

IPM ENERGY TRADING LIMITED

Company No: 2462479

ANNUAL REPORT AND FINANCIAL STATEMENTS

For the year ended 31 December 2018



Annual report and financial statements 2018

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IPM Energy Trading Limited
Company Registration No. 2462479

Company information

Directors

S Bateman
AW Garner (appointed 1 January 2018)
C McGuinness (appointed 1 January 2018)

DG Alcock (resigned 1 January 2018)
S Pinnell (resigned 10 January 2018)

Company secretary

SJ Gregory

Independent auditor

Ernst & Young LLP
Statutory Auditor
1 More London Place
SE1 2AF
United Kingdom

Bankers

Barclays Bank PLC
1 Churchill Place
London
E14 5HP
United Kingdom

Registered Office

Level 20
25 Canada Square
London
E14 5LQ
United Kingdom

IPM Energy Trading Limited

Company Registration No. 2462479

Strategic report

The Directors present their Strategic report of IPM Energy Trading Limited ("the Company") for the year ended 31 December 2018.

Principal activities and key performance indicators

The principal activity of the Company is to trade the output and fuel requirements of ENGIE Group's UK based power stations and other subsidiaries (being "Group" companies) including First Hydro Company (power stations owned by International Power Ltd. and Brookfields Renewable UK Hydro Limited), the Group's UK energy retail business and Storengy UK Ltd. In addition, the Company provides trading access to wholesale energy markets to third parties under trading service agreements ("Trading Service Clients") in its capacity as Principal, since it is the primary obligor in the revenue arrangements.

Company performance is monitored through the use of KPIs. Regular management and operational meetings are held to review performance and any issues are escalated to management as appropriate.

Business review and future prospects

The Company acts as a trading company for ENGIE Group's UK based power stations, energy retail business, other subsidiaries and third parties with whom it has trading services agreements. The Company provides market access to its customers and receives fees in return for trading services provided. It operates through a series of back-to-back contracts between those entities, itself and the external energy commodities markets including markets for trading electricity, gas and carbon emissions.

The Company also enters into transactions that result in a non-net neutral position to manage the electricity and gas positions of the ENGIE Group's UK retail business and other third party customers which result in trading income for the Company.

The Company expects to continue to trade in the UK energy market on behalf of ENGIE Group's UK based subsidiaries and third parties with trading services agreements.

The remaining movements in the Profit and loss account are driven mainly by interest payments, interest receipts and trading costs.

The Company does not generate any of its own electricity.

Principal risks and uncertainties

The principal risks faced by the Company include competitive pressure within the energy industry, energy price risk, credit risk, foreign currency rate movements and regulatory risk.

Competitive pressure in the UK electricity market is a continuing risk for the Company, with the ongoing market volatility impacting future returns. To manage this risk, the Company strives to provide value-added products to its customers by maintaining strong relationships with trading counterparties and other market participants.

Energy price risk is managed by ensuring that all hedging activity is carried out according to the Group's Risk Management Policy which has risk monitoring metrics and limits which are applied to the trading books including Value-at-Risk (VaR), credit and fuel mismatch limits, volume restrictions, limits on trading horizons as well as pre-approvals on tradeable products and personnel.

The Company's credit risk is attributable to amounts owed by its trading counterparties and accrued income. The risk is mitigated by regular review of the credit worthiness of its trading counterparties and through the use of collateral including cash, letters of credit and parent company guarantees.

The Company operates within the Euro denominated EU Emissions Trading Scheme and may be exposed to currency movements on such trades.

IPM Energy Trading Limited
Company Registration No. 2462479

Strategic report (continued)

The Company operates in an evolving European energy regulatory environment which includes regulations such as Energy Markets Infrastructure Regulation (EMIR) and Regulation on Wholesale Energy Market Integrity and Transparency (REMIT). The Company operates within applicable regulations and works with regulatory advisors within the ENGIE Group and industry to ensure it remains compliant.

Brexit and its potential impacts continue to dominate the economic and political climate in the UK. The Board remains confident that there will be no disruption to the business regardless of the outcome of the negotiations and at this time no risk factors have been identified. The Directors continue to monitor risk and prepare for all potential outcomes.

For the principal risks described above, reports are provided regularly to key management personnel for risk monitoring and risk management purposes.

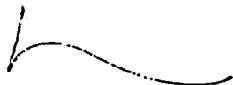
Employees

The Company has no direct employees (2017: none). Staff are employed by International Power Ltd. and IPM Energy Limited and their costs are re-charged to the Company.

Future developments

The Company has no significant future developments to report.

By order of the Board



C. McGuinness

Director

25 September 2019

IPM Energy Trading Limited

Company Registration No. 2462479

Directors' report

The Directors present their report and audited financial statements of IPM Energy Trading Limited for the year ended 31 December 2018.

The following information has been disclosed in the Strategic report:

- Principal activities
- Business review and future prospects
- Principal risks and uncertainties
- Employees
- Future developments

Directors

The following directors, who served during the year and subsequent to the year end, do not have any beneficial interests in the share capital of the Company requiring disclosure under the Companies Act 2006.

Directors

S Bateman

AW Garner (appointed 1 January 2018)

C McGuinness (appointed 1 January 2018)

S Ihara (resigned 16 October 2017)

DG Alcock (resigned 1 January 2018)

S Pinnell (resigned 10 January 2018)

R Okaniwa (appointed 16 October 2017, resigned 15 November 2017)

H Kayamori (appointed 15 November 2017, resigned 20 December 2017)

Company secretary

SJ Gregory

Directors' and officers' liability insurance

During the year ended 31 December 2018, the Company's ultimate parent company, ENGIE S.A., maintained insurance for the Directors to indemnify them against certain liabilities which they may incur in their capacity as Directors or officers of the Company, including liabilities in respect of which the Company itself is unable to provide an indemnity (2017: same).

Political donations

The Company did not make any political donations during the year (2017: £nil).

Results and dividends

The profit after tax for the year was £1,126,000 (2017: loss of £781,000).

The Directors do not recommend the payment of a dividend (2017: £13,000,000).

The profit for the year reduced the shareholder's deficit from £1,033,000 for the year ended 31 December 2017 to a surplus of £93,000 for the year ended 31 December 2018.

Directors' report (continued)

Events after the end of the reporting period

None.

Disclosure of information to the auditor

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

This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

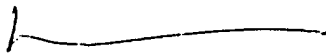
Going concern

The Company's business activities, together with the factors likely to affect its future developments, performance and position are set out in the Strategic report. The Strategic report also considers the principal risks and uncertainties facing the Company and its policies and processes for managing these. The Directors have reviewed the Company's cash flow forecasts, including sensitivities, and have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. The Company is supported by International Power Ltd by way of a Letter of Support as well as a current account agreement with an overdraft facility of £50 million with the ENGIE Group's centralized treasury management entity. Therefore, the Directors believe that it remains appropriate to prepare the financial statements on a going concern basis.

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be appointed and is Ernst & Young LLP.

By order of the Board



C. McGuinness

Director

25 September 2019

Statement of Directors' responsibilities

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

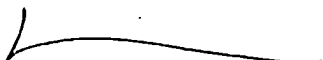
Company law requires the Directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

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

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

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They 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.

Signed on behalf of the Board of Directors of IPM Energy Trading Limited on ²⁵ September 2019.



C. McGuinness
Director

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF IPM ENERGY TRADING LIMITED

Opinion

We have audited the financial statements of IPM Energy Trading Limited for the year ended 31 December 2018 which comprise the Profit and Loss Account, the Balance Sheet and the Statement of Changes in Equity and the related notes 1 to 15, 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 FRS 101 "Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 December 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including FRS 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

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

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or 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.

Responsibilities of directors

As explained more fully in the Statement of Directors' responsibilities on page 8, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the 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

Ernst & Young LLP

William Binns (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London, United Kingdom
26 September 2019

Profit and loss account
For the year ended 31 December 2018

	Notes	2018 £'000	2017 £'000
Turnover	1(d)	10,520	1,300,585
Cost of sales		(7,051)	(1,295,152)
Gross profit		3,469	5,433
Net operating costs		(200)	(4,928)
Operating profit		3,269	505
Interest expenses and similar charges	3	(1,472)	(1,733)
Interest earned and similar income	4	139	152
Provisions (IFRS 9)		(16)	-
Profit / (loss) before taxation	2	1,920	(1,076)
Tax (charge) / credit	6	(794)	295
Profit / (loss) for the financial year		1,126	(781)

Statement of comprehensive income

There was no other comprehensive income attributable to the shareholders of the Company other than the profit for the financial year ended 31 December 2018 of £1,126,000 (2017: loss of £781,000). Accordingly a separate Statement of comprehensive income has not been prepared.

All results arose from continuing operations.

The notes on pages 15 to 29 form an integral part of these financial statements.

IPM Energy Trading Limited
Company Registration No. 2462479

Balance sheet
As at 31 December 2018

	Notes	2018 £'000	2017 £'000 (Restated)
Non current assets			
Derivative assets – non current	8	18,564	19,367
Total non current assets		<u>18,564</u>	<u>19,367</u>
Current assets			
Debtors: amounts falling due within one year	7	72,971	53,382
Derivative assets – current	8	66,699	66,157
Short term deposits – cash collateral	9	-	1,500
Total current assets		<u>139,670</u>	<u>121,039</u>
Creditors: amounts falling due within one year	10	(73,994)	(63,565)
Derivative liabilities – current	8	(63,787)	(61,688)
Borrowings – cash collateral	11	(3,000)	-
Total current liabilities		<u>(140,781)</u>	<u>(125,253)</u>
Net current liabilities		<u>(1,111)</u>	<u>(4,214)</u>
Total assets less current liabilities		<u>17,453</u>	<u>15,153</u>
Non current liabilities			
Derivative liabilities – non current	8	(17,360)	(16,186)
Total non current liabilities		<u>(17,360)</u>	<u>(16,186)</u>
Net assets / (liabilities)		<u>93</u>	<u>(1,033)</u>
Capital and reserves			
Called up share capital	12	0	0
Profit and loss account		93	(1,033)
Equity / Shareholder's surplus / (deficit)		<u>93</u>	<u>(1,033)</u>

The notes on pages 15 to 29 form an integral part of these financial statements.

The financial statements were approved and authorised for issue by the Board of Directors on
25 September 2019 and signed on its behalf by



C. McGuinness
Director

IPM Energy Trading Limited
Company Registration No. 2462479

Statement of changes in equity
For the year ended 31 December 2018

	Share capital £'000	Profit and loss account £'000	Total £'000
At 1 January 2018	0	(1,033)	(1,033)
Capital reduction	-	-	-
Dividends	-	-	-
Total comprehensive profit / (loss) for the year	-	1,126	1,126
At 31 December 2018	<u>0</u>	<u>93</u>	<u>93</u>

	Share capital £'000	Profit and loss account £'000	Total £'000
At 1 January 2017	2	12,746	12,748
Capital reduction	(2)	2	-
Dividends	-	(13,000)	(13,000)
Total comprehensive profit / (loss) for the year	-	(781)	(781)
At 31 December 2017	<u>0</u>	<u>(1,033)</u>	<u>(1,033)</u>

The notes on pages 15 to 29 form an integral part of these financial statements.

Notes to the financial statements

For the year ended 31 December 2018

1. Accounting policies

The following accounting policies have been applied consistently in the current and preceding year, in dealing with items which are considered material in relation to the Company's financial statements.

a) Basis of preparation

The Company meets the definition of a qualifying entity under FRS (Financial Reporting Standard) 100 issued by the Financial Reporting Council. The financial statements have been prepared in accordance with FRS 101 'Reduced Disclosure Framework' as issued by the Financial Reporting Council and in accordance with applicable accounting standards.

The Company has taken advantage of the following disclosure exemptions under FRS 101:

- (a) the requirements of paragraphs 45(b) and 46-52 of IFRS 2 Share based Payment, because:
 - (i) the share based payment arrangement concerns the instruments of another group entity;
- (b) the requirements of IFRS 7 Financial Instruments: Disclosures
- (c) the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement;
- (d) the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:
 - (i) paragraph 79(a)(iv) of IAS 1;
- (e) the requirements of paragraphs 10(d), 10(f), 38(C)-38(D), 40(A)-40(D), 111 and 134-136 of IAS 1 Presentation of Financial Statements;
- (f) the requirements of IAS 7 Statement of Cash Flows;
- (g) the requirements of paragraph 17 of IAS 24 Related Party Disclosures;
- (h) the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member;
- (i) the requirements of paragraphs 134(d)-134(f) and 135(c)-135(e) of IAS 36 Impairment of Assets;
- (j) the requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15 Revenue from Contracts with Customers. (Note: these exemptions are included in FRS 101 (July 2016) amendments which provides a qualifying entity these disclosure exemptions in relation to IFRS 15 when IFRS 15 is applied from 1 January 2018 or if IFRS 15 is early adopted);
- (k) the requirements of paragraph 30 and 31 of IAS 8;

The financial statements have been prepared on the historical cost basis, except for the revaluation of certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for the assets.

The Company financial statements are presented in Pounds Sterling because that is the currency of the primary economic environment in which the Company operates and all values are rounded to the nearest thousand Pounds Sterling (£'000) except when otherwise indicated.

These financial statements present information about the Company as an individual undertaking and not about its Group. Consolidated financial statements including the results of the group headed by this Company are prepared by the ultimate parent company, ENGIE S.A., a company registered in France. The group accounts of ENGIE S.A. are available to the public and can be obtained as set out in note 14.

Going concern

The Company's business activities, together with the factors likely to affect its future developments, performance and position are set out in the Strategic report. The Strategic report also considers the principal risks and uncertainties facing the Company and its policies and processes for managing these. The Directors have reviewed the Company's cash flow forecasts, including sensitivities, and have a

Notes to the financial statements (continued)
For the year ended 31 December 2018

1. Accounting policies (continued)

a) Basis of preparation (continued)

reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. The Company is supported by International Power Ltd by way of a Letter of Support as well as a current account agreement with an overdraft facility of £50 million with the ENGIE Group's centralized treasury management entity. Therefore, the Directors believe that it remains appropriate to prepare the financial statements on a going concern basis.

b) New and revised IFRS applied

During the year, the Company applied IFRS 15 and IFRS 9 for the first time. The nature and the effect of the changes as a result of the adoption of these new standards are listed below.

• IFRS 15 revenue from Contracts with Customers (effective date 1 January 2018)

IFRS 15 supersedes IAS 18 Revenue and related interpretations and applies, with limited exceptions, to all revenue arising from contracts with customers. The Company has adopted IFRS 15 with the date of initial application being 1 January 2018.

The Company's revenue streams are not considered particularly complex in nature and revenue will continue to be recognised once the control of goods and services are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange of the goods provided. The adoption of this standard has not resulted in any material effect to these financial statements due to there being no differences in performance obligations, timing of recognition or measurement, and there is no restatement of the comparative information.

• IFRS 9 Financial Instruments recognition and measurement (effective date 1 January 2018)

IFRS 9 Financial Instruments replaces IAS 39 Financial instruments: Recognition and Measurement. The Company has applied IFRS 9 with an initial application date of 1 January 2018. The adoption of this standard has not resulted in material effect to these financial statements due to there being no difference in the timing of recognition or measurement, and there is no restatement of the comparative information.

c) Judgements and key sources of estimation uncertainty

Critical judgements in applying the Company's accounting policies

There are no critical judgements that have been made in the process of applying the Company's accounting policies and that have a significant effect on the amount recognised in the financial statements

Key sources of estimation uncertainty

There is some degree of estimation involved in the areas explained below:

Fair value of Derivative Financial instruments

Derivative financial instruments are recognised and measured in accordance with IFRS 9 Financial Instruments. The fair value of Derivative Financial instruments is calculated based on prices quoted on active markets. There is some degree of estimation in deriving these prices as explained in note 8.

Notes to the financial statements (continued)
For the year ended 31 December 2018

1. Accounting policies (continued)

d) Turnover

The Company buys and sells electricity, gas and carbon emissions from the market on behalf of Group entities and Trading Service Clients. For the trades entered into on behalf of Group entities and Trading Service Clients, a back-to-back trade is entered into, resulting in the Company being in a net neutral position for those trades. The Company also enters into transactions to manage the electricity and gas positions of the ENGIE Group's UK retail business as well as third party customers which result in a non-net neutral position which is recognised on the basis of completed contracts and the mark-to-market value of outstanding contracts at the year end. These transactions result in trading income for the Company.

The Company has applied new IFRS standards IFRS 9 and IFRS 15 effective from 1 January 2018. IFRS 15 states that financial instruments that are in scope of IFRS 9 are out of scope of IFRS 15. Therefore, turnover arising from commodity trades are recognised in accordance with IFRS 9 and presented on a net basis for the year ended 31 December 2018.

For the year ended 31 December 2017, the Company has concluded that under IAS 18, it is the principal in its revenue arrangements since it is the primary obligor in the revenue arrangements. IAS 18 has limited guidance and industry practice varies on how realised revenue and cost of sales should be presented on derivative commodity contracts in profit or loss, i.e. on a net or gross basis. However, management is of the view that turnover resulting from derivative commodity contracts should be presented on a gross basis if they involve physical flow of underlying commodities and net to the extent that revenue is generated from trading activities.

As a result of applying IFRS 9 for year ended 31 December 2018, the turnover figure is lower compared to 2017. This is because turnover is presented on a net basis after applying IFRS 9 for the year ended 31 December 2018 whereas turnover is presented on a gross basis after applying IAS 18 for the year ended 31 December 2017.

In addition to trading income from non-net neutral trades, the Company also earns income from trading service fees charged to Trading Service Clients and other Group entities which are recognised in accordance with IFRS 15.

Turnover is recognised to the extent that it is probable that the economic benefits will flow to the Company and turnover can be reliably measured. Turnover is measured at the fair value of the consideration received or receivable net of value added tax and other sales taxes.

Under IFRS 9, unrealised gains and losses (changes in fair value) on energy commodity derivatives are presented on a net basis within Turnover.

e) Foreign currencies

Transactions in foreign currencies are translated into sterling at the exchange rate ruling at the date of the transaction unless related or matching forward foreign exchange contracts have been entered into, when the rate specified in the contract is used. At the year end, monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the Balance sheet date or, where appropriate, at the hedged contracted rate. Any gain or loss arising on the restatement of such balances is taken to the Profit and loss account.

Notes to the financial statements (continued)
For the year ended 31 December 2018

1. Accounting policies (continued)

f) Sales tax

Turnover, expenses and assets are recognised net of the amount of sales tax except:

- Where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as appropriate.
- Debtors and creditors are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of debtors or creditors in the Balance sheet.

g) Restatements

During the year management has reassessed how it presents Debtors and Creditors falling due within one year and Related party transactions and accordingly restated its prior period balances as shown below. The Company has taken advantage of exemptions available to qualifying entities under FRS 100 and FRS 101 as stated in note 1(a); accordingly a third Balance sheet has not been prepared.

i) Debtors and Creditors falling due within one year

Debtors and Creditors falling due within one year were presented on a gross basis in the Balance sheet in 2017 whereas other financial assets such as Financial instruments were presented on a net basis after being offset under IAS 32 Financial Instruments: Presentation. This inconsistency was reviewed and the basis for presentation re-evaluated in line with the requirements of IAS 32. As a result of the review, the Company has presented Debtors and Creditors falling due within one year on a net basis in the Balance Sheet for the year to 31 December 2018. The net basis of presentation has been applied to the extent that there is a contractual and legal right to offset balances under IAS 32 requirements. Accordingly, the 2017 comparatives for Debtors and Creditors falling due within one year have been restated on the Balance sheet and in notes 7 and 10. The impact of this restatement is summarised below:

	2017 £'000	2017 £'000 (Restated)
Debtors: amounts falling due within one year	306,900	53,382
Creditors: amounts falling due within one year	(317,083)	(63,565)

There was no impact on the Net assets as a result of this restatement.

ii) Related party transactions

Amounts owed by a related party, being ENGIE Treasury Management Sarl, was not disclosed in 2017. This amount is included within Related party transactions for the year to 31 December 2018 and the comparative for 2017 has been restated in note 13.

Notes to the financial statements (continued)
For the year ended 31 December 2018

1. Accounting policies (continued)

g) Restatements (continued)

A summary of the changes made to Related party transactions note is shown below:

	2017 £'000	2017 £'000 (Restated)
Amounts owed by related parties:		
ENGIE Treasury Management Sarl	-	4,176

h) Cash and cash equivalents

Cash and cash equivalents in the Balance sheet comprise cash at bank which is subject to an insignificant risk of changes in value.

i) Interest income

Interest income is accrued on a time-proportion basis, by reference to the principal outstanding and at the interest rate applicable according to contractual terms.

j) Interest expense

Interest expense is accrued on a time-proportion basis, by reference to the principal outstanding and at the interest rate applicable according to contractual terms.

k) Taxation

UK Corporation tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the Balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the Balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the Balance sheet date. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured at the weighted average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse based on tax rates and laws that have been enacted or substantively enacted by the Balance sheet date. Deferred tax is measured on an undiscounted basis.

Notes to the financial statements (continued)
For the year ended 31 December 2018

1. Accounting policies (continued)

l) Credit support

The Company receives cash from other members of the ENGIE S.A., group for credit support purposes (sometimes called margining). This cash is then placed on deposit by the Company to provide collateral on the trading positions entered into on behalf of the Group companies. The cash received from the Group companies will be repaid or increased when their requirement for collateral changes.

The Company may place cash with its trading counterparties for collateral purposes. If the cash collateral is able to be replaced by other forms of credit support such as a letter of credit, then it is classed as Short term deposits – cash collateral. If the deposit cannot be replaced by other forms of credit support, then it is classed within debtors.

m) Current versus non-current classification

The Company presents assets and liabilities in the Balance sheet based on current/non-current classification. An asset is current when it is either:

- Expected to be realised or intended to be sold in the normal operating cycle.
- Held primarily for the purpose of trading.
- Expected to be realised within 12 months after the reporting period.
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

All other assets are classified as non-current.

A liability is current when it is either:

- Expected to be settled in the normal operating cycle.
- Held primarily for the purpose of trading.
- It is due to be settled within 12 months after the reporting period.
- There is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period.

The Company classifies all other liabilities as non-current.

n) Derivative financial instruments

Financial instruments are recognised and measured in accordance with IAS 32 Financial Instruments: Presentation and IFRS 9: Financial Instruments.

Financial assets

Financial assets of the Company comprise of receivables carried at amortised cost including trade and other debtors, and financial assets measured at fair value through profit or loss, including derivative financial instruments.

Financial liabilities

Financial liabilities of the Company include amounts owed to Group undertakings, trade and other creditors, borrowings and derivative financial instruments and other financial liabilities.

Notes to the financial statements (continued)
For the year ended 31 December 2018

1. Accounting policies (continued)

n) Derivative financial instruments (continued)

Financial assets at fair value through profit or loss ("FVTPL")

The financial assets at FVTPL meet the qualification or designation criteria set out in IFRS 9. They mainly include forward commodity contracts and other derivative instruments entered into by the Company for hedging purposes. Financial assets at FVTPL are stated at fair value, with any gains or losses arising on re-measurement recognised in profit or loss. Fair value is determined in the manner described below.

Derivatives

Derivative contracts are financial instruments, such as forwards and futures, utilised in connection with the Company's hedging activities. The Company uses derivative financial instruments to manage and reduce its exposure to market risks arising from fluctuations in energy prices. The use of derivative financial instruments is governed by various Group risk policies.

Fair value measurement

The derivative contracts are recognised at fair value on the date on which a contract is entered into and are subsequently re-measured to their fair value at each Balance sheet date. The gain or loss on subsequent fair value measurement is recognised within the Profit and loss account.

The fair value of Financial instruments is calculated based on prices quoted on active markets. If the market for a financial instrument is not active, its fair value is established using valuation techniques as set out in note 9. These valuation techniques include comparison with similar instruments where market observable prices exists, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants.

Offsetting

Financial instruments measured at FVTPL are offset and the net amount reported in the Balance Sheet if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis under IAS 32. This includes Income accruals, Accruals for purchases and trade debtors and creditors to the extent that there is a contractual right to offset.

Notes to the financial statements (continued)
For the year ended 31 December 2018

2. Loss before taxation

	2018 £'000	2017 £'000
<i>Loss before taxation is stated after charging:</i>		
<i>Auditor's remuneration</i>		
- Audit of these financial statements	(81)	(97)

3. Interest expenses and similar charges

	2018 £'000	2017 £'000
Interest expense on intra group credit facilities	-	(1,034)
Interest expense on loans and amounts owed to Group companies	(1,472)	(555)
Foreign exchange loss	-	(144)
	<u>(1,472)</u>	<u>(1,733)</u>

Interest payable on intra group credit facilities is related to cash pooling facilities, letters of credit and parent company guarantees. Interest is payable on these at market based rates.

Interest payable on loans and amounts owed to Group companies is related to cash margining payments received from other Group companies.

4. Interest earned and similar income

	2018 £'000	2017 £'000
Foreign exchange gain	26	-
Interest earned on short term deposits	3	2
Interest earned on amounts owed from Group undertakings	110	150
	<u>139</u>	<u>152</u>

5. Directors' and employees' remuneration

The Directors did not receive any remuneration from the Company for their services (2017: £nil).

The Company has no direct employees (2017: none). Staff are employed by International Power Ltd. and IPM Energy Limited and their costs are re-charged to the Company.

Notes to the financial statements (continued)
For the year ended 31 December 2018

6. Taxation

a) Analysis of tax credit / (charge)

	2018 £'000	2017 £'000
UK corporation tax (charge) / credit current year	(365)	207
UK corporation tax (charge) / credit prior year	(429)	88
Total tax (charge) / credit	<u>(794)</u>	<u>295</u>

The prior year tax charge of £429,000 relates to additional tax charges of £449,000 arising from disallowed expenses in historical tax returns offset by a tax credit of £20,000 arising from the tax rate change from 19.25% to 19%. Both amounts have been expensed in the Profit and loss account during the year to 31 December 2018.

The prior year tax credit of £88,000 relates to a corporation tax credit arising from the tax rate change from 20.00% to 19.25% during 2017 and therefore has been written off in the Profit and loss account during the year to 31 December 2017.

b) Reconciliation of total tax charge for the year

	2018 £'000	2017 £'000
The total tax charge for the year on ordinary activities varied from the standard rate of UK corporation tax as follows:		
Profit / (loss) before taxation	1,920	(1,076)
Corporation tax (charge) / credit at 19.00% (2017: 19.25%)	(365)	207
UK corporation tax – prior period	(429)	88
Total tax (charge) / credit at 19.00% (2017: 19.25%)	<u>(794)</u>	<u>295</u>

c) Factors that may affect future income tax charges

The standard rate of UK corporation tax for the period was 19.00% (2017: 19.25%). A reduction in the rate to 19% from 1 April 2017 and 17% from 1 April 2020 were substantively enacted prior to the Balance sheet date.

Notes to the financial statements (continued)
For the year ended 31 December 2018

7. Debtors: amounts falling due within one year

	2018 £'000	2017 £'000 (Restated)
Amounts due from Group undertakings – for realised commodity trades	24,558	30,659
Amounts due from Group – current account	13,543	4,176
Credit support lodged – not replaceable with cash	1,450	215
Income accruals – for realised external commodity trades	33,437	17,947
Provisions (IFRS 9 – amortisation of financial assets)	(17)	-
Intercompany value added tax balance	-	385
	<u>72,971</u>	<u>53,382</u>

The Directors considers that the carrying amount of debtors approximate their fair value.

8. Financial instruments

Financial instruments held at fair value

The year-end position of the Company comprises the following classes of derivative financial asset and liabilities. The Directors consider that the carrying values (shown below) are equal to the fair values.

	2018 £'000	2017 £'000
Financial assets at fair value		
Derivative assets – current	66,699	66,157
Derivative assets – non current	18,564	19,367
	<u>85,263</u>	<u>85,524</u>
Financial liabilities at fair value		
Derivative liabilities – current	(63,787)	(61,688)
Derivative liabilities – non current	(17,360)	(16,186)
	<u>(81,147)</u>	<u>(77,874)</u>
Net derivative financial position held at fair value through profit or loss	<u>4,116</u>	<u>7,650</u>

Changes in value of Financial instruments at fair value

Profit for the year has been arrived at after (crediting)/charging:

	As at 1 January 2018 £'000	Net (charge) 31 December £'000	As at 31 December 2018 £'000
Net Derivative financial position held at fair value through profit or loss	7,650	(3,534)	4,116
	<u>As at 1 January 2017 £'000</u>	<u>Net gain 31 December £'000</u>	<u>As at 31 December 2017 £'000</u>
Net Derivative financial position held at fair value through profit or loss	11,797	(4,147)	7,650

Notes to the financial statements (continued)
For the year ended 31 December 2018

8. Financial instruments (continued)

The derivative financial position was expected to unwind through the Profit and loss account as follows:

	2018	2017
	£'000	£'000
Power within 3 months	1,126	(8,800)
Gas within 3 months	(161)	8,452
Power 3 months and 12 months (inclusive)	1,697	3,469
Gas 3 months and 12 months (inclusive)	270	508
Power in greater than 12 months	1,128	4,603
Gas in greater than 12 months	56	(582)
	<u>4,116</u>	<u>7,650</u>

Valuation techniques and assumptions applied for the purposes of measuring fair value

The fair value measurements for derivatives have been calculated using a fair value hierarchy that reflects the significance of the inputs used in making the assessments. All the fair value measurements for derivatives fall into level 2 in the categories below:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair values of derivative instruments are calculated using quoted prices. Where such prices are not available, a discounted cash flow analysis is performed using the applicable yield curve for the duration of the instruments. The models used to evaluate such instruments take into account observable market inputs.

Hedging activities

The Company enters into a variety of derivative financial instruments to manage its exposure to market price fluctuations.

The Group's Risk Management policy has metrics and limits which are applied to the trading books such as Value-at-Risk (VaR), credit and fuel mismatch limits, volume restrictions, limits on trading horizons as well as pre-approvals on tradeable products and personnel. Reports on such risks are provided regularly to key management personnel for risk monitoring and risk management purposes.

At the Balance sheet date, the Company was a 100% indirect subsidiary of International Power Ltd. and operates using that Group's risk strategy which is disclosed fully in the non-statutory financial statements of International Power Ltd. which are available to the public and may be obtained from Level 20, 25 Canada Square, London E14 5LQ.

Notes to the financial statements (continued)
For the year ended 31 December 2018

8. Financial instruments (continued)

Sensitivity analysis

The following sensitivity analysis shows the impact on the Company's results of changes in market prices as a result of entering into financial instruments including derivatives. This sensitivity shows the impact on this Company's profit after tax (PAT) for the year end and equity at the year end arising from changes in the fair value of forward contracts.

	2018		2017	
	(Decrease)/ increase in PAT £'000	(Decrease)/ increase in Equity £'000	(Decrease)/ increase in PAT £'000	(Decrease)/ increase in Equity £'000
20% increase in forward price curves for electricity and gas	(87)	(87)	(5,185)	(5,185)
20% decrease in forward price curves for electricity and gas	87	87	5,185	5,185

9. Short term deposits – cash collateral

	2018 £'000	2017 £'000
Short term deposits - credit support cash	-	1,500

10. Creditors: amounts falling due within one year

	2018 £'000	2017 £'000 (Restated)
Trade creditors	3,593	202
Amounts due to Group undertakings – for realised commodity trades	4,791	6,850
Amounts due to Group undertakings for interest	338	-
Accruals for purchases – for realised external commodity trades	64,402	56,419
Intercompany value added tax balance	78	-
Intercompany corporation tax balance	792	94
	73,994	63,565

The Directors considers that the carrying amount of creditors approximate their fair value.

IPM Energy Trading Limited
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Notes to the financial statements (continued)
For the year ended 31 December 2018

11. Borrowings - collateral

	2018 £'000	2017 £'000
Short term deposits received for credit support	(3,000)	-

12. Called up share capital

	2018 £	2017 £
Authorised		
2,001 (2017: 2,001) Ordinary Shares of £0.0004998 each (2017: £0.0004998 each)	1	1
Called up, allotted and fully paid		
2,001 (2017: 2,001) Ordinary Shares of £0.0004998 each (2017: £0.0004998 each)	1	1

13. Related party transactions

Trading transactions

During the year, the Company entered into the following trading transactions with related parties:

	Amounts sold to related parties		Amounts purchased from related parties	
	2018 £'000	2017 £'000 (Restated)	2018 £'000	2017 £'000 (Restated)
International Power Ltd.	26	-	7,019	3,689
International Power Consolidated Holdings Ltd	-	-	-	375
Electrabel S.A.	533	2,310	43	43
ENGIE Power Ltd	389,160	369,772	121,211	97,497
Storengy UK Limited	210,762	165,700	217,021	162,958
ENGIE Global Markets	27,694	45,918	69,690	101,717
First Hydro Company	227,808	225,563	219,895	233,678
Industrial Energy Services Limited	1,026	-	-	-
ENGIE FM Ltd.	36	-	2,623	-
ENGIE Treasury Management Sarl	110	-	-	-
International Power S.A.	-	-	3	-
ENGIE S.A.	-	-	914	-
ENGIE Invest International SA	-	-	539	-

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Notes to the financial statements (continued)
For the year ended 31 December 2018

13. Related party transactions (continued)

The following amounts were outstanding at the Balance sheet date:

	Amounts owed by related parties		Amounts owed to related parties	
	2018 £'000	2017 £'000 (Restated)	2018 £'000	2017 £'000
International Power Ltd.	-	-	1,951	1,329
International Power Consolidated Holdings Ltd	-	-	-	38
Electrabel S.A.	206	16	-	-
ENGIE Power Ltd	20,622	21,108	-	-
Storengy UK Limited	2,345	7,931	-	-
ENGIE Global Markets	-	-	2,481	5,452
First Hydro Company	1,590	1,259	346	-
ENGIE Treasury Management Sarl	13,543	4,176	-	-
International Power S.A.	-	-	3	-
ENGIE S.A.	-	-	205	-
ENGIE Invest International SA	-	-	125	-

The following are the fair value of energy commodity contracts outstanding at Balance sheet date:

	Financial instruments	
	2018 £'000	2017 £'000
ENGIE Power Ltd	(39,797)	(36,470)
Storengy UK Limited	567	724
ENGIE Global Markets	4,313	3,570
First Hydro Company	325	(4,897)

The company has taken advantage of the exemption granted by paragraph 8(k) of FRS 101 not to disclose transactions within the International Power Ltd. Group of companies.

International Power Ltd. owns (indirectly) 100% of the Company and charges the company for credit support and trading recharges.

The Company is under common control with International Power Consolidated Holdings Limited and is therefore a related party which provided credit support to the Company. The credit support arrangement by International Power Consolidated Holdings Limited ceased on 20th December 2017 when 100% of the Company's shares were sold by its immediate IPM Holdings (UK) Limited to IP Karugamo Holdings (UK) Limited, another ENGIE Group company. Therefore, no balances were outstanding at year end with this related party.

Notes to the financial statements (continued)
For the year ended 31 December 2018

13. Related party transactions (continued)

Storengy UK Limited, ENGIE Global Markets, Electrabel S.A. and ENGIE Power Ltd are owned by the same ultimate parent, ENGIE S.A. and are related parties. The Company provides dispatching services relating to gas purchases and sales to Storengy UK Limited. The Company procures electricity and gas on behalf of ENGIE Power Ltd from the UK wholesale energy market. The Company trades various energy commodities with ENGIE Global Markets and Electrabel S.A. for hedging purposes.

Industrial Energy Services Ltd and ENGIE FM Ltd are related parties owned the same ultimate parent, ENGIE S.A. The Company provides trades carbon emission allowances on behalf of those companies to meet their EU ETS compliance obligations.

First Hydro Company is part of a joint venture between International Power Ltd who indirectly owns 75% of shares and Brookfields Renewable UK Hydro Limited who owns the remaining 25% and is a related party. The Company continues to trade on behalf of First Hydro Company under a trading services agreement.

The Company has an intra-group current account agreement and an overdraft facility with ENGIE Treasury Management Sarl for day to day cash management.

All transactions with related parties were made during the normal course of business on arm's length terms.

14. Controlling party and ultimate parent undertaking

The Directors consider the Company's ultimate parent undertaking and controlling party to be ENGIE S.A. which is incorporated in France and is headquartered in Paris, France, which is the parent undertaking of the largest group in which the results of the Company are consolidated for the year ended 31 December 2018 and the year ended 31 December 2017. The consolidated financial statements of ENGIE S.A. may be obtained from its registered office at 1 Place Samuel de Champlain, 92400 Courbevoie, Paris, France. ENGIE S.A. has an indirect 100% interest in IPM Energy Trading Limited.

The immediate parent company of IPM Energy Trading Limited is IP Karugamo Holdings (UK) Limited which owns 100% of the ordinary share capital.

15. Subsequent events

There were no events subsequent to 31 December 2018 that would materially affect these financial statements.