position as at 31 March 2018, have not been restated. The impact on net assets on the balance sheet and the profit before tax in the Consolidated Income Statement are shown in note 25.

### *IFRS 15 Revenue from Contracts with Members*

Under IFRS 15, the core principle is that an entity recognises revenue to depict the transfer of goods or services to members in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

Revenue is then recognised when the Group transfers control of a good or service to a customer. IFRS 15 also requires the Group to recognise any incremental costs of obtaining a contract to be capitalised and amortised on a systematic basis using a five-step approach. The Group has adopted IFRS 15 using the modified retrospective approach. Consequently, comparatives for the year-end position as at 31 March 2018, have not been restated.

Management considers acquisition cost paid to Partners (Price comparison website and existing members) to be incremental costs of obtaining a contract. The Group's Partners earn a fee primarily on the introduction of new members to the Group, to whom they have promoted the Group's service to. Previously, these fees were recognised as an expense as they are incurred. Under IFRS 15, these fees have been capitalised and are being amortised over the expected life of the member. The impact on net assets on the balance sheet and the profit before tax in the Consolidated Income Statement are shown in note 25.

### *IFRS 16 Leases*

The Group will adopt IFRS 16 on 1 April 2019. The standard will result in operating leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed.

The Group will apply the modified retrospective transition method. Under this method, comparative information will not be restated, but the impact of IFRS 16 will be recognised within opening balances as at 1 April 2019. The Group will recognise right-of-use assets representing its right to use underlying assets, and corresponding lease liabilities representing its obligation to make lease payments. Right-of-use assets will be valued as equal to lease liabilities.



## Accounting Policies Cont.

The lease term is calculated as the non-cancellable period of the lease contract, except where the Group is reasonably certain that it will exercise contractual extension options. Operating lease expenses will be replaced by a depreciation expense on the right-of-use assets recognised and an interest expense.

Where the interest rate implicit in the lease cannot be readily determined, the Group's incremental borrowing rate will be used.

The Group has elected to use the following practical expedients allowed by the standard:

On initial application:

- the use of hindsight when determining the lease term if the contract contains options to extend or terminate the lease;
- the exclusion of initial direct costs from the measurement of the right-of-use asset; and
- IFRS 16 will only be applied to contracts that were previously classified as leases.

Lease payments for contracts with a duration of 12 months or less and/or contracts for which the underlying asset is of a low value will continue to be expensed to the income statement on a straight-line basis over the lease term. At transition, where the lease term ends within 12 months of 1 April 2019, these leases will be treated as short-term.

On adoption of IFRS 16, the Group expects to recognise additional right-of-use assets and corresponding lease liabilities on the balance sheet. The impact on net assets on the balance sheet and the profit before tax in the Consolidated Income Statement is not expected to be material

### *Classification of financial instruments issued by the Company*

Following the adoption of IAS 32, financial instruments issued by the Company are treated as equity only to the extent that they meet the following two conditions:

- (a) they include no contractual obligations upon the company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the company; and
- (b) where the instrument will or may be settled in the company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the Company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

Where a financial instrument that contains both equity and financial liability components exists, these components are separated and accounted for individually under the above policy.

### *Taxation*

Tax is recognised in the income statement, except a change attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity also recognised in other comprehensive income or directly in equity respectively. Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

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 country where the company operates and generates taxable income.

## Accounting Policies Cont.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided for, is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

### *Foreign currency translation*

The Company's functional and presentational currency is GBP (£).

### *Non-derivative financial instruments*

Non-derivative financial instruments comprise trade and other receivables; cash and cash equivalents; loans and borrowings; and trade and other payables.

#### *Trade and other receivables*

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

#### *Trade and other payables*

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

#### *Cash and cash equivalents*

Cash and cash equivalents comprise cash balances and call deposits.

#### *Interest-bearing borrowings*

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

### *Property, plant and equipment*

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. The cost of property, plant and equipment includes directly attributable incremental costs incurred in their acquisition and installation.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. The estimated useful lives are as follows:

- office equipment                      3.0 years;
- leasehold improvement              1.5 years;
- computer equipment                3.0 years.

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

### *Research and development*

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

## Accounting Policies Cont.

Expenditure on development activities is capitalised if the product or process is technically and commercially feasible and the Company intends and has the technical ability and sufficient resources to complete development, future economic benefits are probable and if the Company can measure reliably the expenditure attributable to the intangible asset during its development. Development activities involve a plan or design for 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 income statement as an expense as incurred. Capitalised development expenditure is stated at cost less accumulated amortisation and less accumulated impairment losses.

### *Amortisation*

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

- capitalised development costs      5.0 years.

### *Employee benefits*

#### *Defined contribution plans*

A defined contribution plan is a post-employment benefit plan under which the Company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement in the periods during which services are rendered by employees.

For defined contribution plans contributions are paid into publicly or privately administered pension insurance plans on a mandatory or contractual basis. The contributions are recognised as employee benefit expense when they are due. If contribution payments exceed the contribution due for service, the excess is recognised as an asset.

#### *Short-term benefits*

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

### *Provisions*

A provision is recognised in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event, that can be reliably measured, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects risks specific to the liability.

### *Revenue*

Revenue is the value of gas and electricity services supplied to external members excluding value added tax.

Energy supply revenue is recognised during the period in which the Group transfers the energy service to the member and the member simultaneously receives and consumes the energy. This includes an estimate of the revenue to be recognised between the date of the last meter reading and the period end. These estimates are based on historical usage adjusted for known factors such as variations in weather.

Membership fee revenue is recognised over time as the benefit from membership, the energy service, is consumed.

The Group also incurs upfront commissions on the introduction of new members via external partners. These commissions are recognised as prepayments and amortised over the expected life of the member

### *Financing income and expenses*

Financing expenses are charged to the income statement 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. Interest income and interest payable is recognised in profit or loss as it accrues, using the effective interest method.

## Notes to the Financial Statement

## 3. Revenue

The analysis of the company's revenue for the year from continuing operations is as follows;

	2019 £	2018 £
Sales of electricity within the United Kingdom	38,631,399	3,018,081
Sales of gas within the United Kingdom	37,749,205	3,272,898
Member fees within the United Kingdom	8,702,262	672,923
	<u>85,082,866</u>	<u>6,963,902</u>

## 4. Operating loss

Arrived after charging

	2019 £	2018 £
Depreciation expense	28,014	5,444
Amortisation expense	445,302	141,238
Operating lease expense - property	<u>289,067</u>	<u>93,078</u>

## 5. Auditor's remuneration

Included in profit/loss are the following:

	2019 £	2018 £
Audit of Company accounts	30,000	4,000
Taxation compliance services	10,000	9,000
All other services	14,925	-
	<u>54,925</u>	<u>13,000</u>

## 6. Staff costs and numbers

The aggregate payroll costs of these persons were as follows;

	2019	2018
Directors	3	3
Other employees	40	25
	<u>43</u>	<u>28</u>

	2019 £	2018 £
Wages and salaries	2,148,259	819,366
Social security costs	242,521	99,267
Cost of defined contribution scheme	53,882	21,084
	<u>2,444,662</u>	<u>939,717</u>

## Notes to the Financial Statement Cont.

## 7. Directors' remuneration

	2019	2018
	£	£
Wages and salaries	525,000	262,500
Social security costs	68,962	34,391
Cost of defined contribution scheme	10,879	7,380
	<u>604,841</u>	<u>304,272</u>

The aggregate of remuneration and amounts receivable under long term incentive schemes of the highest paid director was £175,000 and company pension contributions of £5,464 were made to a money purchase scheme on his behalf.

## 8. Finance income and expense

Recognised in profit or loss

	2019	2018
	£	£
<b>Finance income</b>		
Interest income on bank deposits	1,221	127
<b>Finance expense</b>		
Interest on bank overdrafts and borrowings	(1,068,385)	(332,130)
<b>Net finance expense</b>	<u>(1,067,164)</u>	<u>(332,003)</u>

## 9. Taxation

*Recognised in the income statement*

	2019	2018
	£	£
Current year tax charge	(3,235,407)	(720,056)
	<u>(3,235,407)</u>	<u>(720,056)</u>
Deferred tax movement not recognised	3,235,407	671,245
Total tax expense	<u>-</u>	<u>(48,811)</u>

*Reconciliation of total tax charge*

	2019	2018
	£	£
Loss for the year	(17,046,485)	(3,740,955)
Total tax expense	-	(48,811)
Loss excluding taxation	<u>(17,046,485)</u>	<u>(3,789,766)</u>
Tax using the UK corporation tax rate of 19% (2018: 19%)	(3,238,832)	(720,056)
Non-deductible expenses	3,425	-
Deferred tax movement not recognised	3,235,407	671,245
Total tax expense	<u>-</u>	<u>(48,811)</u>

The main rate of UK corporation tax for the year to 31 March 2018 was 19%. There is an unrecognised deferred tax asset of £3,629,595 (2018 - £671,219) from the year, relating to tax value of losses carried forward, which management believe will not be utilised in the foreseeable future.

## Notes to the Financial Statement Cont.

## Note 9. Continued

In addition to the 19% corporation tax rate from 1 April 2017, the July 2015 Budget Statement also announced changes to the UK Corporation tax, which will reduce the main rate of corporation tax to 18% from 1 April 2020. At Budget 2016 the government announced a further reduction to the corporation tax main rate (for all profits except ring fenced profits) for the year starting 1 April 2020, setting the rate at 17%.

No deferred tax assets have been recognised due to uncertainty concerning the timescale as to its recoverability.

## 10. Property, plant and equipment

	Office Equipment	Leasehold Improvement	Computer Equipment	Total
<b>Cost</b>	£	£	£	£
Balance at 1 April 2018	4,305	-	31,510	35,815
Additions	116,685	50,204	23,709	190,598
Disposals	(6,798)	-	-	(6,798)
Balance at 31 March 2019	114,192	50,204	55,219	219,615
<b>Depreciation</b>				
Balance at 1 April 2018	(359)	-	(8,235)	(8,594)
Depreciation charge for the year	(8,832)	(5,578)	(13,604)	(28,014)
Disposals	617	-	-	617
Balance at 31 March 2019	(8,574)	(5,578)	(21,839)	(35,991)
<b>Net book value</b>				
At 31 March 2019	105,618	44,626	33,381	183,625
At 1 April 2018	3,946	-	23,275	27,221

## 11. Intangible assets

	Development cost £
<b>Cost or valuation</b>	
Balance at 1 April 2018	1,803,061
Additions	959,869
Disposals	-
Balance at 31 March 2019	2,762,930
<b>Amortisation</b>	
Balance at 1 April 2018	(252,820)
Amortisation charge for the year	(445,302)
Disposals	-
Balance at 31 March 2019	(698,122)
<b>Net book value</b>	
At 31 March 2019	2,064,808
At 1 April 2018	1,550,241

## Notes to the Financial Statement Cont.

## 12. Trade and other receivables

	2019	2018
	£	£
Trade debtors	6,582,383	350,451
Amounts owed by group undertakings	144,947	85,551
Other debtors	845,432	283,031
Prepayments and accrued income	11,175,626	1,494,681
	<u>18,748,388</u>	<u>2,213,714</u>
Non-current	2,906,870	117,908
Current	<u>15,841,518</u>	<u>2,095,806</u>
	<u>18,748,388</u>	<u>2,213,714</u>

Included within trade and other receivables is £417,009 (2018: £117,803) expected to be recovered in more than 12 months.

Please see note 25 for the effects of IFRS 9 and IFRS 15 trade debtors and prepayments and accrued income.

## 13. Cash and cash equivalents

	2019	2018
	£	£
Cash and cash equivalents	<u>246,665</u>	<u>342,785</u>

## 14. Trade and other payables

	2019	2018
	£	£
Trade payables	9,154,820	1,163,000
Other payables	6,682,927	1,889,185
Accruals and deferred income	20,014,380	1,403,438
	<u>35,852,127</u>	<u>4,455,623</u>

## 15. Other interest-bearing loans and borrowings

	2019	2018
	£	£
As at 1 April 2018	6,871,348	4,197,981
Loan addition	1,478,939	2,341,212
Interest	1,067,924	332,155
As at 31 March 2019	<u>9,418,211</u>	<u>6,871,348</u>

The term of the loan is 5 years with a compound interest of 12%. Please see note 21 for more information.

## Notes to the Financial Statement Cont.

## 16. Financial instruments

	2019 £	2018 £
<b>Financial assets</b>		
Financial assets measured at fair value through profit or loss	6,829,048	693,786
	<u>6,829,048</u>	<u>693,786</u>
<b>Financial liabilities</b>		
Financial liabilities measured at fair value through profit or loss	9,154,820	1,163,000
	<u>9,154,820</u>	<u>1,163,000</u>

## 17. Employee benefits

*Pension*

The Company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The pension cost charge represents contributions payable by the Company to the fund and amounted to £53,882 (2018 - £21,084). The amount payable to the fund at the balance sheet date was £3,182 (2018 - £134).

## 18. Share Capital

	2019 £	2018 £
<b>Allotted, called up and fully paid</b>		
1 Ordinary share of £1	<u>1</u>	<u>1</u>

## 19. Operating leases

	2019 £	2018 £
Within one year	274,890	244,110
Between one and five years	<u>118,350</u>	<u>-</u>
	<u>393,240</u>	<u>244,110</u>

The Company rents its Bath office under a non-cancellable operating agreement. The lease expires on 19<sup>th</sup> September 2020.

The amount of non-cancellable operating lease payments recognised as an expense during the year was £289,067 (2018 - £93,078).

## 20. Financial risk management

The Company's operations expose it to a variety of financial risks that included price risk, credit risk, liquidity risk and exchange rate risk. The Company regularly reviews its financial exposure and seeks to limit the adverse effects on its financial performance by monitoring these risks.



## Notes to the Financial Statement Cont.

### *Price risk*

The Company's overall risk management programme focuses on the unpredictability of commodity price markets and seeks to minimise potential adverse effects on the Company's financial performance. The Company sought to mitigate this risk from the outset with the preferred supply agreement it has signed with BP plc. This agreement will allow it to access the wide range of wholesale products offered by BP.

### *Credit risk*

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fail to meet its contractual obligations and arises principally from the Company's receivables from customers and from security deposits and prepayments to suppliers and distributors.

The Company policy of taking direct debits from its Members a month in advance also helps to mitigate this risk.

### *Liquidity risk*

With significant cash movements throughout the year, the Group ensures it manages its liquidity risk closely. The Group maintains a detailed daily cashflow model, which forecasts the next 12 months expected cash requirements and is reviewed on a regular basis between the shareholders and also by the Board. The Group has identified two key risks to liquidity, which it manages closely. First, short-term working capital, which the Group manages through a working capital arrangement it has in place with its shareholder, BP Gas Marketing Limited, enabling the management of short-term cash requirements. Second, Members' debt, where the Group has implemented a detailed direct debit review process to assess each account and ensure that Members' direct debits are sufficient to cover their expected annual consumption.

In addition to the detailed cashflow model, the Group maintains a long-term business model for the next five years, which provides a forecast of the expected operating and financial performance and cash requirements. This gives the Group visibility into the longer-term expected cash requirements in order to plan and manage its capital.

### *Exchange rate risk*

A small portion of the Company's payables was in foreign currency. The directors have decided that cost of hedging against such risk would outweigh any potential benefits.

## 21. Related parties

The Company entered into a loan agreement with its parent (Blue Marble Holdings Limited). The loan arises from the conversion of payables to Blue Marble Holdings Limited on the Company's behalf. The term of the loan is 5 years, repayable on 19 September 2020 with a compound interest of 12%. The amount outstanding at the balance sheet date inclusive of interest is £9,418,210 (2018: £6,871,348).

There is also a non-interest-bearing repayable on demand loan payable of £846,068 and management charge receivable from the parent company for £144,947 (2018: £85,551).

## 22. Ultimate Parent Company

The Company is a subsidiary undertaking of Blue Marble Holdings Limited which is also the ultimate parent company and controlling party.

The largest group in which the results of the Company are consolidated is that headed by Blue Marble Holdings Limited, registered at Cramer House the Square Lower Bristol Road Bath BA2 3BH. The consolidated financial statements of this group is available to the public and may be downloaded from Companies House at <https://beta.companieshouse.gov.uk/company/09881167>.

## 23. Subsequent event

There have been no significant events affecting the Company since the year end.

## Notes to the Financial Statement Cont.

**24. Accounting estimates and judgements**

In the process of applying the Company's accounting policies, the Directors have made judgements, estimations and assumptions regarding the future. The judgements, estimations, and assumptions that have the most significant impact on the amounts recognised in the financial statements are detailed below.

Estimates and judgements are evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In future, actual results may differ from these estimates and assumptions.

*Revenue*

Revenue for energy supply activities includes an assessment of the energy supplied to members between the date of the last meter reading and the year end. This unread consumption is estimated through the billing systems on a member by member basis. Accrued income is £8,784,868 (2018: £1,832,331) and if estimated customer usage was to change by 5% this would result in a £439,243 change in the accrued income balance.

*Significant estimates*

Estimates and underlying assumptions are reviewed on an ongoing basis, with revisions recognised in the year in which the estimates are revised and in any future years affected. The areas involving significant risk resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follow

*Significant judgements*

There are no key judgements made by management in the process of applying the Company's accounting policies. The Company was required to apply IFRS 9 (Financial Instruments) and IFRS 15 (Revenue from Contracts with Customers) for the first time during the period. Details of the impact of these standards is set out in note 25 of these financial statements.

**25. Financial Reporting Standards Applied for the first time in the current year**

The Company has decided to apply these new accounting standards in modified form retrospectively for the first time as at 1 April 2018, without restating the prior-year figures, accounting for the aggregate amount of any transition effects by way of an adjustment to equity and presenting the comparative period in line with previous standards.

The effects that the first-time application of IFRS 9 and IFRS 15 had on retained earnings and other comprehensive income in the statement of comprehensive income in the current period are detailed in the tables below where significant.

*Retained earnings reconciliation IFRS 9 and IFRS 15*

		£
<b>Retained earnings as at 31 March 2018</b>		<b>(7,144,200)</b>
<b>Effects of IFRS 9</b>		<b>10,032</b>
of which decrease in allowances for unbilled trade receivables	10,032	
<b>Effects of IFRS 15</b>		<b>153,798</b>
of which increase in prepayments	153,798	
<b>Retained earnings as at 1 April 2018</b>		<b><u>(6,980,370)</u></b>

## Notes to the Financial Statement Cont.

## Notes 25 Continued

*Impact of IFRS 9 and IFRS 15 on the Balance Sheet as at 31 March 2019*

	As at 31 March 2019	Changes of timing in recognition	As at 31 March 2019
	Before accounting changes		After accounting changes
	£	£	£
Trade debtors	6,572,351	10,032	6,582,383
Prepayments and accrued income	8,893,563	2,282,063	11,175,626
Retained earnings	(26,318,948)	2,292,095	(24,026,853)

The above changes are due to the reclassification of cost to obtain contract with customer and recognising the impairment of trade debtors in the amount of expected credit loss.

*Impact of IFRS 15 on the Income Statement for the year ended 31 March 2019*

	31-Mar-19	Changes of timing in recognition	31-Mar-19
	Before accounting changes		After accounting changes
	£	£	£
Revenue	85,141,959	(59,093)	85,082,866
Administrative expenses	(11,018,361)	2,351,188	(8,667,173)

Type of financial instrument	IAS 39 measurement category	IFRS 9 measurement category	1 April 2018
<i>Current financial assets:</i>			
• Cash and cash equivalents	Amortised cost	FVTPL	342,785
• Trade payables	Amortised cost	FVTPL	1,163,000

## 26. Explanation of transition to Adopted IFRSs

The company transitioned from FRS102 to IFRS as at 1 March 2018. An explanation of how transition to IFRS has affected the reported financial position and financial performance can be found below.

The policies applied under the entity's previous accounting framework are not materially different to IFRS and have not impacted an equity or profit or loss.