Half-Year Report 2020

Good Energy Group PLC

Un-audited Half Year Report for the 6 months ended 30 June 2020

15 September 2020

Good Energy Group PLC

Un-audited Interim Results for the 6 months ended 30 June 2020

Underlying strong business performance and continued delivery against our strategic goals with investment in technology

Good Energy Group PLC, the 100% renewable electricity supplier and innovative energy services provider ("Good Energy" or "the Company"), today announces its Half Year report for the six months ended 30 June 2020.

Financial highlights – continuing operations

- Underlying performance of the core business in line with management expectations, adjusting for the impact of COVID-19
- Strong operating cashflow of £7.0m leading to a gross cash balance of £18.2m (2019: £13.7m), funding investment across the business, and providing increased capital flexibility
- Net debt decreased to £36.5m, with £33.8m of this secured against £63.2m generation portfolio that remain cash generative
- Revenue increased by 6.2% to £67.5m, driven by growth in Business supply and FIT customers, more than offsetting a decline in Domestic supply customers
- Gross profit of £14.8m decreased 13.3% with a gross profit margin of 22.0% (H1 2019: 26.9%) in line with the strategic shift toward longer term, lower gross margin Business supply and selling back excess contracted power and higher network reconciliation costs
- Revaluation undertaken of the entire 47.5MW generation portfolio delivered a net £19.0m uplift to asset values, at 1 January 2020, and an increase in reserves resulting in the headline gearing declining from 63.6% to 51.9%.
- Within underlying loss before tax of £0.5m (H1 2019 £2.5m profit), are £3.1m of increased non-cash costs, driven by an incremental £1.9m expected credit loss (ECL) and £1.2m resulting from the positive revaluation of the generation portfolio and the write down in value of the small Creathorne solar site
- Non underlying costs of £0.6m associated with restructuring costs, delivered a loss before tax from continuing operations of £1.1m
- Basic loss per share decreased to 2.8p, with reported loss per share decreasing to 6.6p (H1 2019: profit per share 15.3p).
- The Board recognises the importance of the dividend to our shareholders and therefore intends to resume dividend payments in 2021, if broader macro-economic conditions permit. In order to maintain the appropriate level of near-term flexibility, the Board has decided not to declare or pay an interim dividend.

Operational highlights

- Notwithstanding the challenges of the coronavirus pandemic, Good Energy delivered a resilient performance in the first half. The Group continued to invest across the business in the development of energy services propositions and a range of innovation projects to drive future profit growth and supporting the journey to a zero-carbon Britain.
- Good underlying business growth mitigating COVID impact, with overall customer numbers increased by 4.3% to 272.6k. Total Business customers increased 8.0%, with Business FIT customers increasing 7.9%. Total Domestic customers increased marginally by 0.9%, with Domestic FIT customers growing strongly by 16.8%.
- Continued focus on delivering profitable returns alongside continued investment in people, processes, and technology to enable customers to take control of their energy usage in the future.
    - Kraken implementation and rollout progressing on track with over 85% of customers migrated to date. The remainder of the rollout will be completed in late Q3 2020 and early Q4 2020. The system implementation and associated operating model transformation has delivered cost savings in H1, significant improvements in customer experience and is on track to payback within 18 months as forecast.
    - Zap – Map recently launched Zap – Pay, a ground-breaking payment solution across EV charging point networks. Good Energy converted its initial investment into a majority 50.1% equity stake in June 2020.
    - Given future requirement for smaller, flexible working spaces, Good will no longer be developing a new head office in Chippenham, which was due to complete in 2022. Future Group talent strategy will be aligned to a more remote, flexible business model.
    - SMART meter rollout impacted by COVID restrictions. Demand and installation numbers improving as lockdown restrictions ease and in line with expectations.

Financial performance for the six months to 30 June 2020

Period ended 30 June **£m***	**H1 2020** **Underlying continued operations**	**H1 2020** **Non underlying**	**H1 2020** **Reported**	**H1 2019** **Underlying continued operations**
Revenue	**£67.5m**	£0.0m	£67.5m	**£63.5m**
Gross Profit	**£14.8m**	**£0.0m**	**£14.8m**	**£17.1m**
Administration costs	**£(13.3)m**	£(0.6)m	£(13.9)m	**£(12.3)m**

Operating profit	**£1.5m**	**£(0.6)m**	**£0.9m**	**£4.8m**
Profit before tax	**£(0.5)m**	£(0.6)m	£(1.1)m	**£2.5m**
Profit after tax	**£(0.5)m**	£(0.6)m	£(1.1)m	**£2.5m**
Cash and cash equivalents	**£18.2m**		£18.2m	**£16.5 m**
Net debt	**£36.5m**			**£35.5m**
Basic (loss) / earnings per share (p)	**(2.8)p**		(6.6)p	**15.3p**
Interim dividend per share (p)	**-**			**1.1p**

Juliet Davenport, Founder and Chief Executive Officer of Good Energy, said:
"In the context of the COVID 19 pandemic Good Energy has delivered a strong performance in the first half of the year, with total customer numbers up, driven by continued business and Feed in Tariff growth.

Amid economic uncertainty, Good Energy is financially and operationally resilient with a strong cash position.

Despite the significant challenges over the past six months, we have made good progress with our strategy and continued to invest across the business – in the development of energy services propositions, innovation projects, our people, processes and technology.

Therefore, Good Energy is well positioned to play a key role in the green recovery and help businesses and customers to "build back better". We look forward to continuing our strategy to provide people and organisations with the tools to have a zero-carbon footprint across electricity, transport and heat."

** Due to rounding, figures in the table above may not cast. Figures are correct to the nearest £0.1m*

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About Good Energy www.goodenergy.co.uk

Good Energy is a generator and supplier of 100% renewable power and an innovator in energy services. It currently owns two wind farms, six solar farms and sources electricity from a community of 1,600 independent UK generators.

Since it was founded 20 years ago, the company has been at the forefront of the charge towards a cleaner, distributed energy system. Its mission is to support UK households and businesses generate, store and share clean power.

Good Energy is recognised as a leader in this market, through our green kite accreditation with the London Stock Exchange and as a top rated Green energy supplier by Which?.

CEO REPORT

MARKET ENVIRONMENT

Growing green momentum despite uncertain macroeconomic conditions

The market in the first two months of 2020 began in line with expectations with the underlying business performing strongly. However, from March, the breadth and depth of COVID–19 began to be felt across the economy as business premises largely closed and employees shifted to a remote working model. We witnessed Business energy supply demand reduce by almost 35% vs our expectations. We have seen signs of recovery since the lockdown easing in May. Nevertheless, it is pleasing that despite the challenges over the past six months, our business has remained resilient and responded well to the new normal.

The macroeconomic, consumer and competitive backdrop contain considerable uncertainties. Many economic forecasts continue to outline a muted outlook on growth and employment levels, given the ongoing uncertainty surrounding the virus. However, as lockdowns ease, we are seeing energy demand starting to recover. Without a second wave, we expect this to continue back to more normalised levels. However, we remain aware of the impact any subsequent lockdown and impact this could have on the sector in general.

Despite the continued impact of COVID – 19, the desire for a green recovery and to build back better continues to gather momentum. The concept of a green recovery has quickly gathered strong support from the business community. In May, more than 60 leaders of major businesses and environmental organisations sent an open letter to the Prime Minister calling for the climate to be put at the heart of the recovery effort. Tangible investments have already been made in schemes committed to low carbon homes, low carbon transport infrastructure and investments dedicated to support green innovation. Both corporations and investment and pension fund managers are now also placing increasing scrutiny on green credentials as key investment requirements.

The UK Government has committed to "build back better and build back greener", whilst the commitment to achieving net zero carbon emissions by 2050 represents a significant opportunity for long term green economic growth. The Grantham institute highlighted £21bn of new value available to electricity utilities per year by 2050. Local low carbon generation, service provision and network flexibility are key to our future and represent a market potential of almost £16bn.

STRATEGIC FOUNDATIONS FOR GROWTH IN H1 2020

Our key strategic goals are to:

- Lower customer acquisition cost;
- Improve customer retention;
- Increase overall customer lifetime value through an improved offering of products and services.

Kraken customer services platform

The investment in Kraken is a fundamental steppingstone towards achieving our strategic goals. Not only will Kraken enable us to better serve our customers through a scalable and more efficient customer services platform, it will also increase our capacity to deliver future growth in our Domestic business.

Implementation of Kraken is nearing completion. Despite the impact of COVID and shift to home working, we have migrated over 85% of our customer base successfully. The remainder of the rollout will be completed in late Q3 2020 and early Q4 2020.

We previously communicated that the total forecast investment of £4m would be split approximately equally between cash and non-cash elements. In 2020, operating cost savings have already been realised, relating to lower headcount and service efficiencies. The investment is still expected to achieve payback of the forecast investment within 18 months of the April 2020 full implementation.

Expected efficiency savings will be reinvested in both price and further proposition development and roll-out, principally within our Domestic supply business. This will enhance existing products, services and competitiveness. The new platform will also provide significant scalability and flexibility, enabling digital and clean technology innovation of significant benefit to customers.

Zap – Map launches innovative new payment solution

In June, we announced that we had exercised our right to increase the equity stake in Zap – Map to 50.1%. In September, Zap – Map launched an innovative new product to provide all EV drivers and charge point operators with an interoperable payment solution, providing EV drivers with simple, single point of access to a range of public charging networks through the Zap-Map app. Zap Pay, will continue to add charging networks to its offering, including providing fleet drivers with a simple payment solution as more businesses look to make the switch to electric vehicles.

This is the first in a range of products and services for the EV market. Future products will be focused on payment solutions for fleets, improved mapping services and in car functionality to improve the overall EV experience, all underpinned by data insights.

Zap-Map holds a market leading position in the UK, with both the large majority of EV drivers and network operators on their platform. The investment in Zap-Map aligns Good Energy with a platform for the energy sharing economy which is at the forefront of EV market growth. Technology and digitalisation are core to Good Energy's future growth plans. The investment in the UK's leading EV mapping platform is accelerating the company's shift into the EV market and will allow Good Energy to leverage several existing and future products and services for customers of both Good Energy and Zap - Map.

We will continue to work closely with Zap - Map to ensure the delivery of these innovative products and services, including senior advisory support to accelerate the implementation of the strategy. Zap-Map will continue to benefit from the scale and resources supported by Good Energy, whilst leveraging the expertise within Good Energy on innovative technology solutions.

Service propositions – customer centric approach towards zero carbon

Our ambition is to provide customers with the tools to achieve a zero–carbon footprint across electricity, transport and heat in both Business and Domestic settings.

- In electricity, our aim is to provide electricity from decentralised renewable energy sources which support decentralised generation for homes and businesses.
- In transport, we must be part of the electric vehicle revolution and electrification of the infrastructure network through providing homes and businesses with charging hardware and solutions.
- In heat, our focus is on the electrification of heating systems and movement to renewable heat by providing access to heating care products and heat demand reduction technologies.

Using our expertise, we will help customers to better understand the energy requirements and uses. Knowing where, when, and how you consume energy is the first hurdle. Providing accurate live data on device usage through consumer access devices and SMART metering technology will empower customers to be part of the zero-carbon journey

Domestic propositions

One Home. We are continuing to develop our One Home proposition, which will incorporate our FIT export rate (FER) and Smart export guarantee (SEG) tariffs, supported by our GenEx SMART metering solutions, bundled with a supply offering and the installation of solar panels.

UK's first smart three phase meter. We have been working with Smart Metering Systems PLC on the UK's first installation of a SMETS2 smart meter on a three-phase grid connection.

Heat pump tariff. We have announced a new specialised heat pump tariff, following the Government announcements of a 'Green Home Grant'. This scheme will make £2bn available to homeowners for energy efficiency improvements. The response has been overwhelmingly positive, generating significant customer interest.

Business propositions

One Point. Successful roll out has started with initial EV charging installations at Watergate Bay Hotel & Ealing studios. There is a growing range of opportunities in the pipeline as businesses look to address their own EV services. This market is expanding to include a range of solutions for fleet services, as well as destination charging.

Selectricity. This is a power sharing platform, through which businesses can partner with independent local generators. This peer-to-peer platform lets businesses choose where and how their electricity is generated. Selectricity customers will know that every kWh being used is paired with electricity generated from 100% renewable sources in the UK. This will be available to business customers from Q4 2020.

WHOLESALE ENERGY MARKET CONDITIONS

Demand

Our revenues are sensitive to changes in the demand for electricity and gas. At the outset of the pandemic, market trends showed a 15% increase in Domestic electricity demand and a reduction close to 35% in overall Business demand.

However, over the last couple of months we have started to see the impact of lockdown easing and the partial return to the office. Domestic demand has dropped relative to earlier in the pandemic and is now trending around 7.5% above normalised levels, while Business demand has picked up and is now closer to a 15% reduction on normalised levels. We continue to monitor the data closely.

We also witnessed a warmer winter than average which has further impacted energy demand. Following a very sunny and warm spring, June returned to more seasonal norms. In H1, average temperatures were 0.95 degrees warmer than seasonal averages for 5 out of the first 6 months of the year. This has led to a downward impact on gas demand, with a less material impact on electricity volumes.

Power prices & supply volume

Since lockdown, wholesale power prices have dropped significantly. Following global trends in the fossil fuel markets, during the lockdown period electricity prices had fallen by 42% from H1 2019 and gas prices had fallen by 52% from H1 2019. As a result of decreased demand, excess forward bought power was sold back into this market at a loss.

Today, we are seeing a more bullish market, with power prices rising back towards pre–COVID levels. Longer term pricing depends on the worldwide changes in demand sentiment.

We have reviewed our traded positions and feel comfortable that we have already sufficiently procured in gas and electricity to manage this position over winter.

Overall supply volumes were 6% down in H1. Total gas supply volumes decreased 18% to 258 Mwh (H1 2019: 316Mwh), driven by the warmer weather. Electricity volumes increased 9%, driven by growth in Business supply volumes, following an increase in contracted business in late 2019. Half hourly (larger) business volumes increased 27% to 116 Mwh and SME business volumes increased 2%. This was marginally offset by an 8% decrease in Domestic supply volumes.

A STRONG AND GROWING CORE BUSINESS

Total customer numbers in the period increased 4.3% to 272.6k, driven by continued business and FIT growth which was pleasing to see. The impact of COVID, warmer weather and accounting adjustments in the first half has masked the underlying good performance of the core business.

Business

Total Business customers increased 8.0% to 134k. Business FIT customers increased 7.9% to 125.7k, as we continue to maintain our position as one of the market leaders in operating the feed in tariff scheme. Total Business supply customers increased by 10.6% to 8.3k, driven by a 38% increase in larger half hourly Business customers.

Growth in Business customers has underpinned our strategy in recent years, and this planned shift towards Business provides us with greater stability through longer term contracts and higher retention levels compared to Domestic supply. Whilst we saw gross margins fall because of this shift, operating margins have the potential to increase over time due to the lower cost per acquisition and cost to serve these customers. We continue to partner with a growing number of like-minded businesses, ranging from small, owner managed businesses to large corporates, providing confidence for the future.

Domestic

Total Domestic customers increased marginally by 0.9% to 138.6k. Domestic FIT customers numbers grew strongly by 16.8% to 50.0k. Whilst domestic supply customers decreased by 6.4% to 88.6k.

In the domestic supply market, we continue to avoid the price war that a growing number of companies remain engaged in. We do not see the race to bottom in price a viable long-term business model. However, we remain committed to ensuring that we have a highly competitive price point for our unique proposition. Whilst we know that a significant number of customers remain highly price sensitive, there are an expanding number who want a truly green energy provider. The recognition from both OFGEM and Which? Of Good Energy as a genuinely 100% green supplier, is evidence of our credentials in this space.

We remained focused on reducing churn and improving the cost to acquire new customers. Our recent investment and migration onto the new Kraken system will address these points and provide the platform for a return to growth in future years. Domestic customer churn is currently at 14%, significantly lower than mid – 20's industry average, and is an improvement on our 2019 level of 16%. We are targeting significant further progress in this area.

Feed in tariff (FIT)

As described above, we witnessed further strong growth across our FIT business in the first half of 2020 and we continue to have one of the largest market shares in this industry. FIT remains an important aspect of our business, as it provides the foundation of our 'energy as a service' business model.

Despite the FIT scheme closing to new entrants in March 2019, we continue to administer the scheme for both our domestic and business customers. We saw domestic customer numbers increase 16.8% to 50k and business customers increase 7.9% to 125.7k in the period. We look to make further incremental market share gains in future periods.

Generation performance

Our 47.5MW generation portfolio consists of 6 solar (30.1MW) and 2 wind sites (17.4 MW).

We have seen an exceptional summer from a renewable generation point of view, with all sites exceeding their P50 performance, with the exception of Creathorne, our smallest site, which experienced transformer issues.

More generally, wind and solar have performed well during lockdown and recently wind energy alone powered 59% of the UK's energy needs, as a result of the tail end of Storm Ellen. We expect these high renewable days to be increasingly part of the trading landscape that we will have to navigate.

Generation revaluation

Our focus remains to delivering value from our generation sites, which continue to perform well. We are committed to working on our existing sites and delivering value to stakeholders.

In the period, we undertook a revaluation exercise on the entire generation portfolio. We have historically marked the assets at cost less accumulated depreciation. We have also noted that over recent years the relative values of the generation assets and the long term loans that finance them have become more disconnected, given that the generation sites are depreciated on a straight line basis whilst the loan repayments are scheduled on an amortising basis, with the majority of the total cash payments in the earlier years allocated to interest costs. The revaluation therefore provides greater transparency of the generation sites current value on the balance sheet, notably gross assets, total equity and gearing.

This exercise resulted in a revaluation uplift of £19.5m for all but one asset, which had an impairment of £0.5m. This represents a total uplift of 41% to £65.1m at 1 January 2020.

The revaluation, which was planned for H1 2020 includes the impact of the current, COVID impacted, power price market.

COVID–19 UPDATES

Expected credit loss provision (ECL)

We have undertaken a detailed analysis of both the future macroeconomic indicators, as well as our own operational billing performance to evaluate the impact on our expected credit loss reporting. Changes driven by COVID and subsequent macro uncertainty are the main drivers behind an incremental provision, recognised through the P&L.

The Group's outlook and base case economic scenario used to calculate expected credit loss (ECL) allowance has been updated since the 2019 year end to reflect the Group's best estimate of the impact of the coronavirus outbreak on the Group's customer and client base, has resulted in an additional provision charge of £1.9 million in the period. The Group's ECL allowance continues to reflect a probability-weighted view of future economic scenarios where future macroeconomic forecasts have deteriorated significantly since the 2019 year end.

External forecasts are based on future unemployment estimates and economic growth. Internal forecasts are driven by actual and expected collection rates of both our business and domestic customers.

Currently UK unemployment is 3.9% (April – June 2020). Current OECD estimates on unemployment rates have increased to 12% with no second wave and 15% if there is one whilst their GDP estimate suggests that the UK economy could contract by as much as 11.5% during 2020. However, these forecasts have increased sharply since our full year reporting. These estimates are compared against our customer base and ability to pay using appropriate segmentation and with reference to external agency data such as Experian for Domestic customers and credit agencies for Business customers. We have also referenced our forecasts against analysis being compiled by OFGEM on the expectations and experience across the energy supply industry on customer collections.

If economic conditions improve, or if our total debt and overdue debt reduces significantly by the year end, then a portion of the ECL provision can be release. Conversely, if economic conditions worsen materially, or if our commercial customers struggle to pay, then the ECL provision could increase further. The provision is sensitive to changes in future assumptions, particularly macro forecasts which are key determinants in the model.

Our ECL is a reasonable downside case, with assumptions driven by future economic conditions, based on today's forecasts.

Billing and debt performance

We have seen good progress in our billing and debt collection throughout the first half. Automation for our non HH customer has been implemented successfully, meaning 75% of our bespoke B2B bills are now automatic, which is driving incremental operational cost savings. We have also made significant improvements to our billing accuracy and timeliness throughout the year.

Business operations have taken on the management and ownership of arrears debt and a more pro active management of middle tier debts. External training was provided to help manage this more proactive approach and initial results have been positive.

The volume and value of defaulting direct debits remains low. This has ensured a steady cash flow into the business. Simultaneously, the number of commercial customers on direct debits has risen.

Remote working model and new HQ

The Company has responded well to the ongoing COVID – 19 pandemic, with colleagues continuing to work successfully in a fully remote model. As part of this transition, there has been a desire for significantly more homeworking from staff, which means a smaller office space geared towards collaboration. The Company will continue to review its existing office space against future requirements and has the option to use flexible space at its current Monkton Park offices. In July we reopened our office on a limited capacity for those employees wishing to return. However, our workforce will remain largely remote until 2021, backed by the large majority of our employees, as we continue to follow Government guidelines.

As part of this ongoing business planning review, we have cancelled plans to continue to develop and build a new head office in Chippenham in partnership with Wiltshire Council, which was due to complete in 2022. With smaller, flexible office space required in the future, the Company will benefit from longer-term cost savings. We will continue to engage with Wiltshire Council on future developments with the project.

SMART meter rollout

Our SMART meter rollout was impacted by the COVID lockdown restrictions implemented in March. As a result, we were unable to visit customers homes to install new devices. However, we have seen both demand and installation numbers improve as lockdown restrictions eased, with SMART meter installs restarting in July. Without further lockdowns, we expect to see this trend continue and installations are now back on track and in line with our expectations.

CURRENT TRADING AND OUTLOOK

We remain a leading player in the decentralised market and have the foundations in place to deliver growth through scale. Growth in our business customers and energy services will continue to fuel our growth plans. There is upside potential from investments facilitated by technology, and we remain financially and operationally resilient with a strong cash position. Our aim is to accelerate the transformation of Good Energy into one of the leading renewable services brands in the UK.

FINANCIAL OUTLOOK

Underlying business performance continues to perform in line with management expectations. This includes lower margins from our faster growing Business segment and a planned reduction in operating costs.

As lockdowns ease, we are seeing energy demand slowly start to recover. Without a second wave, we expect to see this continue. However, the macroeconomic, consumer and competitive backdrop contains considerable uncertainties. The Group is unable to give full year guidance due to the ongoing impact of these ongoing uncertainties.

In 2020, underlying profit growth is expected from both core business growth and finance cost savings. Following increased investment throughout 2019, we are focused on execution in 2020. We will monitor our execution to deliver system improvements, digital and online capabilities in order to drive future growth and the longer-term strategy. These investments will provide us with a platform for future growth beyond 2021. With these foundations in place, they provide increased opportunities to unlock growth potential.

The Board recognises the importance of dividends to many shareholders, but it is important that we retain a prudent approach to balance sheet management at this stage. The Board will review the appropriate balance between investment in the core business and shareholder returns and is proposing to restart dividend payments in 2021 when economic conditions and the impact on our business allow.

FINANCIAL UPDATE

Profit bridge for the period 30 June 2019 to 30 June 2020

Below, are the key profit before tax movements between H1 2020 and H1 2019

To period ended 30 June 2020 **£m***	**Continued operations** **£m**
H1 2019 continuing PBT	**£2.5m**
Gross margin impact – volume (COVID / weather)	(£1.0m)

Gross margin impact – pricing / mix / other (COVID / Weather)	(£0.8m)
Staff cost savings	£1.6m
Non – staff opex & D&A savings	£0.3m
Finance cost savings	£0.2m
H1 2020 'like for like' continuing PBT*	**£2.8m**
ECL impacts – COVID (non–cash)	(£1.9m)
Generation asset revaluation – depreciation and write off (non – cash)	(£1.2m)
Zap – Map – share of loss on consolidation (non – cash)	(£0.1m)
H1 2020 underlying continuing PBT	**(£0.5m)**
Restructuring costs – non underlying	(£0.6m)
H1 2020 continuing PBT	**(£1.1m)**

** Like for like is not an IFRS accounting definition. Used for illustrative purposes*

Overview

The impact of COVID and warmer weather has masked the underlying good performance of the core business. Performance in the period can be broadly split into three key areas. Good internal cost management of factors within our control, external market factors outside of our control and proactive decisions made on structural changes.

Underlying profit before tax would have seen year on year growth, excluding the incremental impact of the expected credit loss provision and impact of the generation revaluation and one-off restructuring costs associated with the Kraken customer services technology platform integration.

Internal cost management

Combatting the ongoing COVID impact, prudent cost control across the business has helped to deliver admin costs £2.1m lower in the period (excluding the non-cash impact of ECL provision and increased generation portfolio depreciation). Within this, staff costs reduced £1.6m realising the impact of the Kraken investment returns and operating leverage as well as overhead savings across consultancy services, projects, and outsourcing costs. Further realised savings from reduced operating costs including marketing expenditure and finance costs of £0.5m.

External market factors

There was a gross margin impact of £1.0m as gas volumes decreased 18% vs H1 2019. The reduction in electricity demand was offset by business customer wind.

Selling back excess power and network reconciliation charges impacts due to weather extremes and reduced COVID demand had a negative £0.8m impact.

Incremental £1.9m expected credit loss provision taken, driven by uncertain macroeconomic outlook. This is a noncash impact.

Structural changes

The generation asset portfolio was revalued in the period. Included with the £19.0m uplift in asset valuation, was a one off £0.5m write down relating to the small Creathorne solar site. There was a further incremental £0.6m depreciation charge as a result of the revaluation.

As planned, there has been a realisation of a further £0.6m on restructuring costs relating to the new customer services technology platform. There was an initial £0.8m recognised in 2019.

FINANCIAL PERFORMANCE

Profit and loss

Revenue increased by 6.2% in the period to £67.5m (H1 2019: £63.5m) driven by business supply volume growth offset by lower domestic supply customers. The impact of COVID – 19 and warmer weather masked underlying increase in contracted business in 2019

Cost of sales increased by 13.3% to £52.6m (H1 2019: £46.4m). Gross profit decreased by 13.3% to £14.8m (H1 2019: £17.1m). Gross profit margin decreased to 22.0% (H1 2019 continuing: 26.9%).

Administration costs increased 8.5% to £13.3m (H1 2019: £12.3m) primarily because of an incremental £1.9m charge for expected credit loss provisioning and a £1.2m charge relating to the generation asset revaluation. This was broadly offset by prudent cost control across the business. Lower staff costs of £1.6m, realising the impact of the Kraken investment and further savings from marketing and project expenditure of £0.5m.

Total forecast investment in Kraken of £4m will be split approximately equally between cash and non-cash elements. Operating cost savings are expected to achieve payback of the forecast investment within 18 months of the full implementation from April 2020. To date £1.6m of cash costs have been incurred and £0.6m of non-cash costs incurred.

The generation asset portfolio was revalued in the period. Included with the £19.0m uplift in asset valuation, was a one off £0.5m write down relating to the small Creathorne solar site. There was a further incremental £0.6m depreciation charge as a result of the revaluation.

Operating margin decreased to 2.3% (H1 2019: 7.6%).

Finance costs decreased by 11.0% to £2.0m, as overall debt paydown continued to be offset by an increase in reported finance costs following the implementation of IFRS16.

Non underlying costs of £0.6m associated with restructuring costs, delivered a loss before tax from continuing operations of £0.9m

Underlying loss before tax of £0.5m, with a reported loss before tax of £1.1m (H1 2019 £2.5m profit)

The tax movement is as a result of losses in the period offset by a movement in the deferred tax liabilities due to the tax rate used changing from 17% to 19% as a result of the 2020 spring budget.

Cash Flow and Cash Generation

Our business model remains highly cash generative with £7.0m cash generated from operations (H1 2019: £3.1m), with £4.7m generated before movements in working capital (H1 2019: £5.8m). Working capital movements remain in line with seasonal trends, despite the part impact in the period of COVID-19.

There was a net increase in cash of £4.6m, delivering a strong cash balance of £18.2m (2019: £13.7m) funding investment across the business, continued paydown of debt and capital flexibility.

Funding and Debt

Net debt decreased 12.3% to £36.5m (FY 2019: £41.6m) following further debt repayment and good cash generation. Gearing reduced to 51.9% in the period (H1 2019: 63.6%) primarily as a result of the upward valuation of the generation portfolio.

Following the repayment of Bond I in June 2019, group finance costs have been lower and is a positive step towards lowering the Company's ongoing financing costs and continuing to reduce the gearing ratio over the medium term. Good Energy bonds are now reported within current liabilities, as redemption is possible from June 2021.

The Group continues to maintain a robust financial position. We look to ensure we optimise our use of capital by continually reviewing the returns on our assets, balancing operating requirements, investment for growth, and payment of dividends back to shareholders.

The Group is currently evolving its strategy towards energy services and remains mindful of the need to capitalise on strategic business development and investment opportunities. Prudent balance sheet management remains a key priority.

Earnings

Basic underlying loss per share decreased to 2.8p. Reported loss per share decreased to 6.6p (H1 2019: profit per share 15.3p).

Dividend

The Board recognises the importance of the dividend to many shareholders. It is important that we retain a prudent approach to balance sheet management at this stage. The Board continue to review the appropriate balance between investment in the core business and shareholder returns.

Previously the payment of bonus and dividends were placed on pause until two criteria were met, these criteria being:

- Good Energy maintaining a strong liquidity position
- A greater level of clarity on the lockdown status and future economic outlook allowing some certainty over future working capital, debt impacts and future liquidity position

The Board is proposing to restart dividend declaration and payments in 2021 if economic conditions and the impact on our business allow. As a result, no interim dividend will be declared or paid.

Non underlying costs

An amount of £0.6m has been incurred as non-underlying costs within the period. These relate to the one-off expenditure relating to the implementation of the Kraken technology platform and accelerated depreciation.

Expected credit loss

Expected credit loss provision. The Group's outlook and base case economic scenario used to calculate expected credit loss (ECL) allowance has been updated since the 2019 year end to reflect the Group's best estimate of the impact of the coronavirus outbreak on the Group's customer and client base, has resulted in an additional provision charge of £1.9 million in the period. The Group's ECL allowance continues to reflect a probability-weighted view of future economic scenarios where future macroeconomic forecasts have deteriorated significantly since the 2019 year end.

Going concern

With the ongoing outbreak of COVID-19 in the UK, and the economic downturn associated with it, there is uncertainty over future economic conditions which may decrease the ability of customers to pay debts as they fall due. Indicators to date show a similarity to management's base COVID impact scenario model, performed as part of the 2019 year-end financial results. However, management remain conscious of the potential volatility of future macroeconomic conditions. This uncertainty means the Group may be unable to fully repay its bondholders if 100% of this becomes due in June 2021 and may mean the Group breaches its counterparty covenants.

There are other financial mitigations available to management, but these are not yet in place and therefore are not able to be relied upon for reporting purposes as part of management's going concern assessment at this time. Therefore, management assess that, in line with the 2019 Annual Report, there is a material uncertainty over the going concern of the Group.

Strategic investment

The Group converted its equity position in Zap – Map (Next Green Car Limited) to take a majority 50.1% position in the period. As a result, Zap-map has been consolidated as a subsidiary under IFRS 3 from the date control was obtained. Non-controlling interests have been recognised at their share of the fair value of net asset

Generation portfolio

Our 47.5MW generation portfolio consists of 6 solar and 2 wind sites.

In the period we have revalued the entire generation portfolio to accurately reflect the current value of these assets. As outlined in our 2019 Annual Report, we undertook a review to ensure that our valuation was reflective of market conditions.

Generation asset revaluation delivered upwards asset value of £19.5m. However, there is an incremental ongoing £0.6m depreciation charge, for the half year, and further £0.5m write down on the small Creathorne solar site. The revaluation includes the impact of current, COVID impacted, power price market.

Notes: *To present the performance of the company in a clear and consistent format, unless otherwise stated, all references to revenue, profit, costs, tax and EPS refer to the underlying continuing operations.*

Consolidated Statement of profit or loss (Un-audited)

For the 6 months ended 30 June 2020

		Notes	Unaudited 6 months underlying to 30/06/2020 £000's	Unaudited 6 months non underlying to 30/06/2020 £000's	Unaudited 6 months to 30/06/2020 £000's	Unaudited 6 months to 30/06/2019 £000's	Audited 12 months to 31/12/2019 £000's
REVENUE			67,461	-	67,461	63,544	124,258
Cost of Sales			(52,615)	-	(52,615)	(46,425)	(92,601)
GROSS PROFIT			14,846	-	14,846	17,119	31,657
Administrative Expenses			(13,325)	(615)	(13,940)	(12,280)	(26,084)
OPERATING PROFIT			1,521	(615)	906	4,839	5,573
Finance Income			81	-	81	16	166
Finance Costs			(2,118)	-	(2,118)	(2,306)	(4,439)
Share of loss of associate			(12)	-	(12)	-	(42)
PROFIT / (LOSS) BEFORE TAX			(528)	(615)	(1,143)	2,549	1,258
Taxation			5	6	11	(85)	(42)
PROFIT / (LOSS) FOR THE PERIOD FROM CONTINUING OPERATIONS			(523)	(609)	(1,132)	2,464	1,216
DISCONTINUED OPERATIONS							
Loss from discontinued operations, after tax		7	-	-	-	(1,031)	(962)
PROFIT/(LOSS) FOR THE PERIOD			(523)	(609)	(1,132)	1,433	254
Attributable to:							
Equity holders of the parent			(462)	(609)	(1,071)	1,433	254
Non-controlling interest			(61)	-	(61)	-	-
Earnings per share	- Basic	8	(2.8p)	(3.7p)	(6.6p)	8.9p	1.6p
	- Diluted	8	(2.7p)	(3.6p)	(6.3p)	8.8p	1.5p
Earnings per share from continuing ops	- Basic	8	(2.8p)	(3.7p)	(6.6p)	15.3p	7.5p
	- Diluted	8	(2.7p)	(3.6p)	(6.3p)	15.1p	7.2p

Consolidated Statement of profit or loss (Un-audited)

For the 6 months ended 30 June 2020

	Notes	Unaudited 6 months underlying to 30/06/2020 £000's	Unaudited 6 months non underlying to 30/06/2020 £000's	Unaudited 6 months to 30/06/2020 £000's	Unaudited 6 months to 30/06/2019 £000's	Audited 12 months to 31/12/2019 £000's
Profit/(loss) for the period		(523)	(609)	(1,132)	1,433	254
Other comprehensive income						
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods (net of tax):						
Revaluation of generation assets		15,755	-	15,755	-	-
Net other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods		15,755	-	15,755	-	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE PARENT COMPANY		15,232	(609)	14,623	**1,433**	**254**
Attributable to:						
Equity holders of the parent		15,293	(609)	14,684	1,433	254
Non-controlling interest		(61)	-	(61)	-	-

Consolidated Statement of Financial Position (Un-audited)

As at 30 June 2020

	Notes	Un-audited 30/06/2020 £000's	Un-audited[1] 30/06/2019 £000's	Audited 31/12/2019 £000's
ASSETS				
Non-current assets				
Property, plant and equipment		63,310	48,627	46,326
Right-of-use assets[1]		6,209	4,406	6,483
Intangible assets		5,088	4,156	4,454
Restricted deposit assets		4,555	4,337	4,548
Fair value through profit or loss assets	5	-	681	-
Equity investment in associate		-	-	426
Other interests in associate		-	-	615
Total non-current assets		79,162	62,207	62,852
Current assets				
Inventories		17,327	15,589	9,941
Trade and other receivables		30,482	28,270	29,430
Current Tax receivable		3	-	-
Cash and cash equivalents		18,234	16,452	13,667
Restricted deposit assets		504	-	474
Current assets held for sale		-	520	-
Total current assets		66,550	60,831	53,512
TOTAL ASSETS		145,712	123,038	116,364
EQUITY AND LIABILITIES				
Capital and reserves				
Called up share capital		832	829	832
Share premium account		12,790	12,719	12,790
EBT shares		(549)	(816)	(549)
Retained earnings		5,205	7,521	5,707
Revaluation surplus		15,254	-	-
Non-controlling Interest		225	-	-
Total equity attributable to members of the parent company		33,757	20,253	18,780
Non-current liabilities				
Deferred taxation		4,633	960	903
Borrowings		39,434	57,765	56,744
Long term financial liabilities		39	-	39
Provision for liabilities		1,294	1,272	1,294
Total non-current liabilities		45,400	59,997	58,980
Current liabilities				
Borrowings		20,332	3,407	3,057
Trade and other payables		46,211	39,381	35,487
Short term financial liabilities		12	-	60

[1] In the 2019 unaudited interim accounts, the Right-of-use assets were presented together within Property, plant and equipment. These have been split out and presented separately for comparability with other reporting periods.

Total current liabilities	66,555	42,788	38,604
Total liabilities	111,955	102,785	97,584
TOTAL EQUITY AND LIABILITIES	145,712	123,038	116,364

Consolidated Statement of Changes in Equity (Un-audited) Error! Bookmark not defined.

For the 6 months ended 30 June 2020

	Share Capital £000's	Share Premium £000's	Other Reserves £000's	Retained Earnings £000's	Revaluation surplus £000's	Non-controlling interest £000's	Total £000's
At 1 January 2019	**829**	**12,719**	**(810)**	**6,088**	**-**	**-**	**18,826**
Profit for the period	-	-	-	1,433	-	-	1,433
Other comprehensive income for the period	-	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	1,433	-	-	1,433
Exercise of options	-	-	(6)	-	-	-	(6)
Total contributions by and distributions to owners of the parent, recognised directly in equity	-	-	(6)	-	-	-	(6)
At 30 June 2019	**829**	**12,719**	**(816)**	**7,521**	**-**	**-**	**20,253**
At 1 July 2019	**829**	**12,719**	**(816)**	**7,521**	**-**	**-**	**20,253**
Loss for the period	-	-	-	(1,179)	-	-	(1,179)
Other comprehensive income for the period	-	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	(1,179)	-	-	(1,179)
Share based payments	-	-	-	81	-	-	81
Exercise of options	-	-	268	(133)	-	-	135
Dividend paid	2	72	-	(584)	-	-	(510)
Total contributions by and distributions to owners of the parent, recognised directly in equity	2	72	268	(636)	-	-	(294)
At 31 December 2019	**832**	**12,790**	**(549)**	**5,707**	**-**	**-**	**18,780**
At 1 January 2020	**832**	**12,790**	**(549)**	**5,707**	**-**	**-**	**18,780**
Loss for the period	-	-	-	(1,071)	-	(61)	(1,132)
Other comprehensive income for the period	-	-	-	-	15,755	-	15,755
Total comprehensive income for the period	-	-	-	(1,071)	15,755	(61)	14,623
Share based payments	-	-	-	68	-	-	68
Acquisition of subsidiary	-	-	-	-	-	286	286
Depreciation transfer for revalued assets	-	-	-	501	(501)	-	-

Total contributions by and distributions to owners of the parent, recognised directly in equity	-	-	-	569	(501)	286	354
At 30 June 2020	**832**	**12,790**	**(549)**	**5,205**	**15,254**	**225**	**33,757**

Consolidated Statement of Cash Flows (Un-audited) Error! Bookmark not defined.
For the 6 months ended 30 June 2020

	Notes	Un-audited 30/06/2020 £000's	Un-audited 30/06/2019 £000's	Audited 31/12/2019 £000's
Cash flows from operating activities[2]				
Cash inflow from continuing operations		7,021	3,140	8,146
Finance income		18	16	59
Finance cost		(1,707)	(1,833)	(4,090)
Income tax repaid		-	(83)	-
Net cash flows from operating activities	9	5,332	1,240	4,115
Cash flows from investing activities				
Purchase of property, plant and equipment		(6)	(404)	(112)
Purchase of intangible fixed assets		(287)	(192)	(1,834)
Disposal of assets		-	4,692	5,037
Deposit into restricted accounts		(37)	(171)	(857)
Equity investment in associate		-	-	(277)
Other investment in associate		(200)	-	(600)
Cash acquired from subsidiary		306	-	-
Net cash flows used in investing activities		(224)	3,925	1,357
Cash flows from financing activities				
Payments of dividends		-	-	(510)
Proceeds from borrowings		-	-	-
Repayment of borrowings		(166)	(4,142)	(6,311)
Capital repayment of leases		(375)	(232)	(769)
Proceeds from issue of shares		-	-	-
Proceeds from sale of share options		-	-	123
Net cash flows from financing activities		(541)	(4,374)	(7,467)
Net increase/(decrease) in cash and cash equivalents		4,567	790	(1,995)
Cash and cash equivalents at beginning of period		13,667	15,662	15,662

[2] Short-term lease payments, payments for leases of low-value assets, and variable lease payments not included in the measurement of the lease liability are classified within operating activities.

Cash and cash equivalents at end of period	18,234	16,452	13,667

Notes to the Interim Accounts

For the 6 months ended 30 June 2020

1. General information and basis of preparation

Good Energy Group PLC is an AIM listed company incorporated and domiciled in the United Kingdom under the Companies Act 2006. The Company's registered office and its principal place of business is Monkton Reach, Monkton Hill, Chippenham, Wiltshire, SN15 1EE.

The Interim Financial Statements were prepared by the Directors and approved for issue on 15th September 2020. These Interim Financial Statements do not comprise statutory accounts within the meaning of section 434 of the Companies Act 2006. Statutory accounts for the year ended 31 December 2019 were approved by the Board of Directors on 3 June 2020 and delivered to the Registrar of Companies. The report of the auditors on those accounts was unqualified and did not contain statements under 498 (2) or (3) of the Companies Act 2006 and did not contain any emphasis of matter.

As permitted these Interim Financial Statements have been prepared in accordance with UK AIM rules and the IAS 34, 'Interim financial reporting' as adopted by the European Union. They should be read in conjunction with the Annual Financial Statements for the year ended 31 December 2019 which have been prepared in accordance with IFRS as adopted by the European Union. The accounting policies applied are consistent with those of the Annual Financial Statements for the year ended 31 December 2019, as described in those Annual Financial Statements.

<u>Changes in accounting policies:</u>
During the year the Group have adopted the revaluation policy for the Generation assets under IAS 16. This policy has been applied prospectively from the asset revaluation date of 01 Jan 2020. The Group's policy is to revalue these assets at a minimum of every 5 years. These assets were previously held at cost less accumulated depreciation.

Certain statements within this report are forward looking. The expectations reflected in these statements are considered reasonable. However, no assurance can be given that they are correct. As these statements involve risks and uncertainties the actual results may differ materially from those expressed or implied by these statements.

The Interim Financial Statements have not been audited.

2. Going concern basis

With the ongoing outbreak of COVID-19 in the UK, and the economic downturn associated with it, there is uncertainty over future economic conditions which may decrease the ability of customers to pay debts as they fall due. Indicators to date show a similarity to management's base COVID impact scenario model, performed as part of the 2019 year-end financial results. However, management remain conscious of the potential volatility of future macroeconomic conditions. This uncertainty means the Group may be unable to fully repay its bondholders if 100% of this becomes due in June 2021 and may mean the Group breaches its counterparty covenants.

There are other financial mitigations available to management, but these are not yet in place and therefore are not able to be relied upon for reporting purposes as part of management's going concern assessment at this time. Therefore, management assess that, in line with the 2019 Annual Report, there is a material uncertainty over the going concern of the Group.

3. Estimates

The preparation of Interim Financial Statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this set of condensed Interim Financial Statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the Annual Financial Statements for the year ended 31 December 2019. Additional judgements are due to the revaluation of generation assets under the revaluation policy of IAS 16, and have been described in note 1 above.

4. Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk, currency risk, credit risk and liquidity risk. The condensed Interim Financial Statements do not include all financial risk management information and disclosures required in the Annual Financial Statements. They should be read in conjunction with the Annual Financial Statements as at 31 December 2019.

5. Equity investment

On 29th March 2020 Good Energy gained effective control of Next Green Cars Ltd, owner of the Zap-Map brand with the drawdown of the final tranche of convertible loan notes. Good Energy subsequently on the 25 June converted the loan notes into 50.1% Equity to solidify the control of the company.

The estimated net assets at the date of acquisition are stated at their provisional fair value as set out below.

	NBV at 31/03/2020	Fair value adjustment	Acquisition balance sheet
Property, plant and equipment	9	-	9
Intangible assets	80	238	318
Trade and other receivables	124	-	124
Cash and cash equivalents	306	-	306
Deferred taxation - NC	-	(45)	(45)
ST Borrowings	(46)	-	(46)
Trade and other payables	(86)	-	(86)
Current Tax payable	3	-	3
Net assets acquired	**390**	**193**	**583**
NCI	(190)	(96)	(286)
Net assets attributable to Group			297
Goodwill			**959**
Total Consideration transferred			**1256**

6. Trade Receivables

	Unaudited As at 30/06/2020 £000s	Audited As at 31/12/2019 £000s
Gross trade receivables	34,046	33,724
Provision for impairment/non-payment of trade receivables	(9,259)	(7,345)
Net trade receivables	24,787	26,379
Prepayments and other debtors	5,350	2,951
Other taxation	342	100
Total	30,482	29,430

The movements on the provision for impairment and non-payment of trade receivables is shown below:

Movement on the provision for impairment and non-payment of trade receivables	**Unaudited** **As at 30/06/2020**	**Audited** **As at 31/12/2019**
	£000's	£000's
Balance at 1 January	7,345	5,922
Increase in allowance for impairment/non-payment	3,512	3,674
Impairment/non-payment losses recognised	(1,598)	(2,251)
Balance at 31 December	9,259	7,345

Unaudited **As at 30/06/2020**			Days past due				
	Contract assets	**Current**	**<30 days**	**30-60 days**	**61-90 days**	**>91 days**	**Total**
	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Expected credit loss rate	-	8.6%	14.9%	23.8%	31.9%	73.8%	
Estimated total gross carrying amount at default	**-**	15,108	5,177	3,716	2,629	7,416	34,046
Expected credit loss	**-**	**1,292**	**771**	**883**	**839**	**5,474**	9,259

Audited **As at 31/12/2019**			Days past due				
	Contract assets	Current	<30 days	30-60 days	61-90 days	>91 days	Total
	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Expected credit loss rate	-	5.5%	5.5%	12.4%	19.9%	70.9%	
Estimated total gross carrying amount at default	**-**	15,703	6,230	2,518	1,475	7,800	33,724
Expected credit loss	**-**	**864**	**343**	**313**	**294**	**5,531**	7,345

7.Segmental analysis

H1 2020	Electricity Supply £000s	FIT Administration £000s	Gas Supply £000s	Total Supply Companies £000s	Electricity Generation £000s	Energy as a service £000s	Holding Company/ Consolidated Adjustments £000s	**Total** **£000s**
Revenue	49,058	2,652	14,108	65,818	4,704	71	(3,132)	**67,461**
Cost of sales	(42,800)	(321)	(9,619)	(52,740)	(2,992)	(15)	3,132	**(52,615)**
Gross profit/(loss)	6,258	2,331	4,489	13,078	1,712	56	-	**14,846**
Gross margin	13%	88%	32%	20%	36%	79%	0%	**22%**
Admin costs				(11,991)	(661)	(178)	(1,110)	**(13,940)**
Operating profit/(loss)				1,087	1,051	(122)	(1,110)	**906**
Net finance costs				-	(1,644)	-	(393)	**(2,037)**
Share of loss of associate				-	-	-	(12)	**(12)**
Profit/(loss) before tax				1,087	(593)	(122)	(1,515)	**(1,143)**

H1 2019	Electricity Supply £000s	FIT Administration £000s	Gas Supply £000s	Total Supply Companies £000s	Electricity Generation £000s	Holding Company/ Consolidated Adjustments £000s	**Total – Continuing Operations £000s**	Generation development (discontinued) £000s	**Total £000s**
Revenue	43,993	2,641	15,585	62,219	4,399	(3,074)	**63,544**	-	**63,544**
Cost of sales[1]	(36,993)	(295)	(10,185)	(47,473)	(2,026)	3,074	**(46,425)**	(995)	**(47,420)**
Gross profit[1]	7,001	2,346	5,400	14,746	2,373	-	**17,119**	(995)	**16,124**
Gross margin[1]	16%	89%	35%	24%	54%	-	**27%**	N/a	**25%**
Admin costs				(11,035)	(167)	(1,078)	**(12,280)**	(38)	**(12,318)**
Operating profit/(loss)				3,711	2,206	(1,078)	**4,838**	(1,033)	**3,806**
Net finance costs				(129)	(1,509)	(652)	**(2,290)**	-	**(2,290)**
Profit/(loss) before tax				3,582	697	(1,730)	**2,548**	(1,033)	**1,516**

[1] The comparative Cost of sales split between the Electricity Supply and FIT Administration segments have been corrected for a £1,189k cost that was mis-allocated to FIT Administration in the prior year interim accounts. This has been corrected above and allocated to the Electricity Supply segment in line with the 2019 annual report. The Gross Profit and Gross Margin for these two segments have also been updated accordingly. This correction has not changed the balances for the Total Supply Companies segment, nor the Total figures.

8. Earnings per share

The calculation of basic earnings per share at 30 June 2020 was based on a weighted average number of ordinary shares outstanding for the six months to 30 June 2020 of 16,236,150 (for the six months to 30 June 2019: 16,128,305 and for the full year 2019: 16,293,887 after excluding the shares held by Clarke Willmott Trust Corporation Limited in trust for the Good Energy Group Employee Benefit Trust.

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares to assume conversion of all potentially dilutive ordinary shares. Potentially dilutive ordinary shares arise from awards made under the Group's share-based incentive plans. When the vesting of these awards is contingent on satisfying a service or performance condition, the number of the potentially dilutive ordinary shares is calculated based on the status of the condition at the end of the period. Potentially dilutive ordinary shares are actually dilutive only when the Company's ordinary shares during the period exceeds their exercise price (options) or issue price (other awards). The greater any such excess, the greater the dilutive effect. The average market price of the Company's ordinary shares over the six month period to 30 June 2020 was 189p (for the six months to 30 June 2019: 118p and for the full year 2019: 138p). The dilutive effect of share-based incentives was 714,832 shares (for the six months to 30 June 2019: 163,886 shares and for the full year 2019: 513,596).

9. Net cash flows from operating activities

The operating cashflow for the six months to 30 June 2020 is an inflow of £5.3m (for the six months to 30 June 2019: £1.2m inflow and for the full year 2019: £4.1m inflow). The difference in the cashflow between the half year 2020 and its comparative for the same period is mainly due to timing of working capital related items.

10. Related party transactions

As at 30th June 2020, Tidal Lagoon Power Ltd owed the Group £21,153 in respect of electricity supplied to its head office. Tidal Lagoon Power Ltd entered into a company voluntary agreement (CVA) in 2018 and this process is ongoing. The electricity was supplied by the Group in the ordinary course of its business and on arm's length rates and terms. The CEO of Tidal Lagoon Power Ltd is Mark Shorrock, the husband of Juliet Davenport.

During 2018, the Group entered into an arm's length agreement with Martin Edwards for the provision of consultancy services related to the evaluation of emerging renewable energy technologies and related products and services. The agreement commenced on 1 June 2018 and can be terminated by either party on 1 months notice. The contracted annual value of the consultancy services is £18,000. Martin Edwards is a former Non-Executive Director of Good Energy Limited, and a former director of Good Energy Group PLC.