

## **Opus Energy Limited**

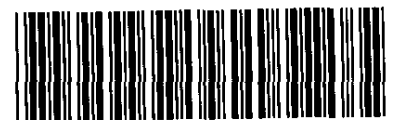
Annual Report and Financial Statements

Year Ended

31 December 2019

Company Number 04382246

WEDNESDAY



\*A9ARL6XE\*

A14

05/08/2020

#251

COMPANIES HOUSE

# Opus Energy Limited

## Company information

---

### Directors

Will Gardiner  
Carl Goulton  
Andy Skelton  
Paul Sheffield

### Secretary

David McCallum (resigned 31 January 2019)  
Brett Gladden (appointed 1 February 2019)

### Registered office

Drax Power Station, Selby, North Yorkshire, United Kingdom, YO8 8PH

### Company number

04382246

### Auditor

Deloitte LLP  
Statutory Auditor,  
Hill House  
1 Little New Stree  
London  
EC4A 3TR

# Opus Energy Limited

## Annual Report and financial statements for the year ended 31 December 2019

---

### Contents

	<b>Page</b>
Strategic Report	1 - 4
Directors' Report	5 - 6
Directors' Responsibilities Statement	7
Independent Auditor's Report	8 – 10
Statement of Comprehensive Income	11
Statement of Financial Position	12
Statement of Changes in Equity	13
Notes to the Financial Statements	14 - 30

# Opus Energy Limited

## Strategic Report for the year ended 31 December 2019

---

### Introduction

The directors present their strategic report for Opus Energy Limited (the "Company") for the year ended 31 December 2019.

### Principal activity

Opus Energy Limited is licensed to supply electricity and gas to commercial customers in Great Britain. The Company is also licensed to ship gas in Great Britain. Electricity is supplied to commercial customers under the Opus brand name. Gas is shipped for the Company's sister company, Opus Gas Supply Limited. Electricity is also supplied to domestic and commercial customers under the brand names of the Company's third party partners. The Company's principal activity is expected to continue for the foreseeable future.

### Business review

Turnover increased by 4%, from £484.6 million to £506.4 million. Gross profit decreased by 29% from £67.5 million to £47.6 million, mainly driven by an increase in rates for key industry charges. Gross margin percentage decreased from 14% to 9%. Operating expenses decreased by 29%, from £53.8 million to £38.2 million, mainly due to the adoption of the System of Intelligence bad debt provision methodology, which assigns lower risk to the SME client base compared to the Corporate client base. Profit after tax decreased from £11.4 million to £2.5 million. The net assets of the Company have increased by £2 million to £38 million.

### Principal risks and uncertainties

The primary risks and uncertainties facing the Company are: competition; volatility in the Company's costs of supply; the effect of the macroeconomic environment on the ability of customers to pay their energy bills on a timely basis and the impact of regulatory changes on margins and cashflow.

The business energy market is very competitive. The Company seeks to manage the risk of losing customers to competitors by strict cost controls, disciplined pricing strategies, innovation in billing systems and maintaining high standards of customer service.

The Company devotes considerable management resources and develops systems and models designed to hedge price risk and match as closely as possible the quantities of electricity which it buys at a fixed price with its commitments to supply to customers at a fixed price. However, in volatile wholesale electricity commodity markets, it is not always possible to match these prices and volumes; variables include the weather and end-customer demand. In addition to the rigorous modelling of the demand of its portfolio of customers, which is continually updated, the Company seeks to protect itself through its contractual terms with its customers and through maintenance of a pricing policy which ensures sufficient margin for such inevitable forecasting errors.

Bad debts associated with failure of customers to pay their energy bills represent one of the largest administrative expenses of the business. Late payment of customer bills also imposes increased working capital requirements on the Company. The Company actively monitors the credit of its customers, varies its pricing to accommodate customer credit risk profile, manages its customer portfolio to mitigate credit concentration and devotes significant resources to managing its debtor book, including the development and continuous improvement of IT systems to minimise the billing inaccuracies which can lead to late payments.

The energy sector is subject to considerable political and regulatory scrutiny. The Company maintains a regular dialogue with the regulator to ensure that it is fully informed of changes in market structure which could have a commercial impact on the business.

A Risk Management committee is responsible for monitoring this risk management process, ensuring that all risks associated with specific areas of the business are identified, analysed and managed systematically and appropriately. This committee also forms part of the wider risk management process of Drax Group plc. Further information on these risks as well as financial risk are included in the annual report of Drax Group plc.

# Opus Energy Limited

## Strategic Report for the year ended 31 December 2019 (*continued*)

### Going concern and COVID-19

Subsequent to the balance sheet date, COVID-19 has spread globally causing worldwide disruption to businesses and economic activity. The World Health Organisation declared COVID-19 a pandemic on 11 March 2020. Currently, the Company's employees are working from home, following the guidance of the UK government. Whilst the situation remains unpredictable and continues to evolve, the consequences of the pandemic are starting to become visible. The Company anticipates a decline in demand for power due to businesses shutting down in line with Government guidelines and workforces working from home. The Company also anticipates an increase in bad debt charges where businesses are forced into financial difficulty or closure as a result of reduced economic activity.

The Company and the wider Drax Group have considered a wide range of potential scenarios and assessed the likely impact of each upon the Group's financial resilience, in terms of liquidity and debt covenants. In each case, both plausible and extreme, after considering the availability of potential mitigating actions, the likelihood of headroom being exhausted was considered remote. Taking this into account and noting the receipt of written confirmation of Group support, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements. Given the nature of the pandemic there remains significant uncertainty in relation to the extent and period over which these circumstances will continue and there remains a risk that the impact of COVID-19 is greater than that modelled by the Group.

### Key performance indicators

The directors monitor the following key performance indicators (KPIs) of the Company on a regular basis:

	2019 %	2018 %
Gross profit percentage	9.4	13.9
Operating profit percentage	1.9	2.8
Profit after tax percentage	0.5	2.4

### Companies Act, Section 172 Statement

Understanding the needs of our various stakeholders is essential to our long-term success. We recognise that to achieve our purpose we need to listen to, and work with, a diverse range of interested parties. The Company, and the Drax Group plc group of companies, has a wide range of stakeholders and takes care to ensure that there is an effective strategy to identify and engage with stakeholders.

The Board takes care to develop a strategy that will create long-term value for the Company and for its stakeholders. In supporting the Board's duty to promote the success of the Company, management discussions include information on stakeholders likely to be affected by items under discussion and the potential impact on them. There are formal and robust processes in place to ensure the data provided to management is reliable.

A comprehensive list of stakeholders identified across the Drax Group, and how we engage with them and have regard to their interests, can be found in the Drax Group plc annual report. Examples of some of the Company's key stakeholders include:

#### Workforce

Engaging with the workforce is important as we want to create an engaging environment where our employees can thrive. We maintain regular dialogue with our workforce through our Customers' Workforce Engagement ("My Voice") Forums and annual engagement survey, and weekly updates and Q&A from the Drax Group CEO. The Customers' MyVoice forums are made up of members nominated by colleagues from the Customers business unit and meet quarterly to discuss matters raised by colleagues, by the Board and by the Drax Group plc Board. The Managing Director of Customers attended meetings that took place in 2019.

# Opus Energy Limited

## Strategic Report for the year ended 31 December 2019 (*continued*)

---

### Companies Act, Section 172 Statement (*continued*)

#### Workforce (*continued*)

The Customers' My Voice Forum Chairs also meet quarterly with the Drax Group CEO and Chair to further discuss topics raised at the Customers' forums. Matters discussed during 2019 include how effectively communication filters down from senior leadership to the wider business; living our values; and wellbeing, including a greater focus on mental wellbeing. In response to employee feedback, plans have been developed to address wellbeing across the Drax Group, including mental wellbeing, which were shared with the MyVoice forums to seek their input before rolling out a wellbeing programme in 2020.

Our dialogue with employees includes regular communication about the Company's, and the Drax Group's, strategy, plans and performance. During 2019, communications included updates about progress against the Group-wide scorecard, which includes KPIs in relation to financial, strategic, safety and sustainability performance. Annual bonuses for employees are linked to the scorecard performance, ensuring that employee reward and Group performance are aligned. We actively encourage employee participation in the Group-wide All-Employee Sharesave scheme, offering the maximum discount of 20% and waiving any length of service requirements. During 2019, nearly half of all UK employees across the Drax Group participated in a Drax Sharesave scheme.

#### Customers

Engagement with customers and brokers allows us to better understand our customer's needs and how we can deliver continuous improvement in customer service. We engage with our customers through channels such as social media, our website, by phone and through our complaints procedure.

#### Strategic suppliers

There are suppliers who deliver goods and services that are essential to the long-term strategic success of the Company. Strong relationships with suppliers and contractors allow us to promote high standards and ensure realistic expectations on project delivery. Collaboration with strategic partners ensures that metering equipment is maintained so we can accurately bill customers and provide payment plans to those who are struggling to pay their bills.

Our relationships with smaller suppliers are also important. Understanding their needs informs our prompt payment policy. Engagement also allows us to set out our expected high standards of conduct.

#### Regulators

We regularly engage with Ofgem, BEIS and other statutory bodies, which helps us to understand and be prepared for upcoming policy developments and industry change, and also gain insights from them regarding best practice.

#### Shareholders

Our ultimate parent company is Drax Group plc and therefore we act in the best interests of our immediate and ultimate parent companies, and in doing so, in the best interest of the investors and shareholders of the Drax Group. Drax Group plc engages with its shareholders and investors through a wide range of channels, including our website, AGM, full year and half year results, a Capital Markets Day, an ongoing programme of investor relations meetings and engagement by the Chair of the Remuneration Committee. This engagement allows the Board to understand their concerns and priorities and take these into account in decision making.

#### Community and the environment

Our purpose is to enable a zero carbon, lower cost energy future, and we seek to achieve a positive long-term economic, social and environmental impact. We support the UN's Sustainable Development Goals and we're proud to supply renewable energy in the global energy mix.

We regularly engage with the local community by supporting local initiatives and hosting drop-in sessions to help understand the needs of the local community and the impact that our business has on them. To read more about our positive social impact across the Drax Group, see pages 45 to 48 the 2019 Drax Group Annual Report and Accounts.

## Opus Energy Limited

### Strategic Report for the year ended 31 December 2019 (*continued*)

---

#### Companies Act, Section 172 Statement (*continued*)

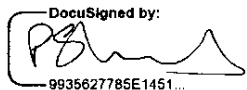
##### Standards of business conduct

We are committed to conducting business ethically, with honesty and integrity, and in compliance with all relevant laws and regulations. We do not tolerate any form of bribery, corruption or other unethical business conduct.

Our compliance framework is set out in the Drax ethics handbook, Doing the right thing. The handbook identifies the behaviours expected from our employees and contractors on topics including human rights, ethical business conduct and integrity. Our policies and procedures provide further guidance and instruction, in line with best industry practice. These include our Corporate Crime policy and Gifts and Hospitality, Conflicts of Interest and Due Diligence procedures.

This report was approved by the board on 29 July 2020 and signed on its behalf.

**Paul Sheffield**  
Director

DocuSigned by:  
  
9935627785E1451...

## Opus Energy Limited

### Directors' Report for the year ended 31 December 2019

---

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

#### Results and dividends

The profit for the year, after taxation, amounted to £3,507k (2018 - £11,420k).

The Directors do not recommend the payment of a dividend (2018: £Nil)

#### Directors

The directors who served during the year and to the date of this report, unless otherwise stated, were:

Andy Skelton	(appointed 13 June 2019)
Paul Sheffield	(appointed 4 September 2019)
Will Gardiner	
Jonathan Kini	(resigned 4 September 2019)
Carl Goulton	(resigned 31 March 2020)
Nicola Flanders	(resigned 6 March 2019)

#### Disclosure of information to auditor

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

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

This confirmation is given and should be interpreted in accordance with the provisions of S418 of the Companies Act 2006.

#### Matters covered in the Strategic Report

Disclosures of principal activity and any future developments of the Company are commented upon in the Strategic Report as the directors consider them to be of strategic importance to the Company.

Engaging with our stakeholders, including our workforce and those with who we have a business relationship, is fundamental to our success. We recognise that to achieve our purpose, we need to listen to, and work with, a diverse range of interested parties. For more information on our stakeholders, how we engage with them and have regard to their interests, please refer to the Strategic Report.

## Opus Energy Limited

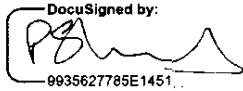
### Directors' Report for the year ended 31 December 2019 (*continued*)

---

#### Auditor

Deloitte LLP have been reappointed as auditor in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on 29 July 2020 and signed on its behalf.

DocuSigned by:  
  
9935627785E1451...

**Paul Sheffield**  
Director

## Opus Energy Limited

### Directors' Responsibilities Statement for the year ended 31 December 2019

---

The Directors are responsible for preparing the Annual 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), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

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

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the 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.

## Opus Energy Limited

### Independent Auditor's Report to the Members of Opus Energy Limited

---

#### Report on the audit of the financial statements

##### Opinion

In our opinion, the financial statements of Opus Energy Limited (the 'Company'):

- give a true and fair view of the state of the Company's affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the Company's financial statements which comprise:

- the statement of comprehensive Income;
- the statement of financial position;
- the statement of changes in equity; and
- the related notes 1 to 26

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).

##### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

##### Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

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

We have nothing to report in respect of these matters.

## **Opus Energy Limited**

### **Independent Auditor's Report to the Members of Opus Energy Limited (*continued*)**

---

#### **Other information**

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

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

We have nothing to report in respect of these matters.

#### **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.

#### **Auditor's responsibilities for the audit of the financial statements**

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

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

## Opus Energy Limited

### Independent Auditor's Report to the Members of Opus Energy Limited (*continued*)

---

#### Report on other legal and regulatory requirements

##### Opinions on other matters prescribed by the Companies Act 2006

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

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

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 any material misstatements in the strategic report or directors' report.

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

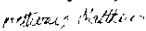
Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- 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 respect of these matters.

##### 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.

DocuSigned by:  
  
408C09E16C504F8...

**Anthony Matthews FCA** (Senior statutory auditor)

For and on behalf of Deloitte LLP

Statutory Auditor

London, United Kingdom

29 July 2020

## Opus Energy Limited

### Statement of Comprehensive Income for the year ended 31 December 2019

	Note	2019 £'000	2018 £'000
Turnover	4	506,413	484,615
Cost of sales		(458,766)	(417,076)
<b>Gross profit</b>		<b>47,647</b>	67,539
Administrative expenses		(38,239)	(53,781)
<b>Operating profit</b>	5	<b>9,408</b>	13,758
Interest receivable and similar income	9	36	26
Interest payable and similar charges	10	(788)	(1,478)
<b>Profit before tax</b>		<b>8,656</b>	12,306
Tax charge for the year	11	(6,161)	(886)
<b>Profit for the financial year</b>		<b>2,495</b>	11,420

All activities derive from continuing operations.

There are no comprehensive income or expenses other than the loss for the financial year and the profit for the preceding financial year. Accordingly, no statement of comprehensive income is given.

The notes on pages 14 to 30 form part of these financial statements.


**Opus Energy Limited**

Registered number: 04382246

**Statement of Financial Position  
at 31 December 2019**

	Note	2019 £'000	2018 £'000
<b>Fixed assets</b>			
Intangible assets	12	23,907	12,450
Tangible assets	13	17,130	19,926
		<u>41,037</u>	<u>32,376</u>
<b>Current assets</b>			
Debtors: amounts falling due within one year	14	140,501	175,849
Cash at bank and in hand		1,555	2,440
		<u>142,056</u>	<u>178,289</u>
<b>Creditors: amounts falling due within one year</b>	15	(144,565)	(174,585)
<b>Net current (liabilities)/assets</b>		<u>(2,509)</u>	<u>3,704</u>
<b>Total assets less current liabilities</b>		<u>38,528</u>	<u>36,080</u>
<b>Provisions for liabilities</b>			
Other provisions	17	(100)	(400)
		<u>(100)</u>	<u>(400)</u>
<b>Net assets</b>		<u>38,428</u>	<u>35,680</u>
<b>Capital and reserves</b>			
Called up share capital	19	4,000	4,000
Other reserves	18	1,095	842
Retained earnings	18	33,333	30,838
<b>Equity attributable to the owners of the parent company</b>		<u>38,428</u>	<u>35,680</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 29 July 2020

DocuSigned by:  
  
 9035627785E1451  
**Paul Sheffield**  
 Director

The notes on pages 14 to 30 form part of these financial statements.

## Opus Energy Limited

### Statement of Changes in Equity for the year ended 31 December 2019

	Called up share capital £000	Other reserves £000	Profit and loss account £000	Total equity £000
At 1 January 2019	4,000	842	30,838	35,680
<b>Comprehensive income for the year</b>				
Profit for the year	-	-	2,495	3,507
<b>Total comprehensive income for the year</b>	-	-	2,495	3,507
Share based payment transactions	-	253	-	253
<b>At 31 December 2019</b>	<b>4,000</b>	<b>1,095</b>	<b>33,333</b>	<b>38,428</b>

### Statement of Changes in Equity For the period ended 31 December 2018

	Called up share capital £000	Other reserves £000	Profit and loss account £000	Total equity £000
At 1 January 2018	4,000	563	19,418	23,981
<b>Comprehensive expense for the year</b>				
Profit for the year	-	-	11,420	11,420
<b>Total comprehensive loss for the year</b>	-	-	11,420	11,420
Share based payment transactions	-	279	-	279
<b>At 31 December 2018</b>	<b>4,000</b>	<b>842</b>	<b>30,838</b>	<b>35,680</b>

The notes on pages 13 to 29 form part of these financial statements.

# Opus Energy Limited

## Notes forming part of the financial statements for the year ended 31 December 2019

### 1 General information

Opus Energy Limited is a private Company, limited by shares, incorporated in the United Kingdom under the Companies Act 2006 and is registered in England and Wales. The address of the registered office is shown on the Company Information page. The nature of the Company's operations and its principal activities are outlined in the Strategic Report.

### 2 Accounting policies

#### 2.1 Basis on preparation of financial statements

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

The financial statements are presented in Sterling (£) and rounded to the nearest £'000s.

#### 2.2 Going concern

The Company is part of the Drax Group banking facilities. As such funding is provided by a group treasury company, Drax Corporate Limited, by way of a cash pool arrangement with sufficient headroom to enable the Company to meet its working capital requirements and to invest in the people and systems required for future growth. Further details are provided in the Strategic Report.

The following principal accounting policies have been applied:

#### 2.3 Financial reporting standard 102 – reduced disclosure exemptions

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

- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 11 Financial Instruments paragraphs 11.42, 11.44 to 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b) and 11.48(c);
- the requirements of Section 12 Other Financial Instruments paragraphs 12.26 to 12.27, 12.29(a), 12.29(b) and 12.29A;
- the requirements Section 26 paragraphs 26.18(b), 26.19 to 26.21 and 26.23;
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statements of Drax Group plc as at 31 December 2019 and these financial statements may be obtained from Drax Power Station, Selby, North Yorkshire, YO8 8PH.

## Opus Energy Limited

### Notes forming part of the financial statements for the year ended 31 December 2019 *(continued)*

---

#### **2 Accounting policies *(continued)***

##### **2.4 Turnover**

Turnover represents the fair value of the consideration received or receivable from the sale of actual and estimated electricity (units consumed but not yet processed through the settlement process and are based on industry data until final reconciliation data is received) supplied during the year, net of discounts and value added taxes.

Turnover includes the directors' best estimate of differences between estimated sales and billed sales. All actual metered consumption data related to customers' electricity consumption received by the end of the period has been reflected in turnover. The estimated consumption data is revised over a fourteen month settlement period.

Turnover is recognised when the associated risks and rewards of ownership have been transferred, to the extent that it is probable that the economic benefits associated with the transaction will flow to the Company and where the turnover can be measured reliably. For electricity supplied and gas shipped, turnover is recognised on consumption.

Also included in turnover is other income arising from site works and other site disconnection costs which are recharged to the Company's customers.

##### **2.5 Cash and cash equivalents**

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

##### **2.6 Interest receivable and similar income**

Interest receivable and similar income is recognised in the Statement of Comprehensive Income on an accruals basis using the effective interest method.

##### **2.7 Interest payable and similar charges**

Interest payable and similar charges are recognised in the Statement of Comprehensive Income on an accruals basis using the effective interest method.

##### **2.8 Contract costs**

Commissions payable to third parties in respect of obtaining customer contracts are amortised over the life of the contract.

##### **2.9 Operating leases**

Leases that do not transfer all the risks and rewards of ownership are classified as operating leases.

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

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the period of the lease.

# Opus Energy Limited

## Notes forming part of the financial statements for the year ended 31 December 2019 (*continued*)

### 2 Accounting policies (*continued*)

#### 2.10 Intangible assets

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

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

#### 2.11 Tangible fixed assets

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

Land is not depreciated. Depreciation on other assets is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Long-term leasehold property	- Lease period
Improvements to property	- Straight line over 30 years
Fixtures and fittings	- Straight line over 4 years
Office equipment	- Straight line over 4 years
Computer equipment	- Straight line over 4 years
Computer software	- Straight line over 3 years

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

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

#### 2.12 Revaluation of tangible fixed assets

Individual freehold and leasehold properties are carried at current year value at fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are undertaken with sufficient regularity to ensure the carrying amount does not differ materially from that which would be determined using fair value at the statement of financial position date.

Fair values are determined from market based evidence normally undertaken by professionally qualified valuers.

Revaluation gains and losses are recognised in the Other Comprehensive Income unless losses exceed the previously recognised gains or reflect a clear consumption of economic benefits, in which case the excess losses are recognised in profit or loss.

## Opus Energy Limited

### Notes forming part of the financial statements for the year ended 31 December 2019 (*continued*)

---

#### **2 Accounting policies (*continued*)**

##### **2.13 Foreign currency translation**

###### **Functional and presentation currency**

The Company's functional and presentational currency is GBP.

###### **Transactions and balances**

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

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

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Comprehensive Income.

##### **2.14 Dividends**

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by shareholder resolution.

##### **2.15 Pensions**

###### **Defined contribution pension plan**

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

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

##### **2.16 Share based payments**

The ultimate parent company issues equity settled share-based payments to certain employees which are measured at fair value (excluding the effect of non-market vesting conditions) at the date of grant and expensed on a straight-line basis over the vesting period, based on an estimate of the shares that will ultimately vest and adjusted for the effect of non-market-based vesting conditions. Given the nature of the share-based payments, these are included in equity as a capital contribution.

## Opus Energy Limited

### Notes forming part of the financial statements for the year ended 31 December 2019 (*continued*)

---

#### **2 Accounting policies (*continued*)**

##### **2.17 Provisions for liabilities**

Provisions are made where an event has taken place that gives the Company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the Statement of Comprehensive Income in the year that the Company becomes aware of the obligation and are measured at the best estimate at the statement of financial position date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the statement of financial position.

##### **2.18 Current and deferred taxation**

Current tax, including UK corporation tax is based on the taxable profit or loss for the year. Taxable profit or loss differs from profit/loss as reported in the statement of comprehensive income and retained earnings because it excludes items of income or expenditure that are either taxable or deductible in other years or never taxable/deductible. The Company's liability (or asset) for current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case the current and deferred tax are recognised in other comprehensive income or directly in equity respectively.

## Opus Energy Limited

### Notes forming part of the financial statements for the year ended 31 December 2019 (*continued*)

---

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

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the statement of financial position date and the amounts reported for sales and expenses during the period. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

##### **Critical judgements in applying the Company's accounting policies**

The following are the critical judgements, apart from those involving estimations (which are dealt with separately below), that the directors have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in financial statements.

##### **3.1 Revenue recognition**

Revenue derived from the supply of energy includes an estimate of the value of gas supplied to customers between the date of the last meter reading and the end of the reporting period. Estimates of the number of units consumed but not yet processed through the settlement process are based on industry data until final reconciliation data is received. Assumptions that underpin these estimates are applied consistently and comparison of past estimates to final settlements suggests a high degree of accuracy. However, actual outcomes may vary from initial estimates.

##### **Key sources of estimation uncertainty**

Management have considered whether there are any key sources of estimation uncertainty at the balance sheet date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year as set out below.

##### **3.2 Impairment of trade debtors**

Trade debtors are stated net of the allowance for the impairment of bad and doubtful debts. Debtor balances are provided using system of intelligence reporting on predictive probabilities. The probabilities are aggregated into a binary method and provisions are calculated based on this. Receivables are categorised based on customer type and account type, attributing varying risk profiles to each possibility. The system of intelligence uses data based on payments patterns in the last 18 months and combines with other features to establish a provision probability. The impairment of trade receivables in the year is disclosed in note 5.

#### **4 Turnover**

The whole of the turnover is attributable to the principal activity of the Company and arose solely within the United Kingdom.

# Opus Energy Limited

## Notes forming part of the financial statements for the year ended 31 December 2019 (continued)

### 5 Operating profit

	2019 £'000	2018 £'000
The operating profit is stated after charging:		
Depreciation of tangible fixed assets	2,933	1,717
Amortisation of intangible assets	286	134
Fees payable to the Company's auditor and its associates for the audit of the Company's annual financial statements	118	86
Exchange differences	96	33
Other operating lease rentals	520	520
Defined contribution pension cost	1,925	521
Impairment of trade receivables	5,056	17,130
	<hr/>	<hr/>

### 6 Employees

	2019 £'000	2018 £'000
Staff costs, including directors' remuneration, were as follows:		
Wages and salaries	33,044	31,530
Social security costs	3,385	3,069
Cost of defined contribution scheme	1,925	795
	<hr/>	<hr/>
	38,757	35,394
	<hr/>	<hr/>

Included in wages and salaries is a total expense of share-based payments of £253k (2018: £279k).

The average monthly number of employees, including the directors, during the year was as follows:

	2019 Number	2018 Number
Administrative staff	415	856
Sales staff	574	108
	<hr/>	<hr/>
	989	964
	<hr/>	<hr/>

# Opus Energy Limited

## Notes forming part of the financial statements for the year ended 31 December 2019 (continued)

### 7 Directors' remuneration

	2019 £'000	2018 £'000
Directors' emoluments	588	315
Company contributions to defined contribution pension schemes	85	10
	<u>673</u>	<u>325</u>

During the year retirement benefits were accruing to no director (2018 - none) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £193k (2018 - £325k).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £19k (2018 - £10k).

### 8 Share based payments

The Company participates in two types of share plan operated by the ultimate parent company Drax Group plc. The Drax Group plc Savings-Related share Option Plan ("SAYE Plan") is open to all employees, and the Drax Group plc Performance Share Plan ("PSP") provides long term incentives to executive directors and senior managers.

	2019 £'000	2018 £'000
SAYE Plan	248	195
PSP	5	84
	<u>253</u>	<u>279</u>

Additional information on the share-based incentive plans is included in the remuneration committee report in the Drax Group plc Annual Report and Accounts 2019.

# Opus Energy Limited

## Notes forming part of the financial statements for the year ended 31 December 2019 (*continued*)

### 9 Interest receivable and similar income

	2019 £'000	2018 £'000
Other interest receivable	36	26
	<hr/>	<hr/>

### 10 Interest payable and similar charges

	2019 £'000	2018 £'000
Bank interest payable	3	177
Interest payable to group undertakings	776	1,301
Other interest	9	-
	<hr/>	<hr/>
	788	1,478
	<hr/>	<hr/>

# Opus Energy Limited

## Notes forming part of the financial statements for the year ended 31 December 2019 (continued)

### 11 Taxation

	2019 £'000	2018 £'000
<b>Corporation tax</b>		
Tax charge for the year	5,896	952
<b>Deferred tax</b>		
Origination and reversal of timing differences	265	(66)
<b>Total tax charge for the year</b>	<b>6,161</b>	<b>886</b>

#### Factors affecting the tax charge for the year

The tax assessed for the year is higher than (2018 - lower than) the standard rate of corporation tax in the UK of 19.00% (2018 – 19.00%). The differences are explained below:

	2019 £'000	2018 £'000
Profit before tax	8,656	12,306
Profit multiplied by standard rate of corporation tax in the UK of 19.00% (2018 – 19.00%)	1,645	2,338
<b>Effects of:</b>		
Expenses not deductible for tax purposes	125	100
Adjustments in respect of prior periods	4,209	(1,224)
Other differences leading to an increase/ (decrease) in the tax charge	182	(328)
<b>Total tax charge for the year</b>	<b>6,161</b>	<b>886</b>

# Opus Energy Limited

## Notes forming part of the financial statements for the year ended 31 December 2019 (continued)

### 11 Taxation (continued)

#### Factors that may affect future tax charges

In recent years the UK Government has steadily reduced the rate of UK corporation tax, with the latest rates substantively enacted by the reporting date being 19% effective from 1 April 2017 and 17% effective from 1 April 2020. To the extent they are recognised, the closing deferred tax balances are calculated at 17%-. Subsequently, on 11 March 2020, the Chancellor announced that this corporate tax rate reduction to 17% will be cancelled and the main rate of corporate tax will remain at 19%. The deferred tax balances will be remeasured at the next reporting date when this announcement has been substantively enacted.

### 12 Intangible assets

	<b>Project costs £'000</b>
<b>Cost</b>	
1 January 2019	12,629
Additions	11,743
	<hr/>
At 31 December 2019	24,372
	<hr/>
<b>Amortisation</b>	
At 1 January 2019	179
Charge for the year	286
	<hr/>
At 31 December 2019	465
	<hr/>
<b>Net book value</b>	
At 31 December 2019	23,907
	<hr/>
At 31 December 2018	12,450
	<hr/>

Intangible assets comprise internally generated project costs relating to software developments for which the Company has adequate resources to complete and utilise the associated asset.

## Opus Energy Limited

Notes forming part of the financial statements  
for the year ended 31 December 2019 *(continued)*

13 Tangible fixed assets	Freehold Land £000	Property £000	Improvements to property £000	Fixtures and fittings £000	Office equipment £000	Computer equipment £000	Total £000
<b>Cost or valuation</b>							
At 1 January 2019	3,187	13,959	1,686	208	134	6,470	25,644
Additions	-	103	7	-	28	-	138
Disposals	-	-	-	-	(7)	(96)	(103)
At 31 December 2019	3,187	14,062	1,693	208	155	6,374	25,679
<b>Depreciation</b>							
At 1 January 2019	-	424	1,226	173	90	3,805	5,718
Charge for the year on owned assets	-	468	86	16	23	2,340	2,933
Disposals	-	-	-	-	(7)	(95)	(102)
At 31 December 2019	-	892	1,312	189	106	6,050	8,549
<b>Net book value</b>							
At 31 December 2019	3,187	13,170	381	19	49	324	17,130
At 31 December 2018	3,187	13,535	460	35	44	2,665	19,926

**Opus Energy Limited**  
**Notes forming part of the financial statements**  
**for the year ended 31 December 2019 (continued)**

**14 Debtors**

	2019 £'000	2018 £'000
Trade debtors	48,288	47,551
Amounts owed by group undertakings	46,290	76,975
Other debtors	944	7,086
Prepayments and accrued income	44,321	39,327
Corporation tax	-	4,898
Deferred tax (note 16)	658	12
	<u>140,501</u>	<u>175,849</u>

Amounts owed by group undertakings are repayable on demand, unsecured and interest free.

**15 Creditors: Amounts falling due within one year**

	2019 £'000	2018 £'000
Trade creditors	5,877	8,884
Amounts owed to group undertakings	-	75,362
Amounts owed to parent undertakings	48,574	17,059
Other taxation and social security	13,571	3,791
Other creditors	2,593	16,910
Corporation Tax	1,628	-
Accruals and deferred income	72,322	52,579
	<u>144,565</u>	<u>174,585</u>

The Company participates in a cash pooling arrangement involving other group companies. Interest arising on the cash pooling arrangements is rolled up into the principal.

The amounts owed to parent undertakings includes a £25m cash pooling balance (amounts owed to group undertakings in 2018: £30m) due to a fellow subsidiary undertaking, Drax Corporate Limited. The Loan bears interest at commercial rates and is payable at regular intervals.

Other amounts owed to group undertakings are repayable on demand, unsecured and interest free.

# Opus Energy Limited

## Notes forming part of the financial statements for the year ended 31 December 2019 (continued)

### 16 Deferred taxation asset/(liability)

	2019 £'000
At 1 January 2019	12
Credit for the year	646
	<hr/>
At 31 December 2019	658
	<hr/>

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled based on the tax rates that have been enacted or substantively enacted at the statement of financial position date.

The deferred tax asset as at 31 December 2019 has been calculated based on the rate of 17%.

The deferred tax asset/(liability) is made up as follows:

	2019 £'000	2018 £'000
Accelerated capital allowances	68	(125)
Other timing differences	590	137
	<hr/>	<hr/>
	658	12
	<hr/>	<hr/>

### 17 Provisions

	Dilapidation £'000
At 1 January 2019	400
Released to profit or loss	(300)
	<hr/>
At 31 December 2019	100
	<hr/>

The provision relates to three leased buildings which were occupied by the Company and is for the restoration of the buildings to their state before they were occupied by the Company, once the lease has come to an end or is terminated. The lease was terminated in March 2018 and the Company is in the process of confirming the costs which will be required for the restoration works.

### 18 Reserves

#### Other reserves

This reserve is used to record capital contributions received from the Parent company to reflect the increase in equity of the Company through the granting of share options.

#### Retained earnings

Retained earnings represent cumulative profits or losses, net of dividends paid and other adjustments.

# Opus Energy Limited

## Notes forming part of the financial statements for the year ended 31 December 2019 (continued)

### 19 Share capital

	2019 £'000	2018 £'000
<b>Allotted, called up and fully paid</b>		
4,000,000 ordinary shares of £1 each	4,000	4,000

### 20 Pension commitments

The Company operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the Company to the scheme and amounted to £1,925k (2018: £521k).

Contributions which amounted to £269k at 31 December 2019 (2018: £459k) were payable to the scheme and are included in creditors.

### 21 Commitments under operating leases

At 31 December 2019 the Company had future minimum lease payments under non-cancellable operating leases as follows:

#### Land and buildings

	2019 £'000	2018 £'000
Not later than 1 year	520	520
Later than 1 year and not later than 5 years	1,776	1,776
Later than 5 years	623	623
	<u>2,919</u>	<u>2,919</u>

### 22 Other financial commitments

At 31 December 2019, the Company had committed to purchase the following:

	2019 £'000	2018 £'000
Wholesale gas and electricity	409	371

The commitment to purchase wholesale gas and electricity extends to March 2024 (2018: March 2023). In addition, the Company had metering commitments amounting to £11,911k (2018: £10,407k).

### 23 Related party transactions

The Company has taken advantage of the exemption contained in Section 33 of FRS 102, not to disclose transactions with wholly owned entities within the group headed by Drax Group plc.

## Opus Energy Limited

### Notes forming part of the financial statements for the year ended 31 December 2019 (*continued*)

#### 24 Contingent liabilities

##### Guarantees

The Drax Group's financing structure includes £350 million (2018: £350 million) and US \$500 million (2018: US \$300 million) of high-yield, publicly traded bonds on the Luxembourg exchange, and a £350 million (2018: £350 million) Senior Facilities Agreement comprised of a £315 million revolving credit facility (RCF) and an index-linked term loan of £35 million.

On 2 January 2019, the Group drew down £550 million under an acquisition bridge facility.

On 16 May 2019, in addition to the US £300 million loan notes outstanding in 2018, the Drax Group raised a further US \$200 million publicly traded bonds, and subsequently repaid £150 million of the acquisition bridge facility.

On 24 July 2019, the Group successfully concluded the refinancing of the remaining £400 million drawn on the acquisition bridge facility. Two new facilities were agreed: a £375m UK infrastructure private placement with maturities extending out to between 2024-2029 and a £125m environment social & governance or "ESG" facility.

The Company provides security and guarantees to certain member of the Drax Group under these financing arrangements, which would crystallise in the event of the Drax Group companies defaulting on their outstanding borrowings:

- At 31 December 2019 the outstanding secured borrowings amounted to £1,267.5 million (2018: £622.4 million).
- At 31 December letters of credit issued under the revolving credit facility, held by Drax Corporate limited amounted to £77.0 million (2018: £31.8 million).

Guarantees and security have also been provided in respect of the above borrowings by certain members of the Drax Group.

The Company also provides security and guarantees in respect of Drax Power Limited's ( a Drax Group Company) obligations under certain secured trading line for secured commodity trading and certain FX, inflation and interest rate hedging arrangements that form part of the Drax Group's senior financing arrangements and which would crystallise in the event of Drax Power Limited defaulting on the terms of these arrangements. As at 31 December 2019, this value was £32.7 million (2018: £11.9 million).

No liability is provided in respect of any of the above matters as the likelihood of an event of default is considered to be remote in each case.

#### 25 Ultimate controlling party

The Company's immediate parent undertaking is Opus Energy Group Limited, a Company incorporated in England and Wales.

The ultimate parent company is Drax Group plc, a publicly listed company incorporated in England and Wales. Drax Group plc is the smallest and largest group for which consolidated financial statements are prepared. Copies of the consolidated financial statements for Drax Group plc are available from Company Secretary, Drax Power Station, Selby, North Yorkshire, YO8 8PH, or on the Group's website at [www.drax.com](http://www.drax.com).

## Opus Energy Limited

### Notes forming part of the financial statements for the year ended 31 December 2019 (*continued*)

---

#### **26 Post balance sheet event – Covid 19**

Subsequent to the balance sheet date, COVID-19 has spread globally causing worldwide disruption to businesses and economic activity. The World Health Organisation declared COVID-19 a pandemic on 11 March 2020.

Further details have been provided on page 2 of the Strategic Report. This is considered to be a non-adjusting post balance sheet event, however, given the nature of the pandemic there remains significant uncertainty in relation to the extent and period over which these circumstances will continue and there remains a risk that the impact of COVID-19 is greater than that modelled by the Group.