

# **National Power Australia Investments Limited**

**Company No: 02782480**

**Annual report and financial statements**

**For the year ended 31 December 2017**

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**National Power Australia Investments Limited**  
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**Company No: 02782480**

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## Strategic report

The Directors present the Strategic report of National Power Australia Investments Limited (*the Company*) for the year ended 31 December 2017.

### Principal activities

The Company is an investment holding company.

### Business review and KPI's

The results of the Company are as follows:

	Year ended 31 December 2017 A\$'000	Year ended 31 December 2016 A\$'000
Profit for the financial year	1,343	1,017

As shown in the income statement on page 10, the profit for the year ended 31 December 2017 has increased in comparison to the prior year due to the reversal of impairment loss on amounts owed by ENGIE group undertakings, offset by lower interest receivable on ENGIE group undertakings.

The statement of financial position on page 11 of the financial statements shows the Company's financial position at year end of the current and preceding year. The net liabilities have decreased from A\$575,485,000 at 31 December 2016 to A\$574,142,000 at 31 December 2017 as a result of the profit for the financial 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

#### *Investments in group undertakings*

The Company holds a number of investments in subsidiary companies which include subsidiaries which hold investments in Hazelwood Power Partnership.

On 31 March 2017, the Hazelwood power generation business ceased operations. The Group is now focused on the closure and remediation phase of the Hazelwood business.

#### *Going concern*

The Company had net current liabilities of A\$605,932,000 as at 31 December 2017 (2016: A\$606,604,000). The ability of the Company to fulfil its financial obligations is therefore dependent on future profitability and cash flow. The Directors have considered the application of the going concern basis of accounting. In making this assessment the Directors have considered that IP (Australia) Investments Pty Ltd has confirmed that it will not give a redemption notice in respect of the A\$605,931,857 Redeemable Preference Shares for at least 12 months from the date of this report. Given the fact that the Company is a non-operating entity, there are no reasonable grounds on which to expect the Company to incur further liabilities in the future. The Directors, having assessed this fact and the response of the Directors of IP (Australia) Investments Pty Ltd to their enquiries, have no reason to believe that a material uncertainty exists that may cast significant doubt about the ability of the Company to continue as a going concern or its ability to fulfil its financial obligations. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

**Strategic report***Loans to group undertakings*

On 31 May 2017, the Company was assigned the benefit of a corporation tax receivable of A\$673,894 as part of a repayment of loan and interest receivable from European Power Holdings B.V. (*EPH BV*) and International Power Australia Holdings (1) Limited (*IPAH1*) (ENGIE group undertakings). The Company itself assigned corporate tax receivables to Australian Power Investments B.V. (*API BV*). The company forgave loans to API BV (in the amount of A\$2,203.96), EPH BV (in the amount of A\$44,471,308) and Australian Power Partners B.V. (*APP BV*) (in the amount of A\$178,954,295.66).

*Interest rate risk*

The Company has interest-bearing assets which are primarily loans advanced to ENGIE group undertakings. As at 31 December 2017 interest-bearing assets with a carrying value of A\$31,790,000 earned interest at a floating rate plus a margin (2016: A\$31,119,000). The Company does not have any interest-bearing liabilities. Although the rates of interest are variable and create volatility in earnings from period to period, the Directors have assessed this exposure as acceptable.

*Credit risk*

The Company's principal financial assets are amounts owed by ENGIE group undertakings. The Company's credit risk is primarily attributable to its amounts owed by ENGIE group undertakings. An allowance for impairment is made where these amounts are assessed as irrecoverable, based on a review of the liquidity position of the counterparty.

As at 31 December 2017, the Company has fully provided against amounts due from related parties that are its subsidiaries holding investments in Hazelwood Power Partnership.

**Employees**

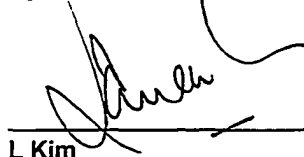
The Company had no employees (2016: none) and incurred no related costs during the financial year (2016: A\$nil).

**Events after the end of the reporting period and future developments**

There are no matters or circumstances occurring subsequent to the end of the financial year that have significantly affected, or may significantly affect, the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial years.

The company has no significant future developments to report.

**By order of the board**



L Kim  
Company Secretary  
13 August 2018

**Directors' report**

The Directors present their annual report and audited financial statements of National Power Australia Investments Limited for the year ended 31 December 2017.

**Information disclosed in the Strategic report**

The following information has been disclosed in the strategic report and forms part of this report by cross-reference:

- Principal activities
- Business review
- Principal risks and uncertainties, including going concern
- Employees
- Events after the end of the reporting period and future developments

**Financial risk management objectives and policies**

Please refer to the Strategic report where these have been disclosed.

**Going concern**

The Company had net current liabilities of A\$605,932,000 as at 31 December 2017 (2016: A\$606,604,000). The ability of the Company to fulfil its financial obligations is therefore dependent on future profitability and cash flow. The Directors have considered the application of the going concern basis of accounting. In making this assessment the Directors have considered that IP (Australia) Investments Pty Ltd has confirmed that it will not give a redemption notice in respect of the A\$605,931,857 Redeemable Preference Shares for at least 12 months from the date of this report. Given the fact that the Company is a non-operating entity, there are no reasonable grounds on which to expect the Company to incur further liabilities in the future. The Directors, having assessed this fact and the response of the Directors of IP (Australia) Investments Pty Ltd to their enquiries, have no reason to believe that a material uncertainty exists that may cast significant doubt about the ability of the Company to continue as a going concern or its ability to fulfil its financial obligations. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

**Directors**

The Directors who held office during the financial year and to the date of this report were as follows:

<b>Name</b>	<b>Position held in the Company</b>	<b>Date appointed</b>	<b>Date resigned</b>
A J Keisser	Chairman	31 October 2014	1 July 2017
M Omura	Director	23 January 2015	
M Donaldson	Chairman	1 July 2017	14 February 2018
M Gantois	Chairman	14 February 2018	8 June 2018
C Wishart	Chairman	8 June 2018	

**Political donations**

The Company did not make any political donations during the year (2016: A\$nil).

**Share capital**

The Company's share capital comprises 2 ordinary shares of £1 each and 605,931,857 preference shares of A\$1 each (2016: 2 ordinary shares of £1 each and 605,931,857 preference shares of A\$1). The ordinary shares and preference shares rank pari passu with each other in respect of all rights, including dividend, voting and return of capital. The preference shares may be redeemed either at the option of the Company or the shareholders. Redemption of the preference shares is affected by the holder giving to the Company or, as the case may be, the Company giving the holder not less than four weeks' notice (a redemption notice). The preference shares are non-interest bearing.

**Directors' report**

**Disclosure of information to 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 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*.

**Directors' indemnities**

The Company has made qualifying third party indemnity provisions for the benefit of its Directors which were made during the year and remain in force at the date of this report.

**Directors' and officers' liability insurance**

ENGIE S.A. has implemented global insurance arrangements covering the Company's directors and officers against legal liabilities that arise from their position as directors or officers of the Company.

In addition, a local policy has been procured for International Power (Australia) Holdings Pty Ltd and its subsidiaries which cover the Company's directors and officers against similar liabilities.

The terms of the contracts of insurance prohibit the disclosure of the nature of the liabilities insured against and the amount of the premium.

**Dividends**

The Directors do not recommend the payment of a dividend in respect of the year ended 31 December 2017 (2016: A\$nil).

**Auditor**

Deloitte LLP was appointed as the Company's statutory auditor for the year ended 31 December 2017.

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

**By order of the Board**

A handwritten signature in black ink, appearing to read 'M Omura', with a large, stylized loop at the end.

**M Omura  
Director  
13 August 2018**

**Directors' responsibilities statement**

The Directors are responsible for preparing the Annual Report and the Financial Statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law 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 *Reduced Disclosure Framework*.

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 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 National Power Australia Investments Limited**

**Report on the audit of the financial statements**

**Opinion**

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of National Power Australia Investments Limited (the 'company') which comprise:

- the profit and loss account;
- the balance sheet;
- the statement of changes in equity; and
- the related notes 1 to 13.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

**Basis for opinion**

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

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

**Conclusions relating to going concern**

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

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

We have nothing to report in respect of these matters.

**Other information**

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



**Independent auditor's report to the members of National Power Australia Investments Limited**

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

We have nothing to report in respect of these matters.

**Responsibilities of directors**

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

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

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

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://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.

**Report on other legal and regulatory requirements**

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

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

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

**Independent auditor's report to the members of National Power Australia Investments Limited**

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

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

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

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

We have nothing to report in respect of these matters.



Makhan Chahal ACA (Senior statutory auditor)  
For and on behalf of Deloitte LLP  
Statutory Auditor  
London, UK  
13 August 2018

## Income statement

For the year ended 31 December 2017

		Year ended 31 December 2017 A\$'000	Year ended 31 December 2016 A\$'000
	Note		
Reversal of impairment loss on amounts owed by ENGIE group undertakings		440	-
Waiver of amounts owed by ENGIE group undertakings		(2)	-
<b>Profit before interest and tax</b>		<b>438</b>	<b>-</b>
Interest receivable and similar income	4	905	1,017
<b>Profit before taxation</b>		<b>1,343</b>	<b>1,017</b>
Tax charge on profit	5	-	-
<b>Profit for the financial year</b>		<b>1,343</b>	<b>1,017</b>

All results are from continuing operations.

There is no other comprehensive income attributable to the shareholder of the Company (2016: nil).

The notes on pages 14 to 23 form part of these financial statements.

**National Power Australia Investments Limited**

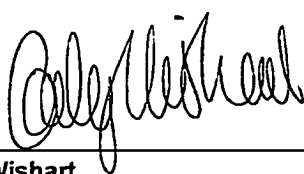
Company No: 02782480

**Statement of financial position****As at 31 December 2017**

	Note	As at 31 December 2017 A\$'000	As at 31 December 2016 A\$'000
<b>Fixed assets</b>			
Investments	6	-	-
		-	-
<b>Non-current assets</b>			
Debtors	7	31,790	31,119
		31,790	31,119
<b>Creditors: amounts falling due within one year</b>	8	(605,932)	(606,604)
<b>Net current liabilities</b>		(605,932)	(606,604)
<b>Total assets less current liabilities</b>		(574,142)	(575,485)
<b>Net assets</b>		(574,142)	(575,485)
<b>Capital and reserves</b>			
Called-up share capital	9	-	-
Retained loss		(574,142)	(575,485)
<b>Equity shareholder's funds</b>		(574,142)	(575,485)

The notes on pages 14 to 23 form part of these financial statements.

These financial statements were approved and authorised for issue by the Board of Directors on 13 August 2018 and signed on its behalf by:



**C Wishart**  
**Director**

## Statement of changes in equity

For the year ended 31 December 2017

	Called-up share capital A\$'000	Retained loss A\$'000	Total A\$'000
Equity shareholder's funds at 1 January 2016	-	(576,502)	(576,502)
Profit for the financial year	-	1,017	1,017
Equity shareholder's funds at 31 December 2016	-	(575,485)	(575,485)
Equity shareholder's funds at 1 January 2017	-	(575,485)	(575,485)
Profit for the financial year	-	1,343	1,343
Equity shareholder's funds at 31 December 2017	-	(574,142)	(574,142)

The notes on pages 14 to 23 form part of these financial statements.

**National Power Australia Investments Limited**

Company No: 02782480

**Statement of cash flows****For the year ended 31 December 2017**

		Year ended 31 December 2017 A\$'000	Year ended 31 December 2016 A\$'000
	Note		
Cash flows from operating activities			
Net cash from operating activities		-	-
Cash flows from investing activities			
Net cash used in investing activities		-	-
Cash flows from financing activities			
Net cash used in financing activities		-	-
Net increase/(decrease) in cash held		-	-
Cash and cash equivalents - 1 January		-	-
Cash and cash equivalents - 31 December		-	-

Note: The Company does not operate banking facilities.

The notes on pages 14 to 23 form part of these financial statements.

## Notes to the financial statements

For the year ended 31 December 2017

## General information

National Power Australia Investments Limited (*the Company*) is a private limited company incorporated in England and Wales and domiciled in Australia. The Company is 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 2 to 3.

**1 Accounting policies**

The following accounting policies have been applied consistently 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. Accordingly, the financial statements have been prepared in accordance with FRS 101 *Reduced Disclosure Framework* and in accordance with applicable accounting standards. These financial statements have also been prepared on the going concern basis, and under the historical cost convention.

The Company had net current liabilities of A\$605,932,000 as at 31 December 2017 (2016: A\$606,604,000). The ability of the Company to fulfil its financial obligations is therefore dependent on future profitability and cash flow. The Directors have considered the application of the going concern basis of accounting. In making this assessment the Directors have considered that IP (Australia) Investments Pty Ltd has confirmed that it will not give a redemption notice in respect of the A\$605,931,857 Redeemable Preference Shares for at least 12 months from the date of this report. Given the fact that the Company is a non-operating entity, there are no reasonable grounds on which to expect the Company to incur further liabilities in the future. The Directors, having assessed this fact and the response of the Directors of IP (Australia) Investments Pty Ltd to their enquiries, have no reason to believe that a material uncertainty exists that may cast significant doubt about the ability of the Company to continue as a going concern or its ability to fulfil its financial obligations. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

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

- (a) Financial instruments as required by IFRS 7 *Financial Instruments, Disclosures*;
- (b) the requirement in paragraph 38 of IAS 1 *Presentation of Financial Statements* to present comparative information in respect of paragraph 79(a)(iv) of IAS 1 (a reconciliation of the number of shares outstanding at the beginning and at the end of the period);
- (c) the following paragraphs of IAS 1:
  - i. 16 (the requirement to make an explicit and unreserved statement of compliance with IFRSs),
  - ii. 38B-D (the requirement to disclose comparative information for narrative disclosures information going beyond the requirements of IFRSs additional comparative information),
  - iii. 40A-D (the requirement to present a third statement of financial position), and
  - iv. 134 to 136 (the requirement to disclose the entity's objectives, policies and processes for managing capital);
- (d) 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;
- (e) the requirements of paragraph 17 and 18A of IAS 24 *Related Party Disclosures* to disclose key management personnel compensation; and

**Notes to the financial statements****For the year ended 31 December 2017****(a) Basis of preparation (continued)**

- (f) 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.

Where relevant, equivalent disclosures have been given in the group accounts of ENGIE S.A.. The group accounts of ENGIE S.A. are available to the public and can be obtained as set out in note 11.

The Company is a wholly owned subsidiary of International Power Australia Holdings (1) Limited and of its ultimate parent, ENGIE S.A.. It is included in the consolidated financial statements of ENGIE S.A. which are publicly available. Therefore, under Section 400 of the *Companies Act 2006* and paragraph 4(a) of IFRS 10 *Consolidated Financial Statements*, the Company is exempt from the requirement to prepare consolidated financial statements. Consequently, these financial statements present information about the Company as an individual undertaking and not its group.

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

***New standards, interpretations and amendments adopted by the Company***

The Company has not early adopted any standard, interpretations or amendment that has been issued but is not for an accounting period that begins on or after 1 January 2017.

The Company has applied a number of amendments to IFRSs and new Interpretations issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2017. These comprise:

- Amendments to IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation,
- Amendments to IAS 1 Disclosure Initiative,
- Amendments to IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception, and
- The Annual Improvements 2012-2014 cycle.

Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

**(b) Foreign currencies**

Foreign currency transactions are recorded in the functional currency at the exchange rates prevailing on the date 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 profit and loss account 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.

**(c) Dividend income**

Dividend income is recognised in the income statement when the Company's right to receive payment is established.



**Notes to the financial statements****For the year ended 31 December 2017****(d) 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.

**(e) Taxation**

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.

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.

**(f) Fixed asset investments**

Fixed asset investments are stated at cost less provision for any impairment. At each reporting date, the Company assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, the Company makes a formal estimate of the asset's recoverable amount (greater of fair value less cost to sell and value in use). Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

**(g) Amounts owed by group undertakings**

Amounts owed by group undertakings are carried at amortised cost using the effective interest method less allowances for estimated impairment.

**(h) Financial instruments**

Financial assets and financial liabilities are recognised in the Company's statement of financial position when the Company becomes a party to the contractual provisions of the instrument.

***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, and trade and other debtors.

**Notes to the financial statements**

**For the year ended 31 December 2017**

**(h) Financial instruments (continued)**

*Loans and receivables at amortised cost (continued)*

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.

On initial recognition, trade and other debtors are recorded at fair value, which generally corresponds to their nominal value.

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.

Financial liabilities include borrowings, amounts owed to ENGIE group undertakings, trade and other creditors, derivative financial instruments and other financial liabilities.

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 income statement over the life of the borrowings using the amortised cost method.

**(i) Critical accounting estimates and judgements**

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

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

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

- the recoverable amount of investments
- recoverability of debtors

*Recoverable amount of investments*

Determining whether the Company's investments in its subsidiaries have been impaired requires estimation of the investments' value in use. The value in use calculation requires the Company to estimate the future cash flows expected to be generated from the investees and a suitable discount rate in order to calculate present values. The carrying amount of the investments at the reporting date was A\$nil. No impairment loss was recognised during the year.

## Notes to the financial statements

For the year ended 31 December 2017

## (i) Critical accounting estimates and judgements (continued)

*Recoverability of debtors*

Management regularly assesses whether there is objective evidence that an impairment loss on debtors has been incurred. The Company's risk management procedures include an assessment of risk – in particular counterparty risk – in the measurement of its financial instruments.

## (j) Going concern

The Company had net current liabilities of A\$605,932,000 as at 31 December 2017 (2016: A\$606,604,000). The ability of the Company to fulfil its financial obligations is therefore dependent on future profitability and cash flow. The Directors have considered the application of the going concern basis of accounting. In making this assessment the Directors have considered that IP (Australia) Investments Pty Ltd has confirmed that it will not give a redemption notice in respect of the A\$605,931,857 Redeemable Preference Shares for at least 12 months from the date of this report. Given the fact that the Company is a non-operating entity, there are no reasonable grounds on which to expect the Company to incur further liabilities in the future. The Directors, having assessed this fact and the response of the Directors of IP (Australia) Investments Pty Ltd to their enquiries, have no reason to believe that a material uncertainty exists that may cast significant doubt about the ability of the Company to continue as a going concern or its ability to fulfil its financial obligations. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

**2 Directors' and employees' remuneration**

The Directors did not receive any fees or emoluments from the Company during the year (2016: A\$nil) directly attributable to their position within the Company. There exist no qualifying services from Directors attributable to the company and Director fees are paid by other entities in their management of the group as a whole (of which nil is applicable to this entity).

The Company had no employees during this financial year (2016: none).

**3 Auditor's remuneration**

The auditor's remuneration in respect of the statutory audit for the year ended 31 December 2017 and 31 December 2016 was borne by International Power (Australia) Pty Limited.

The auditor's remuneration was as follows:

	Year ended 31 December 2017 A\$'000	Year ended 31 December 2016 A\$'000
Auditor's remuneration for the year	8	8

**4 Interest receivable and similar income**

	Year ended 31 December 2017 A\$'000	Year ended 31 December 2016 A\$'000
Interest receivable from ENGIE group undertakings	905	1,017

ENGIE group undertakings are subsidiaries of ENGIE S.A..

## Notes to the financial statements

For the year ended 31 December 2017

## 5 Tax charge on profit

	Year ended 31 December 2017 A\$'000	Year ended 31 December 2016 \$'000
Reconciliation of the total tax charge		
Profit before tax	1,343	1,017
Current tax charge at 30% (2016: 30%)	(403)	(305)
Derecognition of Australian income tax liability	403	305
<b>Total tax</b>	<b>-</b>	<b>-</b>

Derecognition of Australian income tax liability relates to the contractual agreement for all Australian tax credits and charges recognised by National Power Australia Investments Limited to be settled within the group with no consideration due.

## 6 Investments

At 31 December 2017 and 31 December 2016, the Company had the following directly held subsidiaries:

Name	Address of registered office and business address	Type of shares	Ownership
Hazelwood Power Partnership	Level 33, Rialto South Tower, 525 Collins Street, Melbourne, Victoria 3000 Australia.	Partners' capital	71.94%
Australia Power Partners BV	Level 33, Rialto South Tower, 525 Collins Street, Melbourne, Victoria 3000 Australia.	Ordinary shares	100%
European Power Holdings BV	Level 33, Rialto South Tower, 525 Collins Street, Melbourne, Victoria 3000 Australia.	Ordinary shares	100%

In addition to the above direct investments, the Company has an indirect interest of 50% in Australia Power Partners BV which has a 20% interest in the Partnership.

1. 20% interest in Hazelwood Power Partnership out of a total 71.94% is held indirectly
2. 50% interest in Australia Power Partners BV out of a total 100% is held indirectly

## Notes to the financial statements

For the year ended 31 December 2017

## 6 Investments (continued)

At 31 December 2017 and 31 December 2016, the Company had the following indirectly held investments:

Name	Address of registered office and business address	Type of shares	Ownership
Hazelwood Power Corporation Pty Ltd	Level 33, Rialto South Tower, 525 Collins Street, Melbourne, Victoria 3000 Australia.	Ordinary shares	71.94%
Australian Power Investments BV	Level 33, Rialto South Tower, 525 Collins Street, Melbourne, Victoria 3000 Australia.	Ordinary shares	100%

	Subsidiary undertakings A\$'000
<b>Cost</b>	
At 31 December 2016 and at 31 December 2017	<u>737,360</u>
<b>Impairment</b>	
At 31 December 2016	(737,360)
Impairment loss	-
At 31 December 2017	<u>(737,360)</u>
<b>Net book value</b>	
At 31 December 2017	<u>-</u>
At 31 December 2016	<u>-</u>

## 7 Debtors

	As at 31 December 2017 A\$'000	As at 31 December 2016 A\$'000
<b>Amounts owed by ENGIE group undertakings:</b>		
Interest	1,792	1,795
Loan <sup>(i)</sup>	<u>250,933</u>	<u>250,699</u>
	252,725	252,494
 Provision for impairment of amounts owed by ENGIE group undertakings	 (220,935)	 (221,375)
<b>Net debtors: amounts falling due after one year</b>	<u><b>31,790</b></u>	<u><b>31,119</b></u>

ENGIE group undertakings are subsidiaries of ENGIE S.A.

- (i) Loans are unsecured, either interest free and repayable on demand or are subject to floating rates of interest plus a margin and repayable on 1 October 2018. Within amounts owed from ENGIE group undertakings falling due after one year, interest free loans comprise of A\$nil (2016: A\$nil).

## Notes to the financial statements

For the year ended 31 December 2017

## 8 Creditors: amounts falling due within one year

	As at 31 December 2017 A\$'000	As at 31 December 2016 A\$'000
UK Corporation tax payable to ENGIE group undertakings	-	672
Preference shares	605,932	605,932
	<b>605,932</b>	<b>606,604</b>

Redemption of the preference shares is affected by the holder giving to the Company or, as the case may be, the Company giving the holder not less than four weeks' notice (a redemption notice). The preference shares are non-interest bearing.

## 9 Called-up share capital

	As at 31 December 2017 A\$'000	As at 31 December 2016 A\$'000
<b>Issued and called-up share capital:</b>		
2 ordinary shares of £1.00 each		
(2016: 2 shares of £1.00 each)	-	-

The share capital represents the Ordinary Shares in the Company issued at par which carry a right to participate in the distribution of dividends or capital of the Company.

Ordinary shares rank equally between each other with regard to voting rights, the right to receive dividends and also in a distribution of assets on the winding up of the Company.

## 10 Related party disclosure

As at 31 December 2017 and 31 December 2016, the Company and its parent, International Power Australia Holdings (1) Limited, were wholly owned subsidiaries of International Power (Australia) Holdings Pty Limited. The Company has taken advantage of the exemption under paragraph 8(k) of FRS 101 and has therefore not disclosed transactions with wholly owned subsidiaries of International Power (Australia) Holdings Pty Limited. There are no transactions with related parties that are not wholly owned by International Power (Australia) Holdings Pty Limited.

The balances outstanding with related parties are as follows:

	As at 31 December 2017 A\$'000	As at 31 December 2016 A\$'000
<b>Amounts owed by related parties</b>		
Parent	31,790	31,119

The loan to International Power Australia Holdings (1) Limited was made on an arm's length basis. All other related party loans are interest free as per Note 7.

**Notes to the financial statements**

**For the year ended 31 December 2017**

**11 Controlling party and ultimate parent undertaking**

The Company's immediate parent undertaking is International Power Australia Holdings (1) Limited, the registered address of which is Level 20, 25 Canada Square, London E14 5LQ, United Kingdom.

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 group in which the results of the Company are consolidated for the year ended 31 December 2017 and the year ended 31 December 2016. 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.

The smallest group in which the results of the Company were consolidated for the year ended 31 December 2017 and the year ended 31 December 2016 was that headed by International Power (Australia) Holdings Pty Limited incorporated in Australia. The consolidated financial statements of International Power (Australia) Holdings Pty Limited for the year ended 31 December 2017 may be obtained from its registered office by calling or writing to Level 33, Rialto South Tower, 525 Collins Street, Melbourne, Victoria 3000.

**12 Subsequent events**

There are no matters or circumstances occurring subsequent to the end of the financial year that have significantly affected, or may significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial years.

**Notes to the financial statements****For the year ended 31 December 2017****13 Contingent liabilities***Hazelwood mine fire*

The Hazelwood coal mine was impacted by a fire which broke out in a number of locations on 9 February 2014 as a consequence of spotting from adjacent bushfire activity. The fire took hold in the mine and took approximately 45 days to be brought under control. Hazelwood worked with authorities including the Country Fire Authority (CFA) and Metropolitan Fire Brigade (MFB) to extinguish the fire.

A Board of Inquiry in relation to the mine fire, chaired by the Hon. Justice Bernard Teague, was established by the Victorian Government on 21 March 2014, and a further Board of Inquiry process commenced on 26 May 2015 in relation to (amongst other matters) potential health impacts of the mine fire and future operations for rehabilitating mines in the Latrobe Valley. The Boards of Inquiry presented reports to the Governor of Victoria on 29 August 2014, 31 August 2015, 2 December 2015, 29 January 2016 and 7 April 2016.

The reports made a number of recommendations concerning Hazelwood, Victorian State Government agencies, the CFA and MFB in respect of a diverse range of issues including fire preparedness and response, inter-agency cooperation, communications with the community, mine rehabilitation and public health. In addition, the Board affirmed a range of actions which various parties had committed to undertaking throughout the course of the Inquiries. The various affirmations and recommendations attributable to Hazelwood are either completed or ongoing / progressing satisfactorily. Progress on the implementation of these affirmations and recommendations is formally reported in an annual report prepared by the Hazelwood Mine Fire Inquiry Implementation Monitor / Inspector-General for Emergency Management.

On 4 February 2016, WorkSafe Victoria commenced prosecution proceedings against Hazelwood for alleged breaches of the Occupational Health and Safety Act 2004 (Vic) in relation to the mine fire. This trial is scheduled to commence in August 2018. On 15 March 2016, Environment Protection Authority Victoria commenced proceedings against Hazelwood for alleged breaches of the Environment Protection Act 1970 (Vic) in relation to the mine fire. This trial is scheduled to commence in April 2019. The Group intends to vigorously defend the charges. In the event that the charges are proven, the liability applicable and any other associated costs will be determined with reference to the Occupational Health and Safety Act 2004 (Vic) and the Environment Protection Act 1970 (Vic) and any other relevant legislation.