

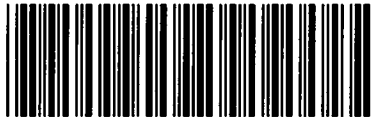
Company Registration No. 09844617 (England and Wales)

**PEOPLE'S ENERGY (SUPPLY)
LIMITED**

**ANNUAL REPORT AND FINANCIAL
STATEMENTS**

FOR THE YEAR ENDED 31 DECEMBER 2019

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PEOPLE'S ENERGY (SUPPLY) LIMITED

COMPANY INFORMATION

Directors	D Pike	
	K Sode	
	K McIntosh	(Appointed 28 February 2019)
Company number	09844617	
Registered office	Kemp House	
	152-160 City Road	
	London	
	United Kingdom	
	EC1V 2NX	
Auditor	Johnston Carmichael LLP	
	7-11 Melville Street	
	Edinburgh	
	EH3 7PE	

PEOPLE'S ENERGY (SUPPLY) LIMITED

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PEOPLE'S ENERGY (SUPPLY) LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2019

The directors present the strategic report for the year ended 31 December 2019.

Principal activities and purpose

The purpose of People's Energy (Supply) Limited and its parent ("the group") is to supply renewably sourced electricity and gas to domestic customers – and to do this in a way that is fair, ethical and transparent, providing affordable energy for all.

This is achieved by maintaining a low cost-base allowing People's Energy to offer value-for-money tariffs. In addition, in the future most of the profits will be returned to members (customers). In terms of renewable energy, the group certifies that the electricity sold has been obtained from renewable sources, over the period of the year.

The group offers transparency through the appointment of elected members (customers) and a staff representative, and through publishing the minutes of the Advisory Board Meetings on www.peoplesenergy.co.uk.

When purchasing wholesale energy, the group enters into forward price contracts with a large, well-established wholesaler. This hedging approach allows the Company to manage costs in advance and actively manage potential market fluctuations and volatility.

Business review and key performance indicators

These accounts cover 12 months of trading ended 31st December 2019, during which customer numbers increased substantially, ending the year with over 70,000 members.

	31 Dec 2019	31 Dec 2018	% change
TrustPilot score	4.4	8.7 (equivalent to 4.35)	1%
Meter points	132,738	68,309	94%
Members (customers)	70,337	36,229	94%

The Directors are delighted to report that during this year of trading, the group has grown by 94% in terms of customer base with a 327% increase in turnover and maintained its strong level of customer service, as evidenced in the excellent Trustpilot scores highlighted above. People's Energy also achieved a very strong rating in the Which? magazine, voted joint 5th best energy supplier out of 35 suppliers, based on a survey carried out September 2019.

The Company launched a business customer offering during 2019, focusing on SMEs but excluding more high risk High Street businesses.

The Company continued to maintain a low cost base and effective hedging strategies which allows the Company to trade without extra external funding. This means that there are no debt liabilities, except fulfilling the final repayments of crowdfunders who supported the initial launch of the Company.

PEOPLE'S ENERGY (SUPPLY) LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

Activities subsequent to the balance sheet date

Subsequent to the balance sheet date, the business has seen large growth, amounting to a further 283% increase in customer numbers within the calendar year of 2020. The business launched a well-received TV advert campaign in the Autumn of 2020 which has delivered above expectations in relation to the spend. The Company also launched a set of direct sales channels late summer of 2020 which has significantly supported the growth of the customer book which now sits at over 270,000 customers. These channels are complementing the customer growth activity which during 2019 was largely achieved through switching sites. The growth activity also included a number of strategic partnerships which has driven bulk sign ups of domestic customers.

In addition, during 2020, People's Energy altered its legal structure and became a Community Interest Company (The People's Energy Community Interest Company). This is now the holding company of The People's Energy Company Limited, which is the parent of People's Energy (Supply) Limited. The reason for this change in structure is to ensure that the company's commitment to social good is built into the group structure and activities, and to facilitate a mechanism to enable the future share of profits through annual rebates. The Company has also launched a Community Fund with the sole purpose of supporting individuals in fuel poverty throughout Great Britain. This Fund will be supported by members' and others' voluntary contributions.

Finally, the Company have a smart meter project which has continued to gather pace during 2020.

Future developments

The Directors expect the business to continue its rapid growth during the forthcoming year as a result of further sales and marketing activity. The Company is also focused on driving efficiencies and improved capability, through increased integration with Smart meters, just as the Directors are envisaging a stronger footprint in the market in relation to its clear stance on supporting individuals in need within our communities. Recent supplier failures mean that People's Energy is now the only social enterprise and community focused energy supplier within the market.

PEOPLE'S ENERGY (SUPPLY) LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

Principal risks and uncertainties

The Company's Risk Committee identifies, assesses and manages risks associated with the Company's business objectives and strategy. Below are some key risks and mitigating actions taken:

Market volatility

- **Energy price volatility** – There is an industry wide risk of volatility of price in the energy market. Forward contracts and a balanced hedging strategy have been adopted to mitigate cost fluctuations. The hedging approach largely locks in the margin for members for the duration of their contracts (for fixed tariff members). For members on a variable tariff (a much smaller proportion of our customer book) we adopt a rolling hedging strategy with six months tapering outlook.
- **Brexit** – The general consensus in the energy market at the time of this report is that Brexit will have minimum impact on energy supply in the UK, or on prices. The Directors do not consider that there would be material impact on the Company's finances.

Cashflow and liquidity

- **Meteorological** – A key risk in the industry relates to a prolonged period of cold weather during the winter and consequent adverse impact on cash flows. Cash reserves have been generated to mitigate against this.
- **Customer attrition** – While customer numbers have been growing consistently there remains a risk that attrition rates escalate. The group is focused on providing competitive pricing and excellent customer service to sustain strong customer retention and growth.
- **Covid** – People's Energy customers are largely domestic consumers. The principal risk associated with the pandemic relates to late or non-payment of bills. The Company has therefore increased focus on collection activities, tightened associated procedures and improved monitoring measures.

Operational risk

- **Ongoing pandemic** – The ongoing pandemic has posed risks to most businesses' ability to operate, and to productivity and wellbeing of staff. People's Energy acted early, prior to announcement of the first lockdown in March 2020. All staff was set up and able to work remotely before the start of the first lockdown. Staff continues to operate remotely in the main, and various steps have been taken to a) ensure health and safety for those few who have had to come into the workplace, b) maintain productivity throughout the prolonged periods of working from home, and c) support staff's mental health and general wellbeing throughout this period.
- **Cyber security** – Cyber security risks are significant for all businesses, and an increase in cyber crime activity has been seen globally during the pandemic. During December 2020 People's Energy experienced a cyber security data breach in which unauthorised individuals performed an attack on the Company's systems. The Company acted quickly to inform all members and other key stakeholders, including the police, Ofgem and the Information Commissioner's Office, adopting a policy of transparency and collaboration. Additional security measures have been implemented with specialised work ongoing to ensure that system protections are optimised. Based on initial attrition data, the Directors are of the opinion that there is no material risk of losing existing customers or materially impacting future customer growth as a result of the data breach.

On behalf of the board

David Pike

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D Pike

Director

31.12.2020
.....

PEOPLE'S ENERGY (SUPPLY) LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2019

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

Principal activities

The principal activity of the company is the purchase of electricity and gas and onward sale to customers.

Directors

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

D Pike

K Sode

D French

K McIntosh

(Resigned 16 January 2019)

(Appointed 28 February 2019)

Results and dividends

The results for the year are set out on page 9.

No ordinary dividends were paid. The directors do not recommend payment of a final dividend.

Auditor

Johnston Carmichael LLP were appointed as auditor to the company and in accordance with section 485 of the Companies Act 2006, a resolution proposing that they be re-appointed will be put at a General Meeting.

Statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards 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 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 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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

The directors are responsible for the maintenance and integrity of the company website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

PEOPLE'S ENERGY (SUPPLY) LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

On behalf of the board

David Pike

.....
D Pike

Director

Date: 31.12.2020

PEOPLE'S ENERGY (SUPPLY) LIMITED

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF PEOPLE'S ENERGY (SUPPLY) LIMITED

Qualified Opinion

We have audited the financial statements of People's Energy (Supply) Limited (the 'company') for the year ended 31 December 2019 which comprise The Statement of Comprehensive Income, The Balance Sheet, The Statement of Changes in Equity 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, except for the possible effects of the matters described in the basis for qualified opinion section, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its 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 qualified opinion

As noted in note 12, events after the reporting date, the company identified a customer data breach affecting all customers on the 16th of December 2020. Due to the proximity of this event to the date of signing of these financial statements we have been unable to obtain sufficient appropriate audit evidence on the potential implications for the business of the data breach and therefore it is not practicable to either quantify the financial effect or evaluate the completeness of resulting disclosures, including those that may be required in relation to going concern. Our audit scope has therefore been limited to this effect.

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 qualified opinion.

Material uncertainty related to going concern

We draw attention to note 1.2 of the financial statements which indicates that the company is dependant on the continuing support of its wholesale trading partner, which is not certain and must also meet their cashflow projections, in order to continue as a going concern. As stated in note 1.2, these conditions or events, along with other matters as set forth in note 1.2, indicate a material uncertainty exists that may cast doubt of the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

As described in the basis for qualified opinion section of our report, our audit report is qualified for the possible effect of non-disclosure of issues relating to the post year end data breach including the directors' assessment of going concern in note 1.2.

Other matters

The financial statements of People's Energy (Supply) Limited for the year ended 31 December 2018 were not subject to an audit.

PEOPLE'S ENERGY (SUPPLY) LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF PEOPLE'S ENERGY (SUPPLY) LIMITED

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 our 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 company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report and the directors' report.

Arising solely from the limitation on the scope of our work relating to the potential impact of a data breach, referred to above:

- We have not obtained all the information and explanations that we consider necessary for the purpose of our audit; and
- we were unable to determine whether adequate accounting records have been kept.

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:

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

Responsibilities of directors

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

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

PEOPLE'S ENERGY (SUPPLY) LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF PEOPLE'S ENERGY (SUPPLY) LIMITED

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.

As part of an audit in accordance with ISAs (UK), we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Use of our report

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.

Johnston Carmichael LLP
Irvine Spowart (Senior Statutory Auditor)
for and on behalf of Johnston Carmichael LLP

Chartered Accountants
Statutory Auditor

31 December 2020

7-11 Melville Street
Edinburgh
EH3 7PE

PEOPLE'S ENERGY (SUPPLY) LIMITED

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2019

		2019	2018
	Notes	£	unaudited £
Turnover	3	56,819,945	13,287,157
Cost of sales		(56,193,678)	(14,204,139)
Gross profit/(loss)		626,267	(916,982)
Administrative expenses		(1,642,568)	(290,802)
Other operating income		452	1,186
Loss before taxation		(1,015,849)	(1,206,598)
Tax on loss	6	-	-
Loss for the financial year		(1,015,849)	(1,206,598)

The Statement of Comprehensive Income has been prepared on the basis that all operations are continuing operations.

PEOPLE'S ENERGY (SUPPLY) LIMITED

BALANCE SHEET

AS AT 31 DECEMBER 2019

	Notes	2019		2018 unaudited	
		£	£	£	£
Current assets					
Debtors	7	15,929,955		3,506,776	
Cash at bank and in hand		960,107		2,357,503	
		<u>16,890,062</u>		<u>5,864,279</u>	
Creditors: amounts falling due within one year	8	<u>(19,143,326)</u>		<u>(7,101,694)</u>	
Net current liabilities			<u>(2,253,264)</u>		<u>(1,237,415)</u>
Capital and reserves					
Called up share capital	9		100		100
Profit and loss reserves			<u>(2,253,364)</u>		<u>(1,237,515)</u>
Total equity			<u>(2,253,264)</u>		<u>(1,237,415)</u>

The financial statements were approved by the board of directors and authorised for issue on 31.12.2020 and are signed on its behalf by:

David Pike
.....
D Pike
Director

Company Registration No. 09844617

PEOPLE'S ENERGY (SUPPLY) LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2019

	Share capital £	Profit and loss reserves £	Total £
Balance at 1 January 2018	100	(30,917)	(30,817)
Period ended 31 December 2018:			
Loss and total comprehensive income for the period	-	(1,206,598)	(1,206,598)
Balance at 31 December 2018	100	(1,237,515)	(1,237,415)
Year ended 31 December 2019:			
Loss and total comprehensive income for the year	-	(1,015,849)	(1,015,849)
Balance at 31 December 2019	100	(2,253,364)	(2,253,264)

PEOPLE'S ENERGY (SUPPLY) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

1 Accounting policies

Company information

People's Energy (Supply) Limited is a private company limited by shares incorporated in England and Wales. The registered office is Kemp House, 152-160 City Road, London, United Kingdom, EC1V 2NX.

1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

This company is a qualifying entity for the purposes of FRS 102, being a member of a group where the parent of that group prepares publicly available consolidated financial statements, including this company, which are intended to give a true and fair view of the assets, liabilities, financial position and profit or loss of the group. The company has therefore taken advantage of exemptions from the following disclosure requirements:

- Section 7 'Statement of Cash Flows': Presentation of a statement of cash flow and related notes and disclosures;
- Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instrument Issues': Interest income/expense and net gains/losses for each category of financial instrument; basis of determining fair values; details of collateral, loan defaults or breaches, details of hedges, hedging fair value changes recognised in profit or loss and in other comprehensive income;
- Section 33 'Related Party Disclosures': Compensation for key management personnel.

The financial statements of the company are consolidated in the financial statements of The People's Energy Company Limited. These consolidated financial statements are available from its registered office, 3 Wester Shawfair, Shawfair Park, Edinburgh, Scotland, EH22 1FD.

PEOPLE'S ENERGY (SUPPLY) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

1 Accounting policies

(Continued)

1.2 Going concern

In assessing whether the financial statements should be prepared on a going concern basis, the directors have considered a period of twelve months from the date of approval of these financial statements. The Directors assessment of going concern is dependent on The People's Energy Company Limited, its parent company, being a going concern and continuing to provide the business with its continued financial support. The company's parent undertaking has confirmed in writing its willingness to continue its support of the business for at least twelve months from the signing of these financial statements. Below is an extract of The People's Energy Company Limited assessment of going concern which includes a number of material uncertainties.

The People's Energy Company Limited- Going concern disclosure

In assessing whether the financial statements should be prepared on a going concern basis, the directors have considered a period of twelve months from the date of their approval of these financial statements. The material uncertainties impacting the parent company's and group's ability to meet its liabilities as they fall due is the continuing support of its wholesale energy provider and the parent company's and group's ability to meet their cashflow projections over the next twelve months.

Wholesale trading agreement

At the date of signing of these financial statements, the group is forecasting to exceed its contractual terms with its wholesale provider during February and March 2021. Whilst the contractual terms are projected to be exceeded, the provider has outlined its intention to support the business in the short term. Continuing trading under this arrangement is therefore dependant on the continuing support of the wholesale provider which is not certain.

Cash flow projections

Uncertainty is associated with certain assumptions used when preparing future cash flow projections, the most significant of which are as follows:

- Customer numbers. The group projects increased customer numbers in line with detailed plans for each sales channel and with reference to recent actual achieved numbers. In addition, customer attrition rates are factored in at the observed level.*
- The cost of energy and margins. The group has entered into forward contracts to purchase its base requirements for the winter. However it is noted that if there is a prolonged cold spell during the winter period this would adversely impact the group's cashflow projections requiring the group to extend credit terms over the short term with key suppliers.*
- Cash collections. The projections assume collections are in line with existing trends.*
- Cyber security data breach – during December 2020 People's Energy was affected by a cyber security data breach. The group acted quickly to inform all customers and other key stakeholders, including the police, Ofgem and the Information Commissioner. Additional security measures were implemented with specialised work ongoing to ensure that system protections are optimised. The Directors are of the opinion that there is no material risk of losing existing customers or materially impacting future customer growth as a result of the data breach.*
- Covid – People's Energy customers are largely domestic consumers. The principal risk associated with the pandemic relates to late or non-payment of bills. The group has therefore increased focus on collection activities, tightened associated procedures and improved monitoring measures.*

PEOPLE'S ENERGY (SUPPLY) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

1 Accounting policies

(Continued)

The directors are satisfied that on balance, and on the basis of the above assumptions the parent company and group will have sufficient resources to enable the parent company and group to meet their liabilities as they fall due for at least 12 months from the date of signing of these financial statements. The directors consider it is therefore appropriate to prepare the financial statements on the going concern basis.

These financial statements do not include any adjustments to the balance sheet carrying value of assets and their recoverable amounts or to provide further liabilities which may arise if the going concern basis of preparation is inappropriate.

The director of People's Energy (Supply) Limited has carefully assessed The People's Energy Company Limited's going concern assessment and on balance have concluded that it is likely that the company will have sufficient resources to enable the company to meet its liabilities as they fall due for at least 12 months from the date of signing these financial statements. The directors are therefore satisfied that it is appropriate to prepare the financial statements on a going concern basis.

1.3 Turnover

Turnover comprises the sale value of electricity and gas supplied to customers during the period exclusive of VAT and includes an estimate value of units supplied to customers during the period between the date of the last meter read and the period end.

1.4 Customer acquisition costs

Customer acquisition cost are included in debtors and relate to direct external costs of acquiring customers via acquisition channels. These amounts are released over the fixed contract term of the customer contract which is typically 12 months.

1.5 Cash at bank and in hand

Cash at bank and in hand are basic financial assets and include cash in hand and deposits held at call with banks.

1.6 Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the company's balance sheet when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally 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.

Basic financial assets

Financial assets classified as receivable within one year are not amortised.

Trade receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost, less provisions for estimated irrecoverable amounts. The provision against trade receivables is based on ageing of the receivables including unbilled revenue and the historical payment profile of customers.

PEOPLE'S ENERGY (SUPPLY) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

1 Accounting policies

(Continued)

Impairment of financial assets

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the company transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

Classification of financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

Basic financial liabilities

Basic financial liabilities, including creditors and loans from fellow group companies, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Derecognition of financial liabilities

Financial liabilities are derecognised when the company's contractual obligations expire or are discharged or cancelled.

1.7 Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of transaction costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

1.8 Renewables obligations

The company recognises a liability in respect of Renewable Obligations payable to Ofgem in respect of energy supplied to customers at the ROC buy-out price or the price at which the obligation can be settled at the year end.

PEOPLE'S ENERGY (SUPPLY) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

1 Accounting policies

(Continued)

1.9 Derivative financial instruments and hedging

The company uses commodity purchase contracts to hedge its exposure to fluctuations in gas and electricity commodity prices. When commodity purchase contracts have been entered into as part of the company's normal business activity, the company classifies them as "own use" contracts and outside the scope of FRS 102 (per FRS 102 para 12.5). This is achieved when: physical delivery takes place in accordance with the company's expected usage requirements.

Commodity contracts not qualifying as "own use" which also meet the definition of a derivative are within the scope of FRS 102 as a derivative financial instrument.

Material derivatives not qualifying as "own use" are measured at fair value on the contract date and are re-measured to fair value at a subsequent reporting dates. Changes on the fair value of derivatives are recognised in the income statement as they arise.

2 Judgements and key sources of estimation uncertainty

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

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

Critical judgements

The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements.

Going concern

Material uncertainties exist which may cast doubt on the company's ability to continue as a going concern. The key assumptions used in the directors' assessment are outlined in note 1.2.

Key sources of estimation uncertainty

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are as follows.

Revenue recognition

Given the nature of the industry, there is a degree of estimation involved in the recognition of revenue. Energy sales are based on regular meter readings. Revenue recognised for the supply of electricity and gas represents the value of actual units billed to customers from the billing system, and an estimate of the value of units unbilled. The calculation of these estimates required judgements to be made with regards to the energy used by customer between the last meter reading and period end. These units were reconciled to those charged by the industry.

Customer debtor provisioning

The company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. Calculation of the bad debt provision requires judgement to be made around the recovery of debts based upon their ageing and debt profile.

PEOPLE'S ENERGY (SUPPLY) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

3 Turnover and other revenue

	2019	2018 unaudited
	£	£
Turnover analysed by class of business		
Supply of electricity and gas	56,819,945	13,287,157

All turnover is derived in the United Kingdom.

4 Operating loss

	2019	2018 unaudited
	£	£
Operating loss for the year is stated after charging/(crediting):		
Exchange (gains)/losses	(326)	380
Fees payable to the company's auditor for the audit of the company's financial statements	25,000	-

5 Employees

The average monthly number of persons (including directors) employed by the company during the year was 0 (2018: 0).

6 Taxation

The actual charge for the year can be reconciled to the expected credit for the year based on the profit or loss and the standard rate of tax as follows:

	2019	2018 unaudited
	£	£
Loss before taxation	(1,015,849)	(1,206,598)
Expected tax credit based on the standard rate of corporation tax in the UK of 19.00% (2018 unaudited: 19.00%)	(193,011)	(229,254)
Tax effect of expenses that are not deductible in determining taxable profit	2,463	-
Change in unrecognised deferred tax assets	180,745	205,112
Effect of change in corporation tax rate	9,803	24,142
Taxation charge for the year	-	-

PEOPLE'S ENERGY (SUPPLY) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

7 Debtors

	2019	2018 unaudited
	£	£
Amounts falling due within one year:		
Trade debtors	4,780,150	1,776,476
Amounts owed by group undertakings	5,438,200	1,553,184
Other debtors	2,514,014	177,116
Prepayments and accrued income	1,176,714	-
Customer acquisition costs	2,020,877	-
	<u>15,929,955</u>	<u>3,506,776</u>

Trade debtors is stated after a provision for bad debt of £1,305,108 (2018: £218,104).

8 Creditors: amounts falling due within one year

	2019	2018 unaudited
	£	£
Trade creditors	677,745	275,752
Customer advances	5,115,794	1,435,650
Accruals and deferred income	13,349,787	5,390,292
	<u>19,143,326</u>	<u>7,101,694</u>

9 Share capital

	2019	2018 unaudited
	£	£
Ordinary share capital		
Issued and not fully paid		
100 Ordinary shares of £1 each	100	100
	<u>100</u>	<u>100</u>

10 Profit and loss reserve

Includes all current and prior year retained earnings.

11 Related party transactions

The company has taken advantage of the exemption within FRS 102 section 33 paragraph 33.1A from the requirements to disclose transactions with other wholly owned companies in the same group.

PEOPLE'S ENERGY (SUPPLY) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

12 Events after the reporting date

On 27 March 2020, a floating charge was put in place in favour of the group's energy wholesale provider.

On 29 April 2020, 75% of shareholding in the parent company was transferred to The People's Energy Community Interest Company.

On the 16th of December 2020, People's Energy was affected by a cyber security data breach. In the vast majority of cases, no financial information for our domestic customers was compromised, however some customers' other personal information was accessed. The Company acted quickly to inform all customers and other key stakeholders, including the police, Ofgem and the Information Commissioner. Additional security measures were implemented with specialised work ongoing to ensure that system protections are optimised. The Directors are of the opinion that there is no material risk of losing existing customers or materially impacting future customer growth as a result of the data breach.

13 Ultimate controlling party

The immediate parent company of People's Energy (Supply) Limited is The People's Energy Company Limited and its registered office is 3 Wester Shawfair, Shawfair Park, Edinburgh, EH22 1FD. On the 29 April 2020, the company's ultimate parent entity became The People's Energy Community Interest Company.

In the opinion of the directors, there is no ultimate controlling party.