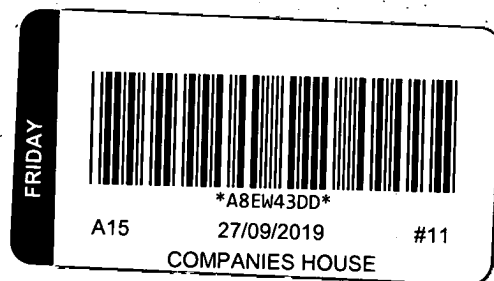


IPM ENERGY LIMITED

Company no: 2704476

ANNUAL REPORT AND FINANCIAL STATEMENTS

For the year ended 31 December 2018



Strategic report

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

Principal activities

The Company provides staffing and support services on behalf of other group undertakings.

Business review

The accompanying financial statements have been prepared in accordance with Financial Reporting Standard 101-Reduced Disclosure Framework (FRS 101) for both periods presented. The Company has taken advantage of the disclosure exemptions allowed under this standard.

The results of the Company are as follows:

	Year ended 31 December 2018 £'000	Year ended 31 December 2017 £'000
Profit for the financial year	3	52

In 2018 the Company continued to provide staffing and support services to other group undertakings at cost (2017: at cost).

As shown in the Company's statement of total comprehensive income on page 8, the profit for the financial year ended 31 December 2018 has decreased in comparison with the prior year. This is mainly due to a reduction in interest receivable from group undertakings in 2017.

The statement of financial position on page 9 of the financial statements shows the Company's financial position at the end of the current and preceding financial year. The net assets have increased from £453,000 to £456,000 reflecting the results of the year.

The Directors do not monitor the performance of the Company through the use of key performance indicators (KPIs). The ENGIE group manages its business and measures the delivery of its strategic objectives through the application of KPIs at both an ENGIE division and group level.

Principal risks and uncertainties

Interest rate risk

The Company has interest-bearing assets which are primarily loans advanced to ENGIE group undertakings. As at 31 December 2018 interest-bearing assets with a carrying value of £483,000 (2017: £455,000) earned interest at floating rates plus a margin. The Company has no interest-bearing liabilities (2017: £nil).

Although the rates of interest are variable and create volatility in earnings from period to period, the Directors have assessed this risk as acceptable.

Credit risk

The Company's credit exposures is to group companies. It manages credit exposure by establishing clearly defined limits, policies and procedures. The receivables relate to amounts lent to undertakings within the ENGIE group which is repayable on demand. The Company continually reviews its receivable position and the credit risk associated with this position. The Directors believe that payment default remains a low risk.

With respect to treasury activities, the Company's financial counterparty credit exposure is principally limited to arrangements with relationship banks and cash pooling arrangements with ENGIE Treasury Management S.a.r.l. disclosed under 'Debtors: amounts owed by ENGIE group undertakings – current account'. This results in a concentration of risk to the ENGIE group, but the risk of default remains low given ENGIE's strong credit rating.

Strategic report (continued)

Employees

Details of the number of employees and related costs can be found in note 2 to the financial statements.

Events after the end of the reporting period

There have been no significant events since the reporting date which should be considered for a proper understanding of these financial statements.

Future developments

The Company has no significant future developments to report.

By order of the Board



S Pinnell
Director

18 September 2019

Directors' report

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

Information disclosed in the Strategic report

The following information has been disclosed in the Strategic report:

- Principal activities
- Business review
- Principal risks and uncertainties
- Employees
- Events after the end of the reporting period
- Future developments

Directors and directors' interests

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:

S Pinnell
A Garner

Directors' indemnity provisions

During the year ended 31 December 2018 indemnity arrangements which constitute qualifying third party indemnity provisions were in place with a number of persons who are directors of associated companies of the Company.

Political donations

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

Share capital

The Company's share capital comprises 2 ordinary shares of £1 each which rank pari passu with each other in respect of all rights, including dividend, voting and return of capital.

Going concern

The Company's activities, together with the factors likely to affect its future development and position, are set out in the Strategic report. The Company provides support services and is therefore dependent on those companies for its source of revenue. After consideration of a letter of confirmation of continuing service provision received from a parent company, the Company's Directors have a reasonable expectation that the Company will be able to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis of accounting in preparing the financial statements.

Dividends

The Directors do not recommend the payment of a dividend in respect of the year ended 31 December 2018 (2017: £5,628,000). The consideration for the dividend payment in the prior year was a loan receivable of £4,788,000 and cash of £840,000.

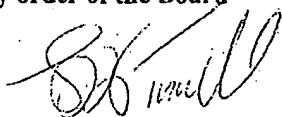
Directors' report (continued)**Disclosure of information to the auditor (continued) Disclosure of information to the auditor**

Ernst & Young LLP was the Company's statutory auditor for the year ended 31 December 2018. The Directors who held office at the date of approval of this Directors' report confirms 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 he ought to have taken as a Director to make himself 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.

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and Ernst & Young LLP will therefore continue in office.

By order of the Board

S Pinnell
Director

14 September 2019

Statement of Directors' responsibilities in respect of the Strategic report, the Directors' report and the financial statements

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law, the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 101.

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 accounting estimates that are reasonable and prudent;
- state whether applicable United Kingdom 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 its financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditor's report to the members of IPM Energy Limited

Opinion

We have audited the financial statements of IPM Energy Limited for the year ended 31 December 2018 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity and the related notes 1 to 14, 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; 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.

Independent auditor's report to the members of IPM Energy Limited (continued)

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 directors' responsibilities statement set out on page 5, 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

Anne Wong (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Manchester
20th September 2019

**Statement of total comprehensive income
for the year ended 31 December 2018**

	Note	Year ended 31 December 2018 £'000	Year ended 31 December 2017 £'000
Turnover	1c	2,881	2,684
Operating expenses		<u>(2,881)</u>	<u>(2,684)</u>
Loss before interest and taxation		-	-
Interest receivable	5	2	64
Other finance income		-	1
Profit before taxation		<u>2</u>	<u>65</u>
Tax expense on profit	6	<u>1</u>	<u>(13)</u>
Profit for the financial year		<u>3</u>	<u>52</u>

All results in the current and preceding year are from continuing operations.

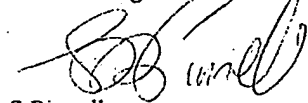
The notes on pages 11 to 21 form part of these financial statements.

**Statement of financial position
as at 31 December 2018**

	Note	As at 31 December 2018 £'000	As at 31 December 2017 £'000
Current assets			
Debtors: amounts falling due within one year	7	679	670
Deferred tax asset	6	-	12
Total current asset		679	682
Creditors: amounts falling due within one year	8	(223)	(229)
Net current assets		456	453
Total assets less current liabilities		456	453
Net assets		456	453
Capital and reserves			
Called-up share capital	9	-	-
Profit and loss account		456	453
Equity shareholder's funds		456	453

The accounting policies and the notes on pages 11 to 21 form part of these financial statements.

The financial statements were approved and authorised for issue by the Board of Directors on 18 September 2019 and were signed on its behalf by:



S Pinnell
Director

**Statement of changes in equity
for the year ended 31 December 2018**

	Called-up share capital £'000	Retained earnings £'000	Total £'000
Equity shareholder's funds at 1 January 2017	-	6,029	6,029
Total comprehensive income	-	52	52
Dividends paid	-	(5,628)	(5,628)
Equity shareholder's funds at 31 December 2017	-	453	453
Total comprehensive income	-	3	3
Equity shareholder's funds at 31 December 2018	-	456	456

The notes on pages 11 to 21 form part of these financial statements.

**Notes to the financial statements
for the year ended 31 December 2018**

General information

IPM Energy Limited (the Company) is a limited company incorporated and domiciled in England and limited by shares. The address of its registered office is Level 20, 25 Canada Square, London E14 5LQ, United Kingdom. The nature of the Company's operations and its principal activities are set out in the Strategic report on pages 1 and 2.

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements. A summary of the principal accounting policies, all of which have been applied consistently throughout the year and the prior year are set out below.

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. Accordingly, the financial statements have been prepared in accordance with FRS 101 "Reduced Disclosure Framework" (FRS 101) and in accordance with applicable accounting standards. These financial statements have also been prepared on the going concern basis under the historical cost convention.

New and revised IFRSs 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 11 Construction Contracts and 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 using a modified retrospective approach of adoption with the date of initial application being 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.

• *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 prospectively, with an initial application date of 1 January 2018. Management have completed an exercise for the ENGIE group, which has not identified any significant differences. A separate exercise has been performed from a statutory perspective in order to assess any expected credit losses. 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.

New and revised IFRSs in issue but not yet effective

• *IFRS 16 Leases* (effective date 1 January 2019) - Management do not expect this to have a material impact but an exercise is ongoing to quantify the impact. To date no material leases have been identified.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to:

- financial instruments as required by IFRS 7 Financial Instruments: Disclosures;
- financial instrument valuation techniques and inputs used for fair value measurement as required by paragraphs 91 to 99 of IFRS 13 Fair Value Measurement;
- the requirement in paragraph 38 of IAS 1 Presentation of Financial Statements to present comparative information in respect of property, plant and equipment (paragraph 73(e) of IAS 16 Property, Plant and Equipment);
- the requirements of IAS 7 Statement of Cash Flows to present a statement of cash-flows for the period and the disclosure of cash flow information;
- the IAS 1 paragraph 16 requirement to state compliance with all the requirements of IFRSs;
- the IAS 1 paragraphs 134 to 136 requirement to disclose the entity's objectives, policies and processes for managing capital;

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

1. Accounting policies (continued)

a. Basis of preparation (continued)

- the requirements of paragraphs 30 and 31 of IAS 8 Accounting policies, changes in accounting estimates and errors, to disclose when an entity has not applied a new IFRS that has been issued but is not yet effective; and
- the requirements in IAS 24 Related Party Disclosures for related party transactions entered into between two or more members of a group, and the requirements of paragraph 17 and 18A of IAS 24 Related Party Disclosures (key management compensation).

At the date of authorisation of these financial statements, the Company has not applied new and revised IFRSs that have been issued but are not yet effective and have not yet been adopted by the EU.

Going concern

The Company's activities, together with the factors likely to affect its future development and position, are set out in the Strategic report. The Company provides support services and is therefore dependent on those companies for its source of revenue. After consideration of a letter of confirmation of continuing service provision received from a parent company, the Company's Directors have a reasonable expectation that the Company will be able to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis of accounting in preparing the financial statements.

Where relevant, equivalent disclosures have been given in the consolidated financial statements of ENGIE S.A. The consolidated financial statements of ENGIE S.A. are available to the public and can be obtained as set out in note 13.

The Company's functional currency is sterling. The financial statements of the Company are presented in sterling and are rounded to the nearest thousand pounds.

b. Critical accounting estimates and judgements

The preparation of the financial statements in conformity with FRS 101 requires the use of estimates and assumptions to determine the value of assets and liabilities, and contingent assets and liabilities at the reporting date, as well as income and expenses reported during the period.

The Company regularly revises its estimates in light of currently available information because of uncertainties inherent in the estimation process. Final outcomes could differ from those estimates.

The key estimates used in preparing the Company's financial statements predominately relate to the measurement of:

- Taxation

Taxation

Deferred tax assets are recognised on tax loss carry-forwards when it is probable that taxable profit will be available against which the tax loss carry-forwards can be utilised. Estimates of taxable profits and utilisations of tax loss carry-forwards are prepared on the basis of profit and loss forecasts as included in the medium-term business plan and, if necessary, on the basis of additional forecasts.

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

1. Accounting policies (continued)

c. Turnover

Turnover comprises the value of sales (excluding VAT) of goods and services in the normal course of business and represents service fees, which are derived from recharges to group undertakings of expenditure incurred in performing marketing, development and asset management services on their behalf.

d. Post-employment benefits

The Company is a member of a defined benefit scheme, but is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. As a result the Company accounts for the scheme as if it were a defined contribution scheme as required by IAS 19 *Employee Benefits*, resulting in an amount charged to the statement of total comprehensive income equal to the contributions payable to the scheme in respect of the accounting period. The scheme is externally funded with the assets of the scheme held separately from those of the Company in separate Trustee administered funds.

For defined contribution schemes the amount charged to the statement of comprehensive income in respect of pension costs and other post-retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the statement of financial position.

e. Foreign currencies

Foreign currency transactions are recorded in the functional currency at the exchange rates prevailing on the dates of the transactions. At each reporting date:

- Monetary assets and liabilities denominated in foreign currencies are translated at year end exchange rates. The related translation gains and losses are recorded in the statement of total comprehensive income for the year to which they relate; and
- Non-monetary assets and liabilities denominated in foreign currencies are recognised at the historical cost applicable at the date of the transaction.

f. Interest income

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

g. 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 reporting date.

In accordance with IAS 12 *Income Taxes*, deferred taxes are recognised according to the liability method on temporary differences between the carrying amounts of assets and liabilities in the financial statements and their tax bases, using tax rates that have been enacted or substantively enacted by the reporting date. However, no deferred taxes are recognised for temporary differences arising from the initial recognition of an asset or liability in a transaction which, at the time of the transaction, affects neither accounting income nor taxable income. In addition, deferred tax assets are only recognised to the extent that it is probable that taxable income will be available against which the deductible temporary difference can be utilised.

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

1. Accounting policies (continued)

g. Taxation (continued)

Deferred taxes are reviewed at each reporting date to take into account factors including the impact of changes in tax laws and the prospects of recovering deferred tax assets arising from deductible temporary differences.

Deferred tax assets and liabilities are not discounted.

h. Financial instruments

Financial instruments are recognised and measured in accordance with IAS 39.

The Company has no financial assets or liabilities designated as fair value through profit and loss.

Financial assets

Financial assets of the Company comprise loans and 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. The Company determines the classification of its financial assets at initial recognition.

Loans and receivables at amortised cost

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These items primarily include amounts owed by ENGIE group undertakings.

On initial recognition, loans and receivables are recorded at fair value plus transaction costs. At each reporting date, they are measured at amortised cost using the effective interest method.

Impairment losses are recognised based on the estimated risk of non-recovery

Financial liabilities

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value, and in the case of loans and borrowings net of directly attributable transaction costs. These costs are taken into account when calculating the effective interest rate and are therefore recorded in the statement of total comprehensive income over the life of the borrowings using the amortised cost method.

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

2 Staff cost

The aggregate remuneration of the employees:

	Year ended 31 December 2018 £'000	Year ended 31 December 2017 £'000
Wages and salaries	2,070	2,069
Social security costs	228	237
Apprentice levy	8	6
Other pension costs		
Defined benefit plans	516	309
Defined contribution plans	34	38
Total staff costs	2,856	2,659

The average monthly number of employees

	2018 Number	2017 Number
Administration	6	7
Marketing	9	9
	15	16

No employees are directors of the Company.

3 Directors' remuneration

The Directors did not receive any fees or emoluments from the Company during the year (2017: £nil) directly attributable to their position within the Company. All Directors' fees or emoluments were paid by International Power Ltd, and the amount attributable to the qualifying services provided by the Directors to the Company is inconsequential to their other roles hence no remuneration is disclosed.

4 Auditor's remuneration

The auditor's remuneration in respect of the statutory audit for the years ended 31 December 2018 and 31 December 2017 was borne by International Power Ltd.

	Year ended 31 December 2018 £'000	Year ended 31 December 2017 £'000
Auditor's remuneration for the financial year:	8	8

There are no amounts payable to the Company's auditors for non-audit services (2017: £nil).

5 Interest receivable

	Year ended 31 December 2018 £'000	Year ended 31 December 2017 £'000
Interest receivable from ENGIE group undertakings	2	64
Total interest income	2	64

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

6 Taxation

a) Tax expense on profit

	Year ended 31 December 2018 £'000	Year ended 31 December 2017 £'000
Current tax:		
UK corporation tax	-	(10)
Prior year tax adjustment	13	-
Total current income tax credit/(charge)	13	(10)
Deferred tax:		
Reversal of temporary differences	-	(3)
Prior year tax adjustment	(12)	-
Total deferred tax charge	(12)	(3)
Total current tax credit/(charge)	1	(13)

b) Reconciliation of the total tax credit/(charge)

	Year ended 31 December 2018 £'000	Year ended 31 December 2017 £'000
Profit before taxation	2	65
Current tax charge at 19% (2017: 19.25%)	-	(13)
Prior year tax adjustment	1	-
Total current tax credit/(charge)	1	(13)

The applicable statutory tax rate for the period was 19%. The prior year applicable statutory tax rate was 19.25% and represents a weighted average rate based on 20% applicable for the three months to 31 March 2017 and 19% applicable from 1 April 2017.

Factors affecting future tax charges

The tax rate for the current year is lower than the prior year due to changes to the UK corporation tax rate which decreased from 20% to 19% from 1 April 2017.

Changes to the UK corporation tax rates were substantively enacted as part of the Finance Bill 2015 (on 26 October 2015) and the Finance Bill 2016 (on 7 September 2016). These include reductions to the main rate to reduce the rate from 19% from 1 April 2017 and 17% from 1 April 2020. This will reduce the Company's tax charges accordingly.

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

6 Taxation (continued)

c) Deferred tax

The deferred tax asset included in the statement of financial position is derived as follows:

	31 December 2018 £'000	31 December 2017 £'000
At beginning of year	12	15
Charged to the statement of total comprehensive income	(12)	(3)
At end of year	-	12

7 Debtors:

	31 December 2018 £'000	31 December 2017 £'000
Amounts owed by ENGIE group undertakings – current account	669	670
Intercompany corporation tax balance	10	-
	679	670

Amounts owed by 'ENGIE group undertakings – loan' are unsecured, subject to floating rates of interest plus a margin.

Included within 'ENGIE group undertakings – current account' are balances totalling £483,000 (2017:£455,000) which are subject to floating rates of interest plus a margin.

Included within 'ENGIE group undertakings – current account' are balances totalling £186,000 (2017:£215,000) which are interest free.

8 Creditors: Amounts falling due within one year

The following amounts are included in creditors falling due within one year:

	31 December 2018 £'000	31 December 2017 £'000
Intercompany corporation tax balance	-	34
Social security and PAYE	52	57
Pension	35	-
VAT	-	35
Accruals and deferred income	136	103
	223	229

Intercompany corporation tax balance represents amount receivable or payable to International Power Limited ("IPL") in respect of amounts claimed as group relief accumulated over a number of years. For administrative ease, IPL acts as a "clearing house" for group relief payments and receipts across some UK based companies of the ENGIE group and therefore the intercompany receivable or payable balance is with IPL rather than individual group companies.

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

9 Called-up share capital

	31-December-2018	31-December-2017
	£	£
Allotted, called-up and fully paid		
2 ordinary shares of £1 each	2	2

Ordinary shares rank pari passu with each other in respect of all rights, including dividend, voting and return of capital.

10 Dividends

The Directors do not recommend the payment of a dividend in respect of the year ended 31 December 2018 (2017: £5,628,000). The consideration for the dividend payment in the prior year was a loan receivable of £4,788,000 and cash of £840,000.

11 Employee benefits

Defined contribution schemes

The Company operates a defined contribution retirement benefit scheme for all qualifying employees. The total expense charge to profit or loss in the year ended 31 December 2018 was £34,000 (2017: £38,000).

Defined benefit schemes

The majority of pensions for the staff are funded through an industry-wide scheme, the Electricity Supply Pension Scheme ('ESPS'), which is a defined benefit scheme with assets invested in separate trustee administered funds. The ESPS is divided into sections. Certain employees of the Company are part of the First Hydro Company section of the ESPS.

The Company is a participating employer of the First Hydro Company section of the ESPS. As the Company is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis it accounts for the scheme as if it were a defined contribution scheme.

The amount charged to the Company's statement of total comprehensive income in respect of the accounting period was £516,000 (2017: £309,000).

During the year, First Hydro Company, paid contributions to the First Hydro section of the ESPS ('the Scheme') as advised by its actuary of £3,882,000 (2017: £10,986,000).

The Company expects to make contributions to the Scheme of approximately £300,000 during 2019.

The Company has provided the following disclosures, which are in respect of the Scheme.

The actuarial valuation of the Scheme at 31 March 2016 has been updated by independent qualified actuaries to take account of IAS 19 reporting requirements for assessing liabilities of the Scheme at 31 December 2018.

The amount of any funding deficit identified by the Scheme actuary is taken into account when determining the contributions by all employers participating in the Scheme. Following the 2016 funding valuation, the required future service contribution rate for the Company for the main section of the Scheme was 37% of pensionable pay.

First Hydro Company, the employer who sponsors the Scheme, has agreed to eliminate, through a recovery plan, the funding shortfall of the Scheme. In addition to the usual contributions to meet accruing benefits contributions of £1,337,500 were made during the year (2017: £8,783,000).

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

11 Employee benefits (continued)

Financial Assumptions Used to Determine Benefit Obligation:

	2018 (% p.a.)	2017 (% p.a.)
Discount rate	2.85	2.5
Rate of increase in salaries	3.7	3.7
Inflation	3.2	3.2
Rate of increases to pensions in payment	3.0	3.0
Rate of increase in deferred pensions	3.2	3.0

Scheme assets are stated at their market value at 31 December 2018:

	31 December 2018 £'000	31 December 2017 £'000
Equity instruments	71,871	71,743
Debt instruments	45,204	45,124
Real Estate	11,418	11,398
Other assets	23,862	23,819
Total market values of assets	152,355	152,084

The following amounts were measured in accordance with the requirements of IAS 19:

	31 December 2018 £'000	31 December 2017 £'000
Fair value of plan assets	152,355	152,084
Defined benefit obligation	(144,747)	(153,654)
Surplus/(Deficit) in the scheme	7,608	(1,570)
Related deferred tax (liability)/asset	(1,292)	267
Net pension surplus/(liability)	6,316	(1,303)

GMP Equalisation

The Directors have assessed the financial impact of equalising the cost under GMP equalisation and estimated that the amount of the one-off past service cost in this respect is not material to the financial statements. As such a charge has not been made in the financial statements at this point in time and an adjustment is expected to be posted in 2019 once a more accurate figure is calculated.

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

12 Related party disclosures

Transactions entered into, and balances outstanding at 31 December 2018 with related parties, are as follows:

	Year ended 31 December 2018 £'000	Year ended 31 December 2017 £'000
Rendering services		
Parent	2,641	2,433
Other related parties	240	251
	<u>2,881</u>	<u>2,684</u>

	Year ended 31 December 2018 £'000	Year ended 31 December 2017 £'000
Interest income		
Other related parties	-	64
	<u>-</u>	<u>64</u>

	31 December 2018 £'000	31 December 2017 £'000
Amounts owed by related parties		
Other related parties	679	670
	<u>679</u>	<u>670</u>

Other related parties comprise fellow subsidiaries of ENGIE S.A. not owned by the Company.

Terms and conditions of transactions and balances with related parties

Services rendered to related parties are provided at cost.

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

12 Related party disclosures (continued)

Loans between related parties are made on an arm's length basis. Outstanding balances with subsidiaries are unsecured. Terms and conditions for transactions with subsidiaries are the same, with the exception that balances are placed on intercompany accounts with no specified credit period. During the year ended 31 December 2018, the Company has not made any provision for doubtful debts relating to amounts owed by related parties (2017: nil).

13 Ultimate parent company

The immediate parent company of IPM Energy Limited is IP Karugamo Holdings (UK) Limited which is incorporated in the UK and owns 100% of the ordinary share capital. The immediate parent Company changed from Normantrail (UK Co.3) Limited to IP Karugamo Holdings (UK) Limited on 31 October 2017.

The Directors consider the Company's ultimate parent undertaking and controlling party to be ENGIE S.A. which was incorporated in France and is headquartered in Paris, France and which is the parent undertaking of the largest and smallest 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.

14 Subsequent events

There have been no significant events since the balance sheet date which should be considered for a proper understanding of these financial statements. The Company has no significant future developments to report.