

REGISTERED NUMBER: 06993470
England and Wales

CO-OPERATIVE ENERGY LIMITED

STRATEGIC REPORT, DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE 52 WEEKS ENDED 23 JANUARY 2021



Co-operative Energy Limited

Directors' report and financial statements for the 52 weeks ended 23 January 2021

	Pages
Strategic report	1 – 2
Directors' report	3
Statement of Directors' Responsibilities	4
Independent Auditor's report to the directors of Co-operative Energy Limited	5 – 7
Profit and Loss Account and Other Comprehensive Income	8
Statement of Financial Position	9
Statement of Changes in Equity	10
Notes to the financial statements	11 – 22

Co-operative Energy Limited

Strategic report for the 52 weeks ended 23 January 2021

Review of the business

In September 2019 we entered into a strategic partnership with Octopus Energy. The partnership combines their industry-leading technology and excellent customer service with our co-operative values and community focus. It included the outright sale of the GB Energy customer books, and the transfer of our Co-op Energy customers onto the systems used by Octopus.

At the time of the sale, a 'White Label' agreement was signed with Octopus energy, to allow the Midcounties Co-operative to promote and sell energy tariffs through its Co-operative Energy brand. Initially the directors expected the white label income to be recognised in a subsidiary company, but income is now recognised by The Midcounties Co-operative limited and therefore these financial statements have been prepared on a breakup basis.

Key performance indicators

	2021	2020
Gross sales	£nil	£165m
Gross margin	-	4.61%
Net margin (before tax)	-	(17.64)%
Customers on supply	-	-

S172 Statement

The directors of the company, as those of all UK companies must act in accordance with a set of general duties. These duties are detailed in section 172 of the UK Companies Act 2006 which is summarised as follows:

A director of a company must act in the way they consider, in good faith, would be most likely to promote the success of the company for the benefit of its shareholders as a whole and, in doing so have regard (amongst other matters) to:

- the likely consequences of any decision in the long term
- the interests of the company's employees
- the need to foster the company's business relationships with suppliers, customers and others
- the impact of the company's operations on the community and environment

Risk management

Principal risks and uncertainties

We continue to develop and refine our risk identification, monitoring and reporting mechanisms to ensure risk is appropriately managed within the Company. Risks are rated using a probability and impact matrix. Risk management is an evolving process and further focus will continue through 2021 and beyond.

Principal risks and uncertainties

Brexit

- The continuing implications and uncertainty caused by Brexit

Business continuity & disaster recovery

- Failure to develop/maintain robust business continuity and disaster recovery plans

Competition

- The impact of significant disrupting activity by new/existing competitors in the markets where we operate

Coronavirus

- The impact of the pandemic on the Company

Co-operative Energy Limited

Strategic report for the 52 weeks ended 23 January 2021

Environment

- The impact of not taking action in line with our policies and procedures to meet our environmental obligations

Financial performance

- Failure to deliver our business plan numbers impacting our ability to operate as a member-based co-operative

Funding

- Failure to develop/maintain a relationship with our financial stakeholders affecting our ability to fund our businesses

Global events

- For example, acts of terrorism, natural disasters, health scares

Governance

- A breakdown in effective decision making and governance for the long-term interests of the Company and its members

Health & Safety

- Failure to develop/maintain appropriate policies and procedures
- The risk of a serious Health & Safety breach

Innovation

- Failure to innovate – in our ways of working; in our use of technology; in our customer and member propositions

Membership

- Failure to uphold the membership model
- Failure to develop/maintain a co-operative relationship with our members

People

- A risk of weak management capability and/or succession planning

Principle 6 – co-operation among co-operatives

- A risk that our relationship with other co-operative societies becomes damaged/unworkable

Regulatory risk

- Failure to plan for and implement regulatory change
- The impact of unforeseen regulatory change

Reputational risk

- Arising from significant non-compliance with our policies and procedures
- Arising from the actions of our partners

Approved by the Board of Directors

And signed on behalf of the Board



Edward Parker

Secretary

23 November 2021

Co-operative Energy Limited

Directors' report for the 52 weeks ended 23 January 2021

Principal activity

Co-operative Energy Limited was an electricity and gas supply company until 17 September 2019. Going forwards it is a white label partnership with Octopus Energy using the Co-operative Energy brand but the trading activities from white label partnership are contracted with The Midcounties Co-operative Limited, the entities ultimate parent.

Political donations

The company made no political donations during the period (2020: £nil).

Charitable donations

The company made no charitable donations during the period (2020: £nil).

Modern Slavery Act

For the Company Modern Slavery Act Disclosure go to www.midcounties.coop.

Directors

The directors of the Company as at 23 January 2021, all of whom had held office for the whole of the period unless otherwise stated, were:

F A Ravenscroft P Mather B Rainford	C Booker M Lane V Green	E Boyle W Willis	I Kirkman H Richardson	O Birch H R Wiseman	B Connor V S Woodell
M Cook	resigned	13 October 2020	I Kirkman	appointed	13 October 2020
J Feeney	resigned	13 October 2020	O Birch	appointed	13 October 2020
P H Gray OBE	resigned	13 October 2020	B Connor	appointed	13 October 2020
G Hayes	resigned	13 October 2020	P Mather	appointed	13 October 2020
S Allsopp	resigned	14 October 2021	N Milton	appointed	14 October 2021
K Petersen	resigned	14 October 2021	E Godfrey	appointed	14 October 2021

Dividends

The directors do not propose the payment of a dividend in respect of the current financial year. No dividend was paid in respect of the previous 52 weeks ended 25 January 2020.

Disclosure of information to auditors

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditor is unaware, and each director has taken all the steps that they ought to have taken as director to make them aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Auditors

The Company appointed BDO LLP as auditors for the 52 week period ended 23 January 2021. Prior year auditors were KPMG LLP.

Approved by the Board of Directors and signed on behalf of the Board



Edward Parker
Secretary

23 November 2021

Registered office: Co-operative House, Warwick Technology Park, Gallows Hill, Warwick, CV34 6DA.

Co-operative Energy Limited
Statement of Directors' Responsibilities in respect of the Strategic Report, Directors' Report and the Financial Statements

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

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 *Reduced Disclosure Framework*.

Initially the directors expected the white label income to be recognised in a subsidiary company, but income is now recognised by The Midcounties Co-operative limited and therefore these financial statements have been prepared on a breakup basis.

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 loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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

On behalf of the Board.



Edward Parker, Secretary
23 November 2021

Independent Auditor's report to the directors of Co-operative Energy Limited

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 23 January 2021 and of its result for the 52 week period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Co-operative Energy Limited ("the Company") for the 52 week period ended 23 January 2021 which comprise the Profit and Loss Account and Other Comprehensive Income, the Statement of Financial Position, 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 101 Reduced Disclosure Framework, 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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.

Emphasis of matter – basis of preparation other than going concern

We draw attention to Note 1 to the financial statements which explains that the directors have ceased trading and therefore do not consider it to be appropriate to adopt the going concern basis of accounting in preparing the financial statements. Accordingly, the financial statements have been prepared on a basis other than that of going concern as described in Note 1. Our opinion is not modified in respect of this matter.

Other information

The directors are responsible for the other information. The other information comprises the information included in the Directors' report and financial statements 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. 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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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.

Independent Auditor's report to the directors of Co-operative Energy Limited

Other Companies Act 2006 reporting

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

- the information given in the Directors' report for the financial period for which the financial statements are prepared is consistent with the financial statements; and
- the Directors' report has 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 material misstatements in the Directors' report.

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

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

Responsibilities of Directors

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

In preparing the financial statements, the Directors are responsible for assessing the 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.

Extent to which the audit was capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

Independent Auditor's report to the directors of Co-operative Energy Limited

We gained an understanding of the legal and regulatory framework applicable to the entity and the industry in which it operates and considered the risk of acts by the entity which were contrary to applicable laws and regulations, including fraud. These included, but were not limited to, compliance with the Companies Act 2006 and accounting standards.

We communicated key estimate and judgements, relevant identified laws and regulations, and potential fraud and irregularity risks to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit. We designed audit procedures to respond to these matters.

We focussed on areas that could give rise to a material misstatement in the entities Financial Statements. Our testing included, but was not limited to:

- Enquiries of management;
- Review of minutes of Board meetings throughout the year;
- Obtaining an understanding of the control environment in monitoring compliance with laws and regulations;
- Challenge of key estimates and judgements, applied by management in the financial statements to check that they are free from management bias;
- Consideration of management's assessment of related parties and any other unusual transactions and evaluated the process for identifying and monitoring any such transactions;

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at:

<https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

This report is made solely to the 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:

412CEE2A993940D...

Laurie Hannant (Senior Statutory Auditor)
For and on behalf of BDO LLP, statutory auditor
Birmingham, UK
BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

23 November 2021

Co-operative Energy Limited
Profit and Loss Account and Other Comprehensive Income for the 52 weeks ended 23 January 2021

	Note	23 January 2021 £000	25 January 2020 £000 Continuing	25 January 2020 £000 Discontinued	25 January 2020 £000 Total
Turnover	2	-	33	165,390	165,423
Cost of sales		-	-	(157,799)	(157,799)
Gross profit		-	33	7,591	7,624
Operating Expenses	3	-	(95)	(33,528)	(33,623)
Operating Expenses excluding significant items		-	(95)	(32,570)	(32,665)
Operating loss before significant items		-	(62)	(24,979)	(25,041)
Operating Expenses - Significant items	6	-	-	(958)	(958)
Operating loss		-	(62)	(25,937)	(25,999)
Gain on sale of customers		-	-	12,863	12,863
Loss on sale of debt		-	-	(3,195)	(3,195)
Impairment of Flow Energy Limited subsidiary debtor		(3,797)	-	(12,430)	(12,430)
Interest payable	7	-	-	(416)	(416)
Loss before taxation		(3,797)	(62)	(29,115)	(29,177)
Tax on loss	8	1	10	-	10
Loss for the financial year and other comprehensive income		(3,796)	(52)	(29,115)	(29,167)

The company has no other comprehensive income or other gains and losses
The notes on pages 11 to 22 form an integral part of the financial statements.

Co-operative Energy Limited
Statement of Financial Position as at 23 January 2021
Registered no. 06993470

	Note	2021 £'000	2020 (*Restated) £'000
Fixed assets			
Intangible assets	9	-	-
Tangible assets	10	-	-
Right of use assets	11	-	6,150
Investments	12	-	-
Other debtors	13	1,114	1,374
		<u>1,114</u>	<u>7,524</u>
Current assets			
Debtors	13	5,927	21,450
Cash at bank and in hand		-	560
		<u>5,927</u>	<u>22,010</u>
Current liabilities			
Creditors: amounts falling due within one year	14	(112,781)	(124,742)
Lease liability	15	-	(207)
		<u>(112,781)</u>	<u>(124,949)</u>
Net current liabilities		<u>(105,740)</u>	<u>(102,939)</u>
Total assets less current liabilities		<u>(105,740)</u>	<u>(95,415)</u>
Long term liabilities			
Lease liability	15	-	(6,529)
Net liabilities		<u>(105,740)</u>	<u>(101,944)</u>
Capital and reserves			
Called up share capital	16	-	-
Profit and loss account		(105,740)	(101,944)
Shareholders' deficit		<u>(105,740)</u>	<u>(101,944)</u>

The notes on pages 11 to 22 form an integral part of the financial statements.
Please refer to note 19 for details in relation to prior year adjustments.

Signed on behalf of the board of directors



Helen Wiseman
Director

Approved by the board: 23 November 2021

Co-operative Energy Limited
Statement of Changes in Equity for the 52 weeks ended 23 January 2021

	Called up share capital £'000	Profit and loss account £'000	Total equity £'000
Balance at 26 January 2019	-	(72,777)	(72,777)
Loss for the period	-	(29,167)	(29,167)
Total comprehensive loss for the period	-	(29,167)	(29,167)
Balance at 25 January 2020	-	(101,944)	(101,944)
Loss for the period	-	(3,796)	(3,796)
Total comprehensive loss for the period	-	(3,796)	(3,796)
Balance at 23 January 2021	-	(105,740)	(105,740)

The notes on pages 11 to 22 form an integral part of the financial statements.

Co-operative Energy Limited
Notes to the financial statements for the 52 weeks ended 23 January 2021

1. Accounting policies

Basis of preparation

i) Statement of compliance

Co-operative Energy Limited is a private limited company domiciled in the United Kingdom. The financial statements for the period ended 23 January 2021 have been prepared in accordance with UK Accounting Standards – Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101).

ii) Basis of preparation

The financial statements are presented in pounds sterling (GBP), which is the Company's functional currency. All financial information presented in GBP has been rounded to the nearest thousand.

In previous years, the financial statements have been prepared on a going concern basis. In September 2019, the ongoing trade of the company was sold to Octopus Energy Limited. The company has not traded during the year or expected to trade in future periods. The Directors have prepared the financial statements on a basis other than that of a going concern basis. There have been no adjustments made to the financial statements as a result of them being prepared on a basis other than that of a going concern and there is no significant impact on the reported results or the carrying value of the assets and liabilities as at 23 January 2021.

iii) Use of estimates and judgements

The preparation of financial statements in conformity with FRS 101 requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

In the opinion of the directors there are no estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year.

iii) UK Accounting Standards – Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) - exemptions

The Society's ultimate parent undertaking, The Midcounties Co-operative Limited includes the Society in its consolidated financial statements. The consolidated financial statements of The Midcounties Co-operative Limited are prepared in accordance with International Financial Reporting Standards and are available to the public and may be obtained from the Secretary, Co-operative House, Warwick Technology Park, Gallows Hill, Warwick, CV34 6DA. Society financial statements have been prepared and approved by the directors in accordance with International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs").

In these financial statements, the society has applied the exemptions available under FRS 101 in respect of the following disclosures:

- (a) a Cash Flow Statements and related notes;
- (b) comparative period reconciliations for tangible fixed assets and intangible assets;
- (c) disclosure in respect of transactions with wholly owned subsidiaries;
- (d) disclosures in respect of capital management;
- (e) the effects of new but not yet effective IFRSs;
- (f) disclosures in respect of the compensation of Key Management Personnel.

As the consolidated financial statements of The Midcounties Co-operative Limited include equivalent disclosures, the Society has also taken the exemptions under FRS 101 available in respect of the following disclosures:

Co-operative Energy Limited
Notes to the financial statements for the 52 weeks ended 23 January 2021

1. Accounting policies (continued)

- (a) certain disclosures required by IFRS 3 *Business Combinations* in respect of business combinations undertaken by the Society in prior periods including the comparative period reconciliation for goodwill; and
- (b) disclosures required by IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* in respect of the cash flows of discontinued operations.
- (c) certain disclosures required by IAS 36 *Impairment of assets* in respect of the impairment of goodwill and indefinite life intangible assets.
- (d) certain disclosures required by IFRS 13 *Fair Value Measurement* and the disclosures required by IFRS 7 *Financial Instrument Disclosures*.

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

Turnover

Revenue on energy sales comprises sales to retail end-user customers including an estimate of the value of electricity and gas supplied to customers between the date of the last meter reading and the year end. Unread energy sales are estimated using historical consumption patterns taking account of industry volume reconciliation processes. Revenue is recognised at point of delivery to end user. Revenue on White label commission is recognised on the sign up to the Co-operative Energy tariff with Octopus Energy. An annual commission is recognised for customer loyalty, this is recognised 15 months after going on supply and then annually after that.

Cost of sales

Energy supply includes the cost of gas and electricity purchased during the year taking into account the industry reconciliation process for total gas and total electricity usage by supplier, and related transportation and distribution costs.

Consolidation

The Company has taken advantage of Section 400 Companies Act 2006 exempting it from the requirement to produce consolidated financial statements on the grounds that the Company is included in consolidated financial statements for a larger group established under the law of a member state of the European Union, those of The Midcounties Co-operative Limited. These financial statements, therefore, present information about Co-operative Energy Limited as an individual Company and not as a group.

Taxation

Income tax expense comprises current and deferred tax. Tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity through other comprehensive income, in which case it is recognised as in equity.

Current tax is the expected tax payable on the taxable income for the year using tax rates enacted at the balance sheet date and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not recognised; the initial recognition of goodwill; the initial recognition of assets and liabilities that affect neither accounting or taxable profit other than in a business combination, and the differences relating to the investment in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future.

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

Co-operative Energy Limited
Notes to the financial statements for the 52 weeks ended 23 January 2021

1. Accounting policies (continued)

Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. The estimated useful lives are as follows:

Plant, Fixtures and Fittings 3 to 20 years

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

Intangible assets

Other intangible assets

Other intangible assets that are acquired by the Company are stated at cost less accumulated amortisation and less accumulated impairment losses.

The cost of an intangible asset acquired in a business combination is its fair value at the acquisition date.

Amortisation

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

Licences	10 years
Customer relationships	5 years

Right of Use Assets

The adoption of IFRS 16 on 27th January 2019 resulted in the recognition of opening balances for right of use assets of £7,025,000 and right of use liabilities of £6,945,000.

The Society recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Society is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

The Society has used a range of discount rates in between 2.0% to 4.3% dependent on the length of lease remaining and the quality of the asset being leased. The discount rates were provided by independent professional advisors who took into consideration market factors and the societies incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

The Society has also used the assumption that no lease break clauses will be applied, therefore assets and liabilities have been calculated on the full term of each lease. Right-of-use assets related to lease properties that do not meet the definition of investment properties are presented as property, plant and equipment.

Co-operative Energy Limited
Notes to the financial statements for the 52 weeks ended 23 January 2021

1. Accounting policies (continued)

Lease Liabilities

At the commencement date of the lease, the Society recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Society and payments of penalties for terminating a lease, if the lease term reflects the Society exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Society has used a range of discount rates in between 2.0% to 4.3% dependent on the length of lease remaining and the quality of the asset being leased. The discount rates were provided by independent professional advisors who took into consideration market factors and the Society's incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

The Society applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases that are considered of low value (i.e. below £5,000). Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Financial instruments

Within its regular course of business, the Company routinely enters into sale and purchase derivative contracts for the commodities electricity and gas. These contracts are entered into and continue to be held for the purpose of receipt and delivery in accordance with the Company's expected sale, purchase or usage requirements. The contracts are designated as 'own use' contracts under IAS39 and are all measured at cost. Where surplus energy is purchased it is sold back to the open market and the related contractual commitments are then held at an appropriate fair value.

Non-derivative financial instruments

Trade and other debtors

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

The Society applies the IFRS 9 simplified approach to measuring expected credit losses using a lifetime expected credit loss provision for trade receivables and contract assets. To measure expected credit losses on a collective basis, trade receivables and contract assets are grouped based on similar credit risk and aging. The contract assets have similar risk characteristics to the trade receivables for similar types of contracts

Trade and other creditors

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

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. When an existing liability is replaced by the same counterparty on substantially different terms or the terms of an existing liability are substantially modified, the original liability is derecognised and a new liability is recognised, with any difference in carrying amounts recognised in the income statement.

Co-operative Energy Limited
Notes to the financial statements for the 52 weeks ended 23 January 2021

1. Accounting policies (continued)

Investments in debt and equity securities

Investments in debt and equity securities held by the Society are classified as being available-for-sale and are stated at fair value, with movements in the carrying value brought into equity through other comprehensive income as they arise, except for changes in value arising from impairment, which are recognised in the income statement. When these investments are derecognised, the cumulative gain or loss previously recognised in equity is recognised in the income statement.

Investments in joint controlled entities and subsidiaries are carried at cost.

Cash and cash equivalents

Cash and cash equivalents comprise of cash balances and call deposits. Bank overdrafts that are payable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

2. Turnover

Turnover represents amounts receivable for good and services net of VAT. Co-operative Energy limited ceased trading in January 2020.

3. Operating Expenses

	2021 £'000	2020 £'000
Hire of plant and equipment - operating leases	-	84
Hire of land and buildings - operating leases	-	420
Depreciation of owned assets - property, plant and equipment	-	1,780
Depreciation of owned assets - Intangibles	-	1,615
Depreciation of assets held under finance leases	-	0
Fees paid to auditors:		
Audit	-	142
Other	-	0
Wages and salaries	-	8,569
Other expenses	-	20,055
	<u>-</u>	<u>32,665</u>

4. Directors' remuneration

The directors receive remuneration from The Midcounties Co-operative Limited in respect of their services to the company and receive no emoluments from the company. Their remuneration is reflected in the group financial statements of The Midcounties Co-operative Limited.

5. Employees

All staff including directors are employed by the ultimate holding society The Midcounties Co-operative Limited from which staff costs of £nil (2020: £8,475,000) are recharged. The emoluments of the directors are borne by the ultimate holding Society.

6. Significant items

	2021 £'000	2020 £'000
Expense of business acquisitions	-	16
Expenses of selling discontinued operations	-	453
Restructuring costs	-	81
Right of use asset impairment	-	408
	<u>-</u>	<u>958</u>

Co-operative Energy Limited
Notes to the financial statements for the 52 weeks ended 23 January 2021

7. Interest payable and similar charges

	2021 £'000	2021 £'000
Total interest expense on financial liabilities at amortised cost	-	140
Interest expense in respect of IFRS16	-	276
	<u>-</u>	<u>416</u>

8. Taxation

	2021 £'000	2020 £'000 Restated
Recognised in the profit and loss account		
UK corporation tax		
Current tax on income for the period	-	-
Total current tax	<u>-</u>	<u>-</u>
Deferred tax		
Origination and reversal of temporary differences	39	(10)
Recognition of previously unrecognised tax losses	(39)	-
Effects of change in tax rate	(1)	-
Total deferred tax	<u>(1)</u>	<u>(10)</u>
Taxation on profit on ordinary activities	<u>(1)</u>	<u>(10)</u>
	2021 £'000	2020 £'000
Reconciliation of effective tax rate		
Loss for the year	(3,796)	(29,167)
Total tax credit	<u>1</u>	<u>10</u>
Loss excluding taxation	(3,797)	(29,177)
Tax using the UK corporation tax rate of 19.00% (2020: 19.00%)	(721)	(5,544)
Non-deductible expenses	760	5,534
Effects of change in tax rate	(1)	-
Recognition of previously unrecognised tax losses	(39)	-
Total tax credit	<u>(1)</u>	<u>(10)</u>

Factors affecting future tax changes

The March 2020 Budget announced the UK corporation tax rate of 19% would continue to apply with effect from 1 April 2020, and this change was substantively enacted on 17 March 2020. The March 2021 Budget announced an increase in the UK corporation tax rate from 19% to 25% with effect from 1 April 2023.

The Society will respect all tax laws and will not structure transactions in a way which does not reflect genuine commercial reasons. This includes establishing operations in other jurisdictions for the purpose of evading or avoiding the tax laws of the United Kingdom.

Co-operative Energy Limited
Notes to the financial statements for the 52 weeks ended 23 January 2021

9. Intangible fixed assets

Note	Purchased goodwill £'000	Licences £'000	Customer relationships £'000	Total £'000
Cost				
At 26 January 2019	7,591	4,274	8,346	20,211
Additions	-	-	-	-
Disposals	(7,591)	(4,274)	(8,346)	(20,211)
Impairment	-	-	-	-
At 25 January 2020	-	-	-	-
Disposals	-	-	-	-
At 23 January 2021	-	-	-	-
Accumulated amortisation				
At 26 January 2019	-	3,377	3,605	6,982
Charge for the year	-	624	992	1,616
Disposals	-	(4,001)	(4,597)	(8,598)
At 25 January 2020	-	-	-	-
Charge for the year	-	-	-	-
Disposals	-	-	-	-
At 23 January 2021	-	-	-	-
Carrying amount				
At 25 January 2020	-	-	-	-
At 23 January 2021	-	-	-	-

10. Tangible fixed assets

Cost	Plant, fixtures & fittings £'000
At 26 January 2019	6,819
Additions	1,715
Impairment	(8,534)
At 25 January 2020	-
Additions	-
Disposals	-
At 23 January 2021	-
Accumulated depreciation	
At 26 January 2019	5,980
Provided in the year	948
Disposals	(6,928)
At 25 January 2020	-
Provided in the year	-
Disposals	-
At 23 January 2021	-
Carrying amount	
At 25 January 2020	-
At 23 January 2021	-

Co-operative Energy Limited
Notes to the financial statements for the 52 weeks ended 23 January 2021

11. Right of use assets

The adoption of IFRS 16 on 27th January 2019 resulted in the recognition of opening balances for right of use assets of £7,025,000 and right of use liabilities of £6,945,000

The Society recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Society is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment

The Society has used a range of discount rates in between 2.0% to 4.3% dependent on the length of lease remaining and the quality of the asset being leased. The discount rates were provided by independent professional advisors who took into consideration market factors and the Society's incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

The Society has also used the assumption that no lease break clauses will be applied, therefore assets and liabilities have been calculated on the full term of each lease.

Right-of-use assets related to lease properties that do not meet the definition of investment properties are presented as property, plant and equipment.

	Properties £000
At 26 January 2019 (restated*)	7,025
Additions	-
Impairments	(544)
At 25 January 2020 (restated*)	6,481
Intragroup Transfers	(6,481)
At 23 January 2021	-
Accumulated depreciation	
At 26 January 2019	-
Provided in the year	331
At 25 January 2020	331
Provided in the year	-
Intragroup Transfers	(331)
At 23 January 2021	-
Carrying amount	
At 25 January 2020	6,150
At 23 January 2021	-

* Further details of the restatement of right of use assets is presented in note 19 to the financial statements.

Co-operative Energy Limited
Notes to the financial statements for the 52 weeks ended 23 January 2021

12. Investments

	2021 £	2020 £
Energy Coop Limited	2	2
Flow Energy Limited	-	-
	<u>2</u>	<u>2</u>

Name	Registered office address	Place of incorporation and operation	Nature of business	Proportion of ownership interest (%)	Proportion of voting power held (%)
Energy Coop Limited	Co-operative House, Warwick Technology Park, Gallows Hill, Warwick. CV34 6DA.	England & Wales	Dormant	100	100
Flow Energy Limited	Co-operative House, Warwick Technology Park, Gallows Hill, Warwick. CV34 6DA.	England & Wales	Dormant	100	100

13. Debtors

	2021 £'000	2020 *Restated £'000
Trade debtors	-	3,619
Other debtors	1,393	12,394
Amounts owed by group undertakings	5,526	3,495
Prepayments and accrued income	110	3,306
Deferred Tax Asset	12	10
	<u>7,041</u>	<u>22,824</u>

	2021 £'000	2020 Restated £'000
Due within one year	5,927	21,450
Due after more than one year	1,114	1,374
	<u>7,041</u>	<u>22,824</u>

*Further information on the restatement is found in note 19

Trade debtors have been impaired by £nil (2020: £nil).

The prior year other debtor figure contains a further £nil (2020 - £10,360,000) deferred consideration from the sale to Octopus energy, this was paid in June 2020. Also a contingent consideration of £1,114,000 (2020 - £2,016,000) is split across debtors less and greater than one year.

Amounts due from group undertakings are repayable on demand however the Company does not expect full repayment in the next 12 months. The company's ultimate parent undertaking, The Midcounties Co-operative Limited, has undertaken to support all intercompany positions in the group as they fall due

The ageing of trade debtors, other debtors and amounts owed by group undertakings at the reporting date was:

	Gross 2020/21 £'000	Impairment 2020/21 £'000	Gross 2019/20 £'000	Impairment 2019/20 £'000
Not overdue	6,919	-	19,236	-
Overdue 0-30 days	-	-	136	-
Overdue 0-120 days	-	-	1,691	(1,555)
121 days to one year	-	-	2,356	(2,356)
More than one year overdue	-	-	5,569	(5,596)
	<u>6,919</u>	<u>-</u>	<u>29,014</u>	<u>(9,506)</u>

Co-operative Energy Limited
Notes to the financial statements for the 52 weeks ended 23 January 2021

13. Debtors (continued)

Movement in Trade receivables Impairment for the year -

	£'000
Impairment balance as at 25 January 2020	(9,506)
2020 Utilised	9,506
Provision created in the year	-
Impairment balance as at 23 January 2021	-

14. Creditors: amounts falling due within one year

	2021	2020 Restated
	£'000	£'000
Trade creditors	15,917	32,895
Accruals and deferred income	33	2,353
Amounts owed to group undertakings	96,831	89,494
	<u>112,781</u>	<u>124,742</u>

Amounts due to group undertakings are repayable on demand however the Company does not expect full repayment in the next 12 months. The company's ultimate parent undertaking, The Midcounties Co-operative Limited, has undertaken to support all intercompany positions in the group as they fall due.

15. Lease liabilities

	Land & Buildings £000	
At 26 January 2019 (Restated)	6,945	
Interest Expense (restated)	276	
Lease Payments (restated)	(485)	
At 25 January 2020 (restated)	<u>6,736</u>	
Additions	-	
Group Transfers	(6,736)	
At 23 January 2021	<u>-</u>	
Of which are	2021	2020
	£'000	£'000
Current Lease liabilities	-	207
Non-Current Lease Liabilities	-	6,529
	<u>-</u>	<u>6,736</u>

16. Share capital

	2021	2020
	£	£
Allotted, called up and fully paid:		
1 ordinary share of £1 each	<u>1</u>	<u>1</u>

17. Contingent liability

The company has given a guarantee in respect of the bank borrowings of a fellow subsidiary, which amounted to £72,772,000 at 23 Jan 2021 (2020: £74,786,000). The guarantee is secured by a charge on the company's freehold property. Details of group bank borrowings are disclosed in the group accounts of The Midcounties Co-operative Limited, copies of which may be obtained from the Secretary, Co-operative House, Warwick Technology Park, Gallows Hill, Warwick, CV34 6DA.

Co-operative Energy Limited
Notes to the financial statements for the 52 weeks ended 23 January 2021

18. Immediate and ultimate parent undertaking

The Midcounties Co-operative Limited is the ultimate parent and ultimate controlling entity. Copies of the ultimate parent's consolidated financial statements may be obtained from the Secretary, Co-operative House, Warwick Technology Park, Gallows Hill, Warwick, CV34 6DA.

As the company is a wholly owned subsidiary of The Midcounties Co-operative Limited, the Company has taken advantage of the exemption contained in FRS 101 and has therefore not disclosed transactions or balances with wholly owned subsidiaries which form part of the group.

19. Prior year adjustments

In the process of preparing the financial statements for the period ending 23 January 2021 the directors have identified various accounting errors and have restated previous amounts, in accordance with IAS 8 and IAS 1.

The restatements relate principally to the accounting for leased assets on adoption of IFRS 16;

Statement of Financial Position Adjustments
As at 25 January 2020

Restatement Point	Note	2020 As Previously reported £'000	2020 1 & 2 IFRS 16 Restatement £'000	2020 3 Inter-Company Reclass £'000	2020 Restated Amount £'000
Fixed assets					
Intangible assets	9	-	-	-	-
Tangible assets	10	-	-	-	-
Right of use assets	11	6,070	80	-	6,150
Investments	12	-	-	-	-
Other debtors	13	1,374	-	-	1,374
		<u>7,444</u>	<u>80</u>	<u>-</u>	<u>7,524</u>
Current assets					
Debtors	13	18,035	(80)	3,495	21,450
Cash at bank and in hand		560	-	-	560
		<u>18,595</u>	<u>(80)</u>	<u>3,495</u>	<u>22,010</u>
Current liabilities					
Creditors: amounts falling due within one year	14	(121,247)	-	(3,495)	(124,742)
Right of use liability	15	(207)	207	-	-
Lease liability	15	-	(207)	-	(207)
		<u>(121,454)</u>	<u>-</u>	<u>(3,495)</u>	<u>(124,949)</u>
Net current liabilities		<u>(102,859)</u>	<u>(80)</u>	<u>-</u>	<u>(102,939)</u>
Total assets less current liabilities		<u>(95,415)</u>	<u>-</u>	<u>-</u>	<u>(95,415)</u>
Long term liabilities					
Right of use liability	15	(6,529)	6,529	-	-
Lease liability	15	-	(6,529)	-	(6,529)
		<u>(101,944)</u>	<u>-</u>	<u>-</u>	<u>(101,944)</u>
Net liabilities		<u>(101,944)</u>	<u>-</u>	<u>-</u>	<u>(101,944)</u>
Capital and reserves					
Called up share capital	16	-	-	-	-
Profit and loss account		<u>(101,944)</u>	<u>-</u>	<u>-</u>	<u>(101,944)</u>
Shareholders' deficit		<u>(101,944)</u>	<u>-</u>	<u>-</u>	<u>(101,944)</u>

Co-operative Energy Limited
Notes to the financial statements for the 52 weeks ended 23 January 2021

19. Prior year adjustments

1. On transition to IFRS 16, rental prepayments should have been reclassified to Right of use assets. £80,000 has been reclassified from Prepayments and accrued income to Right of Use assets.
2. Right of use liability have been reclassified to lease liabilities.
3. Amounts owed by group undertakings and amounts owed to group undertakings from different counterparties were previously presented as a single net amounts owed to group undertakings within current creditors even where there was no legal right to offset the amounts due from or to different counterparties. Debtors and creditors have been restated to correctly present the amounts owned by and to group undertakings on a gross basis. The reclassification resulted in an increase in amounts owed by group undertakings of £3.495 million with a corresponding increase in amounts owed to group undertakings of £3.495 million.