

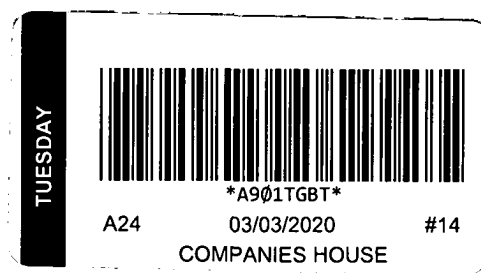


ENGIE Power Limited

Registered Number: 04236804

Reports and Financial Statements

31 December 2018



Directors

K A Dibble
N E A Lovett
R J Wells

Secretary

S J Gregory

Auditor

Ernst & Young LLP
20 Chapel Street
Liverpool
L3 9AG

Bankers

Barclays Bank PLC
50 Pall Mall
London
SW1A 1QF

Registered Office

No 1 Leeds.
26 Whitehall Road
Leeds
LS12 1BE

Directors' Report

The directors present their report and the company financial statements for the year ended 31 December 2018.

Principal Activities

The principal activities of the company are the trading and marketing of electricity to and from industrial, commercial, small business and domestic customers.

Future Developments

The business is planning to maintain and where possible expand its offerings to its long-standing business supply customers. The Company has, however, taken the decision in January 2020 to sell its UK residential gas and electricity supply business to Octopus Energy Limited and as such will no longer be active in this market place.

The directors do not feel that the financial position of the business will be materially affected by the decision to sell its UK residential gas and electricity supply business. Total Revenue generated from the Home Energy portion of the business offering constituted £65.3 million and £86.5 million in the year ended 31 December 2018 and 2019 respectively.

Results and Dividends

The results for the year, after taxation, amounted to a loss of £10,716,000 (2017 profit: £8,326,000). Of this, all is attributable to the members of the company.

The company has seen a significant increase in sales revenue both in terms of its traditional Industrial & Commercial offering but also from the continued development of both its "Small and Medium Sized Enterprises" (SME's). Revenues in the period have increased 14.8% in the year to over £1.1 billion.

The increase in revenue has resulted in a slight decrease in the gross reported margin to 2.6% compared to 4.1% in 2017, with an adjusted gross margin (excluding any fair value gain or loss on commodity contracts) of 3.2% showing a reduction of 0.8% in the adjusted gross margin compared to 4.0% reported in 2017. See page 7 for the reconciliation of adjusted gross margin

Dividends are recognised in the accounts in the year in which they are paid and approved, or in the case of a final dividend when approved by the shareholders. There were no dividends declared or paid in the year ended 31 December 2018 (2017: £4,000,000).

Post Balance Sheet Events

On the 20 January 2020, ENGIE Power Limited announced the sale of its UK residential gas and electricity energy supply business to Octopus Energy Limited, for an undisclosed consideration. Under the terms of the agreement, ENGIE Power Limited's 70,000 UK residential energy customers' supply will transfer to Octopus Energy Limited. ENGIE Power Limited's portfolio of business energy customers and district supply operations throughout the UK will not be impacted by this sale.

The decision to exit the UK residential energy supply market is driven by the wider ENGIE group's focus on activities closely aligned to the strategy of making zero carbon happen for businesses and local authorities.

In light of this decision, the Directors have been required to perform an impairment review on a number of the intangible assets specifically held in relation to the UK residential energy supply part of the business. Following the review the Directors have impaired the intangible assets by £810,000.

Directors' Report (continued)

Going Concern

The directors have considered the going concern basis and concluded that it is appropriate. In performing this assessment, the directors have considered the forecasts for the company alongside sensitivity analysis, the financial support from the Parent entity, together with the balance sheet of the company which includes cash held in an intercompany account of £123,475,000. The directors have also considered the current net current liability position of the business and feel that despite this, the continued financial and strategic support of its parent company will underpin its longer term success. The directors feel that long terms prospects for the business remain strong, demonstrated by the total net asset position of the business of £9,393,000.

Directors

The directors who served during the year ended 31 December 2018 and subsequently were:

S D Pinnell	(Resigned 10 January 2018)
P E Rawson	(Resigned 9 January 2018)
K A Dibble	(Appointed 1 January 2018)
N E A Lovett	(Appointed 1 January 2018)
R J Wells	(Appointed 1 January 2018)
C Macpherson	(Appointed 1 May 2019, Resigned 20 January 2020)

Directors' and Officers' Liability Insurance

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, 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 is itself unable to provide an indemnity by virtue of Section 232 of the Companies Act 2006. These arrangements were in place in the previous financial year

Employees

The company operates a framework for employee information and consultation which complies with the requirements of the information and Consultation of Employee Regulations 2004. The company places considerable value on the involvement of its employees and has continued its previous practice of ensuring effective two-way communication on matters affecting them as employees, and on various factors affecting the performance of the company. This is achieved through both formal and informal meetings, together with a regular newsletter and information on the company intranet. The Employee Works Council met regularly during the year. These arrangements were in place in the previous financial year.

Disabled Employees

Applications for employment by disabled persons are always fully considered, bearing in mind the respective aptitudes and abilities of the applicants concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the company continues and that appropriate training is arranged. It is the policy of the company that the training, career development and promotion of disabled persons should, as far as possible, be identical with that of other employees.

Directors' Report (continued)

Financial Instruments

The company finances its activities using its own working capital. Intercompany overdrafts are used to satisfy short term cash flow requirements. Other financial assets and liabilities, such as trade debtors and trade creditors, arise directly from the company's operating activities. The company also enters into derivative energy transactions. The purpose is to manage the energy market price risk arising from the company's energy purchasing for its Customer base (2017 – the same applies).

Environmental Policy

The company is committed to reducing its impact on the environment. As part of this commitment the company actively promotes and encourages energy efficiency and recycling wherever possible.

Auditor

Ernst & Young LLP will be deemed to be reappointed and Ernst & Young LLP will therefore continue in office.

Directors' statement as to disclosure of information to the auditor

The directors who were members of the board at the time of approving the directors' report are listed on page 2.

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself 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 s418 of the Companies Act 2006.

By order of the Board,



R J Wells

Director

2nd March 2020

Directors' Responsibilities Statement

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 the directors have elected to prepare the financial statements in accordance with Financial Reporting Standard 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 accounting estimates that are reasonable and prudent;
- state whether Financial Reporting Standard 101 Reduced Disclosure Framework has 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 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.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Strategic Report

The directors present their Strategic Report for the year ended 31 December 2018.

Business Review

ENGIE Power Limited activities are trading and marketing of electricity to and from industrial, commercial, small business and domestic customers.

The business aims to operate a friendly, customer-focused service, with a transparent approach to building commercial relationships that last. The business offers a portfolio of energy products suitable for all businesses, large and small. In addition to supplying energy, ENGIE Power Limited is a market leader in demand-side services and a growing provider of export contracts and Power Purchase Agreements (PPAs).

	Units	2018	2017	Movement
Turnover	£'000	1,107,272	964,668	14.8%
Reported Gross Margin	£'000	29,107	39,550	(26.4%)
Reported Gross Margin Percentage	%	2.6	4.1	
Headcount	X1	308	265	16.2%

The company has seen a significant increase in revenue in the year. During the 12 months ending 31 December 2018 the company generated revenues of £1.11 billion, an increase of 14.8% on the reported revenue of £964.7 million in the year ended 31 December 2017.

During the same period the company generated a gross margin percentage of 2.6%, a decrease of 1.5% from the reported gross margin in 2017 of 4.1%. However, this margin is slightly distorted by movements on the valuations of the company's contracts to purchase and supply power - adjusting for the loss in 2018 and the gain in 2017 on such contracts, the "underlying" gross margin has decreased by only 0.8% to 3.2% in 2018, compared to 4.0% in the prior period. As shown in the table below;

	Units	2018	2017
Turnover	£'000	1,107,272	964,668
Reported Gross Margin	£'000	29,107	39,550
Movement on fair value	£'000	5,969	(914)
Adjusted Gross Margin	£'000	35,076	38,636
Adjusted Gross Margin percentage	%	3.2	4.0

Growth in Revenue

The growth in revenue seen in the period can be attributed to a combination of steady growth in four main areas of the business: - "Industrial and Commercial Customers", Small and Medium Sized Businesses (SME's), Export Customers and Domestic customers.

Strategic Report (continued)

Business Review (continued)

Change in Market Conditions – Use of Energy Brokers

During the year the company has seen a change in the market place with regards to the use of Energy Brokers to obtain new customers. Historically the company has used Energy Brokers to act as a way of finding new customers and maintaining existing customer contracts. As part of this business model the company has traditionally made an upfront payment to these brokers for each new customer contract. The upfront payment is held on the balance sheet and then un-wound over the life of the customer contract to which it relates. The balances are reviewed periodically to ensure their recoverability – and where the balances are deemed as not recoverable the amount will be reviewed for an impairment and any expenses recognised through the Profit and loss account.

In January 2019 – the company was made aware that one of its major energy brokers was in financial difficulty with the affect that it went into administration shortly afterwards. The Directors have reviewed the recovery risk of all balances due from energy brokers (both for corporate and domestic contracts) at the balance sheet date and the company has recognised an expense of £10.5 million as a result, the majority of this expense relates to the broker in administration.

In the event that this review had not been required to be undertaken by the business the adjusted gross margin (including adjusting for the impact on margin from the fair valuation movement of energy purchase and supply contracts) would have been £45.6 million with a reportable adjusted gross margin of 4.1% - thereby showing a slight increase in underlying profitability of 0.1%.

Reported Net Profit

Despite the strong growth in revenue, the company has seen a decline in both the reported gross margin and the underlying net profit margin. The net margin has decreased in the year on the back of an overall increase in its administration expenses by £11.9 million. Total administration expenses have increased from £29.2 million in 2017 to £41.0 million in 2018. However a significant proportion of this movement can be explained by a number of one-off events which have impacted the overall profitability of the company.

1. Growth in the Business

In the 12 months ended 31 December 2018 the company has seen significant growth in the business both in terms of revenue generation but also the infrastructure required to grow the business. In the past 12 months the business has invested in both its IT infrastructure and in the volume staff resources within the business in offer to provide a more agile customer service offering.

The impact of this has been that the company has capitalised over £3.9 million worth of capital expenditure in the past 12 months – this in addition to the significant amount capitalised in the last 6 months of 2017 has had an associated impact on the amortisation expense witnessed in the last 12 months – overall the business has incurred a total of £4.5 million in 2018 compared to only £2.8 million in the prior period.

In addition to the investment in capital expenditure the business has also seen a large increase in the average number of people employed by the business in the year – increasing from 265 staff in 2017 compared to 308 staff at the end of December 2018. The impact to the cost base of the business has been to increase the total staff costs by in excess of £1.0 million.

2. Increase in stock recognised as an expense (ROCs)

As part of the company's on-going activities the business will enter into a number of purchase contracts that are eligible for Renewable Obligation Certificates (ROC's). Any obligation that is not met by these contracts will be deemed as an expense through the Profit and Loss account – during 2018 the company has entered into fewer contracts that have given rise to ROC's giving rise to the increase in expense in the year of £2.5 million.

Strategic report (continued)

Business Review (continued)

3. Increase in impairment losses associated with trade debtors

In line with the large increase in revenue the company has also seen an increase in the bad debt expense that it has incurred in the period. During the year the company has incurred a total expense in relation to bad debts of £11.5 million compared to £6.3 million. This increase has mainly been due to the overall increase in revenue seen during the year which has inevitably exposed the company to a greater level of "riskier" customers – which has increased the company's bad debt provision in the year.

4. Impairment of Software.

Following the year end the company has undertaken a review of its long-term strategy along with the carrying value of the associated software that the company has capitalised over the past 3 years. As a result of this review the company believes that there has been a reduction in the perceived long-term value it can derive from its Domestic offering. As such the company has written down the carrying value of some of its IT software by £810,000 to what it perceives is a balance more aligned to its current economic value.

As indicated by the strong growth in revenue in the year, detailed above, the portfolio of electricity customers remains strong and provides a firm foundation for the forthcoming year.

The net assets of the company at the end of 2018 were £9,393,000 (2017: net assets of £20,109,000).

Future Developments

Based on the results achieved this year, the directors are confident that the future prospects of the company remain good.

The business is constantly developing the services and products to meet the changing needs of our customers and the evolving energy environment. To this extent, on the 20 January 2020, ENGIE Power Limited announced the sale of its UK residential gas and electricity energy supply business to Octopus Energy Limited, for an undisclosed consideration.

The company's portfolio of business energy customers and district supply operations throughout the UK will not be impacted by this sale. The decision to exit the UK residential energy supply market is driven by the wider ENGIE groups focus on activities closely aligned to the strategy of making zero carbon happen for businesses and local authorities.

Principal Risks and Uncertainties

The key risks are energy price volatility, credit risk, non-performance of information systems, political or regulatory change, reputation risk, business disruption, failing to attract, retain and motivate staff, project risk and non-compliance.

Exposure to energy price risk is minimised by restricting quotation validity to limited underlying market price movements and by hedging sales with purchases at the point of contract acceptance. Electricity forward contracts are used to fix the price of future physical flows and thus provide greater certainty on future revenues and costs.

Strategic report (continued)

Principal Risks and Uncertainties (continued)

The company's credit risk is attributable to its trade debtors, accrued income and derivatives. The risk is controlled by review of customer creditworthiness and is mitigated through the use of credit insurance, customer prepayments, letters of credit and customer deposits.

The impact of systems failure is mitigated by ensuring system and application requirements are approved and managed in an appropriate manner and maintaining a disaster recovery solution. The ENGIE group's Regulatory Affairs team monitor and provide active participation in consultation on legislative changes within the industry and the company ensures compliance with all relevant legislation.

The company has a business continuity plan ready to be implemented in response to a critical business event.

The company has defined process relating to recruitment, selection and appraisal and seeks to invest in the future of employees by ensuring their development needs are identified through a personal development plan. Succession planning is in place identifying where our areas of risk exist and how we would bridge roles at risk.

Health and Safety guidance is provided to employees through information on the intranet and the Company Employee Handbook. A Health and Safety committee comprising departmental representatives meets regularly and provides feedback to the Management Team on outstanding issues. Using the input of and consultation with other ENGIE group companies, the company ensures compliance with Health and Safety legislation and good practice.

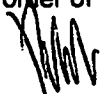
An Internal Control Review Project combined with a Continuous Improvement Programme was in place throughout the year. The combination of these two initiatives is the documentation of policies, procedures and key processes throughout the business with the objective of achieving a greater level of control, process consistency, efficiency and improvement.

The company's treasury policies seek to reduce and minimise financial risk and ensure sufficient liquidity for foreseeable needs. The majority of transactions are in £ sterling, however where appropriate the ENGIE group hedges foreign exchange transactions to minimise exposure to foreign exchange movements.

There is a comprehensive budgeting system in place with an annual budget approved locally by the leadership team and also centrally by ENGIE SA. Management information systems provide the leadership team and directors with relevant and timely reports that identify significant deviations from approved plans and include regular re-forecasts for the year, in order to facilitate timely analysis and appropriate decisions and actions.

ENGIE SA group instruction manuals set out the policies and procedures with which the UK subsidiaries are required to comply. The leadership team are responsible for ensuring that the UK companies observe and implement the policies and procedures set out in the manual which is regularly reviewed and updated.

By order of the Board,



R J Wells

Director

2nd March 2020

Independent Auditor's Report

to the members of ENGIE Power Limited

We have audited the financial statements of ENGIE Power Limited for the year ended 31 December 2018 which comprise the Profit and Loss Account, the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and the related notes 1 to 28, 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 loss 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.

Independent Auditor's Report (continued)

to the members of ENGIE Power Limited

Other information

The other information comprises the information included in the annual report, set out on pages 2 to 10, 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.

Independent Auditor's Report (continued)

to the members of ENGIE Power Limited

Responsibilities of directors

As explained more fully in the Directors' Responsibilities Statement set out on page 6, 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.

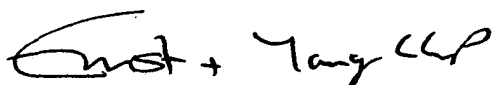
Auditor's responsibilities for the audit of the financial statements

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



Jennifer Hazlehurst (Senior statutory auditor)

for and on behalf of Ernst & Young LLP, Statutory Auditor

Liverpool

2nd March 2020

Profit and Loss Account

for the year ended 31 December 2018

	Note	2018 £'000	2017 £'000
Turnover	3	1,107,272	964,668
Cost of sales		(1,072,196)	(926,032)
Fair value (loss)/gain on commodity contracts	19	(5,969)	914
Gross profit		<u>29,107</u>	<u>39,550</u>
Administrative expenses		(41,035)	(29,173)
Operating (loss)/profit	4	<u>(11,928)</u>	<u>10,377</u>
Interest receivable and similar income	7	220	137
Interest payable and similar charges	8	(1,280)	(204)
(Loss)/Profit before taxation		<u>(12,988)</u>	<u>10,310</u>
Tax credit/(charge)	9	2,272	(1,984)
(Loss)/Profit for the financial year after tax		<u><u>(10,716)</u></u>	<u><u>8,326</u></u>

All amounts relate to continuing activities.

Statement of Comprehensive Income

at 31 December 2018

There was no other comprehensive income attributable to the shareholders of the company other than the loss for the year ended 31 December 2018 of £10,716,000 (2017 profit: £8,326,000)

Balance Sheet

at 31 December 2018

	Note	2018 £'000	2017 £'000
Non-current assets			
Intangible assets	12	14,477	15,925
Property, plant and equipment	11	1,340	1,679
Debtors greater than one year	14	19,963	19,526
Derivative financial instruments	19	25,983	18,987
		<u>61,763</u>	<u>56,117</u>
Current assets			
Stocks	13	2,726	282
Debtors due within one year	14	246,376	235,162
Derivative financial instruments	19	55,001	41,548
Intercompany cash sweep		123,475	73,181
Cash at bank and in hand		582	270
Deferred tax asset	18	697	-
		<u>428,857</u>	<u>350,443</u>
Total assets		<u><u>490,620</u></u>	<u><u>406,560</u></u>
Current liabilities			
Creditors: amounts falling due within one year	15	333,624	286,051
Borrowings	16	60,527	39,341
Deferred tax liability	18	-	248
Derivative financial instruments	19	57,872	43,545
		<u>452,023</u>	<u>369,185</u>
NET CURRENT LIABILITIES		<u>(23,166)</u>	<u>(18,742)</u>
Total assets less current liabilities		<u>38,597</u>	<u>37,375</u>
Non-current liabilities			
Provisions	17	2,894	3,047
Derivative financial instruments	19	26,310	14,219
		<u>29,204</u>	<u>17,266</u>
Total liabilities		<u><u>481,227</u></u>	<u><u>386,451</u></u>
NET ASSETS		<u><u>9,393</u></u>	<u><u>20,109</u></u>

Balance Sheet (continued)

at 31 December 2018

	Note	2018 £'000	2017 £'000
Capital and reserves			
Called up share capital	22	-	-
Profit and loss account		9,393	20,109
TOTAL SHAREHOLDERS' FUNDS		9,393	20,109

The financial statements with a registration number 04236804 were approved by the board of directors and authorised for issue on 6 February 2020. They were signed on its behalf by:



R J Wells

Director

2nd March 2020

Statement of Changes in Equity

for the year ended 31 December 2018 and 31 December 2017

	Note	Share Capital £'000	Profit and loss account £'000	Total £'000
At 1 January 2017		-	15,783	15,783
Profit for the year		-	8,326	8,326
Dividends paid	10	-	(4,000)	(4,000)
At 31 December 2017		-	20,109	20,109
At 1 January 2018		-	20,109	20,109
Loss for the year		-	(10,716)	(10,716)
At 31 December 2018		-	9,393	9,393

Notes to the Financial Statements

at 31 December 2018

1. Authorisation of financial statements and statement of compliance with FRS 101

The financial statements of ENGIE Power Limited (the 'company') for the year ended 31 December 2018 were authorised for issue by the board of the directors on 6 February 2020 and the balance sheet was signed on the board's behalf. ENGIE Power Limited is a private limited company incorporated and domiciled in England & Wales.

Basis of Preparation

The financial statements have been prepared in accordance with FRS101 (Financial Reporting Standard 101) "Reduced Disclosure Framework" and interpretations in force at the reporting date.

The company meets the definition of a qualifying entity under FRS 100 (Financial Reporting Standard 100) issued by the Financial Reporting Council. Accordingly, in the year ended 31 December 2012 the company underwent transition from reporting under IFRSs adopted by the European Union to FRS 101 as issued by the Financial Reporting Council. The financial statements have therefore been prepared in accordance with FRS 101 (Financial Reporting Standard 101) 'Reduced Disclosure Framework' as issued by the Financial Reporting Council.

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;

(ii) paragraph 73(e) of IAS 16 Property, Plant and Equipment;

(iii) paragraph 118(e) of IAS 38 Intangible Assets;

(e) the requirements of paragraphs 10(d), 10(f), 39(c) 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; and

(i) the requirements of paragraphs 134(d)-134(f) and 135(c)-135(e) of IAS 36 Impairment of Assets.

Where required, equivalent disclosures are given in the group accounts of ENGIE SA. The group accounts of ENGIE SA are available to the public and can be obtained as set out in note 27.

The principal accounting policies adopted by the company are set out in note 2.

The financial statements have been prepared on the historical cost basis, except for the revaluation of derivative financial instruments. 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.

Notes to the Financial Statements (continued)

1. Authorisation of financial statements and statement of compliance with FRS 101 (continued)

Going concern

The directors have considered the going concern basis and concluded that it is appropriate. In performing this assessment, the directors have considered the forecasts for the company alongside sensitivity analysis, the financial support from the Parent entity, together with the balance sheet of the company which includes cash held in an intercompany account of £123,475,000. The directors have also considered the current net current liability position of the business and feel that despite this, the continued financial and strategic support of its parent company will underpin its longer-term success. The directors feel that long terms prospects for the business remain strong, demonstrated by the total net asset position of the business of £9,393,000.

New and Revised IFRSs applied

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

The company has applied IFRS 9 "Financial Instruments" (effective date 1 January 2018) retrospectively with an initial application date of 1 January 2017). IFRS 9 introduces new requirements for the classification and measurement of financial assets and financial liabilities as well as the impairment of financial assets.

Impairment of Financial Assets

IFRS 9 requires an expected credit loss (ECL) model to be applied to financial assets rather than the incurred credit losses model required under IAS 39. The expected credit loss model requires the company to account for expected losses as a result of credit risk on initial recognition of financial assets and to recognise changes in those expected credit losses at each reporting date.

The Company has applied IFRS 9 retrospectively, with an initial application date of 1 January 2017. 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 in respect of both intercompany and externally generated receivables, and this has concluded that any expected credit loss would be immaterial for both the current year and prior year; and therefore no adjustments have been made in relation to this new accounting standard

The introduction of IFRS 9, has not had a material impact on 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 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 Group has adopted IFRS 15 using a modified retrospective approach of adoption 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.

Notes to the Financial Statements (continued)

2. Accounting Policies

Critical Accounting judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, the directors are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying the company's accounting policies

The following are critical judgments, apart from those involving estimations (which are dealt with separately below), that the directors have made in the process of applying the company's accounting policies and that have the most significant effect on the amount recognised in the financial statements.

Commodity Contracts in scope of IFRS 9 – Financial Instruments

The company routinely enters into retail and wholesale contracts, including contracts for physical delivery of power, which are not stacked against each other.

Wholesale contracts are for energy trading and hence clearly in the scope of IFRS 9.

Management has assessed that retail contracts are also viewed as net settled (and therefore in scope of IFRS 9) since the criteria of 'net settlement' were met for similar contracts.

Following this principle all of the company's power purchase and sale contracts are accounted for as derivatives – apart from those deemed as for residential Customers which do not meet the criteria set out in IFRS 9.

Unobservable valuation inputs in the fair value determination

When determining whether day one gains should be recognized immediately in profit or loss or deferred, management assesses whether unobservable inputs were significant to the initial fair value measurement. When its contribution is viewed as significant then the entire day one gain of the contract is deferred.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Fair value of financial instruments

Financial instruments are recognised and measured in accordance with IFRS 9 Financial Instruments Recognition and Measurement. The fair value of financial instruments is calculated based on prices quoted on active markets. Where active markets don't exist, there is some degree of estimation in deriving these prices, however industry data and external benchmarking is used where relevant.

Accrued Income & Cost

In assessment of the accrued income and cost, commercial assumptions and market data are used to estimate future billed consumption, and price outturn. This data is a combination of historical observations and energy industry provided information. For the avoidance of doubt this covers energy, transportation, metering, and intermediary fees.

Uncertainty on other balance sheet items (including accrued income, and accruals), is mitigated by the long period between the balance sheet date and the date when the financial statements are authorised for issue. Relevant information obtained by the company subsequent to the balance sheet date, if material, is adjusted in the accounts recognised as the financial statements as far as these provide evidence of conditions that existed at the balance sheet date.

Notes to the Financial Statements (continued)

2. Accounting Policies (continued)

Accrued Income & Costs (continued)

However, in respect of certain accruals, there is an industry reconciliation process of power purchase costs which can typically take 14 months from the date of supply to be finalised due to the processes that the energy market has to complete in order to finalise consumption data for any particular month. Therefore, there is an element of power purchase costs that needs to be estimated based on a combination of in-house and industry data that is available.

During the year the business has undertaken a review of the techniques used to calculate energy, transportation and intermediary fee accruals, along with its estimation of bad debt provisioning and finance cost accruals. This has allowed the business to more accurately estimate these costs going forward but also review its historic liabilities and provisions.

Property, Plant and equipment – on-going valuation

Property, plant and equipment is stated at cost less accumulated depreciation and accumulated impairment losses. Cost comprises the aggregate amount paid, and the fair value of any other consideration given to acquire the asset and includes costs directly attributable to making the asset capable of operating as intended.

The carrying value of the assets are reviewed on at least an annual basis for impairment to ensure that the carrying value presented in the financial statements is not greater than its fair value.

In order to do this the directors, consider both internal factors such as;

- obsolescence or physical damage,
- if the asset is lying idle and not being used within the business or,
- if it is not performing its function as was expected.

As well as external factors such as:

- Significant decreases in market value
- Changes in technology of legal frameworks which may render the item obsolete.

Where the carrying value of the assets exceeds what the directors consider to be its fair value the assets value will be impaired with the amount being written down taken to the Profit and Loss account when identified.

In light of the recent decision to sell the Home Business the Directors have been required to perform an impairment review on a number of the intangible assets specifically held in relation to this part of the business. Following the review the Directors have impaired the assets by £810,000 at the balance sheet date to present a more accurate carrying value.

Intangible Assets – on-going valuation

Intangible assets acquired separately are measured at cost on initial recognition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and impairment losses.

The carrying value of the assets are reviewed on at least an annual basis for impairment to ensure that the carrying value presented in the financial statements is not greater than its fair value.

To establish if the asset needs to be impaired the directors will consider such factors as:

- Obsolescence of technology acquired
- Changes in the entities legal framework
- Retention of customers (specific to sales order book acquired)

Where the carrying value of the assets exceeds what the directors consider to be its fair value the assets value will be impaired with the amount being written down taken to the Profit and Loss account when identified.

Notes to the Financial Statements (continued)

2. Accounting Policies (continued)

Bad Debt Provision

In assessment of the bad debt provision, assumptions are applied to categorise debt into risk profiles based on the nature of the transactions. The Company has adopted the provisions of IFRS 9 such that it uses the Expected Credit Loss Model to identify the expected losses on outstanding debtor balances

External & Intercompany Receivables – expected Credit Losses

For receivables from both external companies and fellow group and subsidiary companies, expected credit losses are calculated in accordance with the simplified approach permitted by IFRS9, using a provision matrix applying historical credit loss experience to both external and intercompany receivables. The expected credit loss rate varies depending upon on whether and the extent to which settlement of the receivables is overdue and is adjusted as appropriate to reflect current economic conditions. The key drivers of the loss rate are the nature of the business unit and the type of receivable in question.

When a receivable (either external or intercompany) is determined to have no reasonable expectation of recovery it is written off, firstly against any expected credit allowance available and then to the income statement.

Subsequent recoveries of amounts previously provided for or written off are credited to the income statement. Long term receivables are discounted where the effect is material.

As at 31 December 2018, the company recognised a total of £119.7 million (2017: £96.9 million) of external trade receivables and a total of £55,000 of intercompany receivables in the year (2017: £206,000). Having undertaken an assessment of these balances, management have concluded that any additional expected credit losses incurred from the transition to IFRS 9 would be immaterial for both the current year and prior year: and therefore, no adjustments in relation to the expected credit loss provision. The bad debt provision recognised at the balance sheet date is detailed in Note 14.

Taxation

The company is subject to routine tax audits and also a process whereby tax computations are discussed and agreed with the appropriate authorities. Whilst the ultimate outcome of such tax audits and discussions cannot be determined with certainty, management estimates the level of provisions required for both current and deferred tax on the basis of professional advice and the nature of current discussions with the tax authority concerned.

Dilapidations

Provision is made for the future cost of returning the company office to its original state as per the agreed contract. The estimate is based upon the cost per square foot, indexed to account for expected inflation.

Notes to the Financial Statements (continued)

2. Accounting Policies (continued)

Significant accounting policies

Intangible assets

Intangible assets acquired separately are measured at cost on initial recognition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and impairment losses.

Intangible assets are amortised on a straight line basis over their expected useful economic lives, as follows:

Application software and development costs	-	3 years to 5 years
Sales order book	-	6 years

The carrying value of intangible assets is assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method are reviewed at least each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates.

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the profit and loss when the asset is derecognised.

Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and accumulated impairment losses. Cost comprises the aggregate amount paid and the fair value of any other consideration given to acquire the asset and includes costs directly attributable to making the asset capable of operating as intended.

Depreciation is provided on property, plant and equipment in equal annual instalments over their estimated useful lives. The rates of depreciation are as follows:

Fixtures, fittings and office equipment	-	5 years
IT equipment	-	3 years to 5 years
Leasehold improvements	-	15 years

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end, and adjusted prospectively, if appropriate.

Impairment of non-financial assets

The company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the company makes an estimate of the asset's recoverable amount in order to determine the extent of the impairment loss. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimate of future cash flows have not been adjusted.

Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses on continuing operations are recognised in the profit and loss in those expense categories consistent with the function of the impaired asset.

For assets, where an impairment loss subsequently reverses, the carrying amount of the asset or cash generating unit is increased to the revised estimate of its recoverable amount, not to exceed the carrying amount that would have been determined, net of depreciation, had no impairment losses been recognised for the asset or cash generating unit in prior years. A reversal of impairment loss is recognised immediately in the profit and loss.

Notes to the Financial Statements (continued)

2. Accounting Policies (continued)

Leases

Leases where the lessor retains a significant portion of the risks and benefits of ownership of the asset are classified as operating leases and rentals payable are charged to profit and loss on a straight line basis over the lease term.

Financial Assets

Initial recognition and measurement

Financial assets within the scope of IFRS 9 are classified as financial assets at fair value through profit or loss, loans and receivables. The company determines the classification of its financial assets at initial recognition.

All financial assets are recognised initially at fair value plus directly attributable transaction costs. The measurement basis is determined by reference to the contractual cash flow characteristics of the financial asset.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace are recognised on the trade i.e., the date that the company commits to purchase or sell the asset. The subsequent measurement of financial assets depends on their classification, and is accounted for as follows:

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the company that are not designated as hedging instruments in hedge relationships as defined by IFRS 9.

Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments (no hedges are currently in place). Financial assets at fair value through profit and loss are carried in the balance sheet at fair value with changes in fair value recognised as a finance expense in the profit and loss account.

The company evaluates its financial assets at fair value through profit and loss (held for trading) and whether the intent in the near term is still appropriate. When the company is unable to trade these financial assets due to inactive markets and management's intent significantly changes to do so in the foreseeable future, the company may elect to reclassify these financial assets in rare circumstances. The reclassification to loans and receivables, available for sale or held to maturity depends on the nature of the asset. This evaluation does not affect any financial assets designated at fair value through profit or loss using the fair value option at designation. The company did not reclassify any financial assets in the current period.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value through the profit and loss. These embedded derivatives are measured at fair value with changes in fair value recognised in the profit and loss. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

Treatment of "day-one" gains and losses

In the normal course of its business, the Group will acquire non-financial and financial instruments where the fair value on initial recognition is the transaction price, being the fair value of the consideration given or received. However, for certain transactions the initial recognition for energy derivatives differs from the transaction price, and a day 1 gain or loss will arise. In such circumstances, the day one gains of the entire contract is not recognised immediately in profit or loss but deferred and amortised to profit and loss based on volumes delivered over the contractual period.

Notes to the Financial Statements (continued)

2. Accounting Policies (continued)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest (EIR) method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance revenue in the income statement. The losses arising from impairment are recognised in the profit and loss in other operating expenses. For receivables from fellow group companies a 12-month expected credit loss (ECL) allowance is recorded on initial recognition. If there is subsequent evidence of a significant increase in the credit risk of an asset, the allowance is increased to reflect the full lifetime ECL. If there is no realistic prospect of recovery, the asset is written off.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL.

Assets carried at amortised cost

For financial assets carried at amortised cost the company first assesses individually whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not been incurred). The present value of the estimated future cash flows is discounted at the financial assets original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income in the profit and loss. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the company. If, in subsequent years, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to other operating expense in the profit and loss.

Notes to the Financial Statements (continued)

2. Accounting policies (continued)

Impairment of financial assets

IFRS 9 requires an expected credit loss (ECL) model to be applied to the financial assets rather than the incurred credit loss model required under IAS 39. The expected credit loss model requires the company to account for expected losses as a result of credit risk on initial recognition of financial assets and to recognise changes in those expected credit losses at each reporting date.

De-recognition of financial assets

The financial assets (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when (i) the rights to receive cash flows from the asset have expired or (ii) the company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the company has transferred substantially all the risks and rewards of the asset, or (b) the company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Stock

The company holds green certificates for the purpose of meeting renewable obligation targets and exempting climate change levy. Certificates have been stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale. Costs incurred in purchasing certificates are accounted for at the weighted average purchase cost.

Debtors due within one year

Trade debtors are recognised and carried at the lower of their original invoiced value and recoverable amount. Where the time value of money is material, debtors are carried at amortised cost. Provision is made when there is objective evidence that the company will not be able to recover balances in full. Balances are written off when the probability of recovery is assessed as being remote.

Receivable Financing Agreements

The company has entered into a Receivables Financing Agreement, so as to better able to manage and forecast its cash holdings. Under this financing agreement certain debtors are assigned to a third-party ahead of the contracted payment date. In these circumstances the liability is settled upon payment by the customer. These amounts are recognised as short-term borrowings.

Cash at bank and in hand

Cash and short-term deposits in the balance sheet comprise cash at banks and in hand and short-term deposits with an original maturity of three months or less.

Intercompany cash sweep

Cash is placed within an intercompany account on an overnight sweep basis. It is readily available for use by the company with an automated arrangement in place to return cash outflows to the company's bank account.

Financial Liabilities

Initial recognition and measurement

Financial liabilities within the scope of IFRS 9 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, plus directly attributable transaction costs.

Purchases or sales of financial liabilities that require delivery of liabilities within a time frame established by regulation or convention in the marketplace are recognised on the trade i.e., the date that the company commits to purchase or sell the liabilities.

The subsequent measurement of financial liabilities depends on their classification as follows:

Notes to the Financial Statements (continued)

2. Accounting policies (continued)

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss includes financial liabilities held for trading and financial liabilities designated upon initial recognition at fair value through profit or loss. Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments (no hedges are currently in place). Gains or losses on liabilities held for trading are recognised in profit or loss.

Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments (no hedges are currently in place). Financial liabilities at fair value through profit and loss are carried in the balance sheet at fair value with changes in fair value recognised in the profit and loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Fair values

The fair value of financial instruments that are traded in active markets at the reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm's length transactions; reference to the current fair value of another instrument that is substantially the same; discounted cash flow analysis or other valuation models.

An analysis of fair values of financial instruments and further details as to how they are measured are provided in note 19.

Interest bearing loans and borrowings

Obligations for loans and borrowings are recognised when the company becomes party to the related contracts and are measured initially at the fair value of consideration received less directly attributable transaction costs.

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

Gains and losses arising on the repurchase, settlement or otherwise cancellation of liabilities are recognised respectively in finance revenue and finance cost.

De-recognition of financial liabilities

A liability is generally derecognised when the contract that gives rise to it is settled, sold, cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, such that the difference in the respective carrying amounts together with any costs or fees incurred are recognised as profit or loss.

Notes to the Financial Statements (continued)

2. Accounting policies (continued)

Provisions

A provision is recognised when the company has a legal or constructive obligation as a result of a past event; it is probable that an outflow of economic benefits will be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation. If the effect is material, expected future cash flows are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability.

Where the company expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when recovery is virtually certain. The expense relating to any provision is presented in the profit and loss net of any reimbursement. Where discounting is used, the increase in the provision due to unwinding the discount is recognised as a finance cost.

Income taxes

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates and laws that are enacted or substantively enacted by the balance sheet date.

Deferred income tax is recognised on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements, with the following exceptions:

- Where the temporary difference arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss; and
- Deferred income tax assets are recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carried forward tax credits or tax losses can be utilised.

Deferred income tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply when the related asset is realised or liability is settled, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Income tax is charged or credited to other comprehensive income if it relates to items that are charged or credited to other comprehensive income. Similarly, income tax is charged or credited directly to equity if it relates to items that are credited or charged directly to equity. Otherwise income tax is recognised in the profit and loss.

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 applicable.
- Debtors and creditors that 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.

Notes to the Financial Statements (continued)

2. Accounting policies (continued)

Revenue recognition

The company supplies power to commercial business and domestic customers in the UK. The company has determined that no enforceable rights and obligations exist at the inception of the contract and arise only once the cooling off period is complete and the company is the legal supplier of energy to the customer. The performance obligation is the supply of energy over the contractual term: the units of supply represent a series of distinct goods that are substantially the same with the same pattern of transfer to the customer. The performance obligation is considered to be satisfied as the customer consumes based on the units of energy delivered.

In respect of energy supply contracts, the Company considers that it has the right to consideration from the customer for an amount that corresponds directly with the value delivered by the customer through their consumption. It is the judgement of the company that the consumers consume energy as the company supply's and, as a result, the company recognises revenue for the amount which the entity has a right to invoice. The company's assessment of the amount that it has the right to invoice includes an assessment of energy supplied to customers between the date the last meter reading and the year end (known as unread revenue). Unread electricity comprise both billed and unbilled revenue and is estimated through the billing systems, using historic consumption patterns, load forecasts and the differences between actual meter readings being returned and system estimates. Actual meter readings continue to be compared to the system estimates between the balance sheet date and finalisation of the accounts.

Cost of sales

Cost of sales includes the cost of retail power purchased during the period and related transportation, distribution costs, balancing charges, and services.

Finance Income

Interest income is recognised as interest accrues using the effective interest method. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to its net carrying amount.

Pension costs

The company operates a defined contribution scheme.

Contributions to the defined contribution scheme are charged in the period in which they arise.

Foreign currencies

In preparing the financial statements, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rate prevailing at that date.

Exchange differences are recognised in profit or loss in the period in which they arise.

Commitments

As part of its on-going activities, the business has entered into a number of long term commitments for both renewable obligation certificates and other future dated power purchase agreements. Due to the long nature and uncertainty in the market place of these contracts an estimate of these costs will be made at each accounting period (note 24)

The business also has entered into a long-term lease agreement for the rental of its current office premises, which means it can accurately forecast its cost for a period greater than 5 years. Further to this the business will have continuing on-going costs in relation to its current internal and customer facing IT system. An estimate of the future costs is associated with these projects are made on an annual basis.

Operating profit

Operating profit is stated before interest income and interest payable, but after fair value movements on derivative financial instruments.

Dividends

Dividends are recognised in the financial statements in the period in which they are approved by the company's shareholders.

Notes to the Financial Statements (continued)

3. Turnover

All turnover was generated in the UK from the supply and management of electricity to industrial, commercial, SME and domestic customers.

4. Operating (loss)/profit

This is stated after charging/(crediting):

	2018	2017
	£'000	£'000
Depreciation of owned assets	368	582
Amortisation of intangible assets	4,537	2,825
Impairment of intangible assets	810	-
Cost of stock recognised as expense	4,302	1,777
Staff costs (see note 6)	16,110	15,032
Impairment loss recognised on debtors	11,538	6,294
Operating lease rentals- land & buildings	469	463
- others	150	160

The cost of stock recognised as an expense relates to the cost of Renewable Obligation Certificates (ROCs) and Levy except Certificates (LECs) which have matured over the year to December 2018.

In January 2019 – the company was made aware that one of its major energy brokers was in financial difficulty with the affect that it went into administration shortly afterwards. The Directors have reviewed the recovery risk of all balances due from energy brokers (both for corporate and domestic contracts) at the balance sheet date and the company has recognised an expense of £10.5 million as a result, the majority of this expense relates to the broker in administration.

5. Auditor's Remuneration

Fees payable to Ernst & Young LLP and their associates for the audit of the company's annual accounts were £426,000 (2017: £357,000).

There were no fees payable by ENGIE Power Limited to Ernst & Young LLP for non-audit services (2017: £nil).

6. Staff costs

The monthly average number of employees during the year we as follows:

	2018	2017
	Number	Number
Sales and Marketing	86	85
Administration	222	180
	<u>308</u>	<u>265</u>

Notes to the Financial Statements (continued)

6. Staff costs (continued)

The aggregate staff costs of these persons comprised:

	2018 £'000	2017 £'000
Wages and Salaries	14,197	13,256
Social security costs	1,023	873
Other pension costs	890	903
	<u>16,110</u>	<u>15,032</u>

7. Interest receivable and similar income

	2018 £'000	2017 £'000
Interest receivable from customers for late payment	-	85
Inter-company loan interest	168	49
Other interest receivable	52	3
	<u>220</u>	<u>137</u>

8. Interest payable and similar charges

	2018 £'000	2017 £'000
Inter-company loan interest	965	74
Interest payable for late payment to suppliers	11	-
Other interest payable	304	130
	<u>1,280</u>	<u>204</u>

Included within other interest payable is an amount of £290,000 paid in relation to the Receivables Financing Agreement entered into in November 2016. (2017: £111,000)

Notes to the Financial Statements (continued)

9. Taxation

The tax (credit)/charge comprises:

	2018 £'000	2017 £'000
Tax(credit)/charge		
Current income tax:		
UK corporation tax on profits of the year		
Group relief payable	(1,327)	1,873
Adjustments in respect of previous periods	-	102
Total current income tax	(1,327)	1,975
Deferred tax: (note 18)		
Deferred income tax relating to the origination and reversal of temporary differences	(1,040)	104
Adjustments in respect of previous periods	95	(95)
Total current deferred tax	(945)	9
Tax (credit)/charge in the profit and loss	(2,272)	1,984

	2018 £'000	2017 £'000
Reconciliation of tax (credit)/charge		
(Loss)/Profit before tax	(12,988)	10,310
(Loss)/Profit multiplied by rate of corporation tax of 19.00% (2017: 19.25%)	(2,468)	1,985
Adjustments in respect of prior periods – current tax	-	102
Adjustments in respect of prior periods – deferred tax	95	(95)
Change in Deferred tax rate	101	(8)
Tax (credit)/charge in the profit and loss	(2,272)	1,984

Factors that may affect future current and total tax charges

The Finance Act 2016 included provisions to reduce the rate of UK corporation tax to 17% with effect from 1 April 2020. Deferred taxation is measured at tax rates that are expected to apply in the periods in which temporary timing differences are expected to reverse based on tax rates and laws that have been enacted or substantively enacted at the balance sheet date. Accordingly the rate used to calculate deferred tax assets and liabilities is the effective rate at the date the deferred tax is expected to be realised.

Notes to the Financial Statements (continued)

10. Dividends

	2018 £'000	2017 £'000
Amounts recognised as distributions to equity holders in the period:		
Interim dividend for the year ended 31 December 2017 (equivalent to £4,000,000 per Share)	-	4,000

There was no interim dividend paid in the year ended 31 December 2018. An interim dividend of £4,000,000, for the year ended 31 December 2017, was declared on 13 June 2017 and paid on 14 June 2017 for the year. No final dividends have been approved or paid in the year ended 31 December 2018 (2017 – £nil)

11. Property, Plant and Equipment

	Fixtures, fittings and office equipment £'000	Leasehold improvements £'000	IT equipment £'000	Total £'000
Cost				
At 1 January 2018	276	2,394	1,025	3,695
Additions	3	-	26	29
At 31 December 2018	279	2,394	1,051	3,724
Accumulated depreciation				
At 1 January 2018	89	1,149	778	2,016
Charge for the year	56	176	136	368
At 31 December 2018	145	1,325	914	2,384
Net book amount				
At 1 January 2018	187	1,245	247	1,679
At 31 December 2018	134	1,069	137	1,340

Notes to the Financial Statements (continued)

12. Intangible Assets

	Application Software and development costs £'000	Sales Order Book £'000	Total £'000
Cost			
At 1 January 2018	20,285	3,300	23,585
Additions	3,899	-	3,899
At 31 December 2018	24,184	3,300	27,484
Aggregate amortisation			
At 1 January 2018	4,360	3,300	7,660
Charge for the year	4,537	-	4,537
Impairment for the year	810	-	810
At 31 December 2018	9,707	3,300	13,007
Net book amount			
At 1 January 2018	15,925	-	15,925
At 31 December 2018	14,477	-	14,477

The application software capitalised relates to several different applications developed specifically for the Retail businesses of the ENGIE group. The useful economic life of these applications has been determined as 3-5 years. The amortisation charge for the year is included within administrative expenses.

Development costs have been capitalised in accordance with IAS 38 Intangible Assets and are therefore not treated, for dividend purposes, as a realised loss.

In January 2020 the company decided to sell the residential portion of the business to Octopus Energy Limited. As such it has undertaken an exercise to identify all associated assets, in particular the carrying value of the associated software that the company has capitalised over the past 3 years and the value it has placed on payments made to Energy Brokers which have yet to be fully settled.

As a result of this review the company believes that there has been a reduction in the perceived long-term value it can derive from its domestic IT software. As such the company has written down the carrying value of some of its IT software to what it perceives is a balance more aligned to its current economic value at 31 December 2018.

In total the Company has impaired the associated assets by £810,000 in the year to 31 December 2018.

13. Stock

	2018 £'000	2017 £'000
Renewable Obligation Certificates	2,726	281
Renewable Gas Guarantee of Origin Certificates	-	1
	<u>2,726</u>	<u>282</u>

Notes to the Financial Statements (continued)

14. Debtors

Debtors due within one year

	2018 £'000	2017 £'000
Trade debtors	119,721	96,990
Other debtors	1,852	16,142
Amounts owed by fellow subsidiary undertakings	55	206
Prepayments	11,886	17,869
Accrued income	110,934	103,955
Current Tax Asset	1,928	-
	<u>246,376</u>	<u>235,162</u>

Of the total trade receivables balance of £119.7 million (2017 - £97.0 million) the company has provided a total of £21.8 million in respect of a combination of bad debt provision, credit note provision and expected credit loss reserve (2017 - £10.3 million). No amount was purchased or originated credit impaired. In the prior period the company assessed its bad debt provision based on the provisions outlined in IAS 39. The application of IFRS 9 has been applied retrospectively, with an initial application date of 1 January 2017. The company has completed an exercise to compare and identify any differences between the two applications, which has not identified any significant variances. In the current year the company has incurred a total bad debt expense of £11.5 million (2017 - £6.3 million)

Debtors greater than one year

	2018 £'000	2017 £'000
Prepayments	19,963	19,526
	<u>19,963</u>	<u>19,526</u>

15. Creditors due within one year

	2018 £'000	2017 £'000
Trade creditors	48,419	29,559
Amounts owed to group undertakings	27,789	27,240
Other creditors	101,226	73,878
Other taxation and social security	8,501	8,301
Accruals	147,689	136,450
Amounts owed to fellow subsidiary undertakings	-	9,265
Current tax liability	-	1,358
	<u>333,624</u>	<u>286,051</u>

16. Borrowings

	2018 £'000	2017 £'000
Receivables financing due for settlement within one year	60,527	39,341
	<u>60,527</u>	<u>39,341</u>

Notes to the Financial Statements (continued)

16. Borrowings (continued)

The company operates a receivables financing arrangement, whereby certain trade debtors are assigned to a third party ahead of the contractual due date. This is settled with the third party when payment is received from the customer.

Receivables Financing – the amount shown above as receivables financing is the total due to Lloyds Banking Group as part of the company's debt factoring agreement. The interest incurred on these balances is charged at GBP 1 Month Libor plus 30 bonus points over the average portfolio. In the year a total of £290,000 was expensed to the profit and loss account in relation to this facility (2017 - £111,000) which is shown in other interest in Note 8.

17. Provisions and Long-Term Liabilities

	2018 £'000	2017 £'000
Dilapidation	701	600
Contract levelisation	275	319
Rent accrual	1,918	2,128
	<u>2,894</u>	<u>3,047</u>

	Dilapidation £'000	Contract Levelisation £'000	Rent Accrual £'000	Total £'000
At 1 January 2018	600	319	2,128	3,047
Added during the year	101	275	-	376
Unwinding	-	(319)	(210)	(529)
At 31 December 2018	<u>701</u>	<u>275</u>	<u>1,918</u>	<u>2,894</u>

Dilapidation

The unwinding of the discounting of the remaining dilapidations provision is for No 1 Leeds and is expected to end close to the office lease end date in 2027.

Contract Levelisation

Provision is made to account for seasonality on contracts, where contract profits to date exceed overall forecast profitability on these contracts. This involves comparing the contract price with the expected weighted average purchase price.

The utilisation of the provision aligns with the expiry of the relevant contracts through 2019 to 2022.

Rent Accrual

The rent accrual is a cost accrual for No 1 Leeds for the reduced rent period which ran for 1 year rent free and 4 years half rent from October 2012. This has started to be released from October 2017 and is expected to end close to the office lease end date in 2027.

Notes to the Financial Statements (continued)

18. Deferred tax

An analysis of the movements in deferred tax is as follows:

	2018	2017
	£'000	£'000
Deferred tax liability at 1 January	248	239
Deferred tax (credit)/charge in profit and loss account for the year (note 9)	(945)	9
	<hr/>	<hr/>
Deferred tax (asset)/liability at 31 December	(697)	248
	<hr/>	<hr/>
Analysed as:	2018	2017
	£'000	£'000
Accelerated capital allowances	(51)	(59)
Other short-term temporary differences	(646)	307
	<hr/>	<hr/>
	(697)	248
	<hr/>	<hr/>

Deferred Tax represents the tax on differences between the accounting carrying values of assets and liabilities and their tax bases. These differences are temporary and are expected to unwind in the future. The principle deferred tax assets and liabilities recognised by the company relate to capital investments, provisions and fair value movements on derivative financial instruments. Forecasts indicate that there will be suitable taxable profits to utilise those deferred tax assets not offset against deferred tax liabilities.

19. Financial instruments

Fair values

Set out below is an analysis by category of the company's financial instruments that are carried at fair value in the financial statements. Note that in all cases the fair value is equal to the carrying value of those assets and liabilities.

	2018	2017
	£'000	£'000
Financial assets at fair value		
Fair value through profit and loss (FVTPL) > 1 Year *	25,983	18,987
Fair value through profit and loss (FVTPL) < 1 Year*	55,001	41,548
	<hr/>	<hr/>
	80,984	60,535
	<hr/>	<hr/>
Financial liabilities at fair value		
Fair value through profit and loss (FVTPL) > 1 Year *	26,310	14,219
Fair value through profit and loss (FVTPL) < 1 Year *	57,872	43,545
	<hr/>	<hr/>
	84,182	57,764
	<hr/>	<hr/>

*see note on economic hedges below

Notes to the Financial Statements (continued)

19. Financial instruments (continued)

Changes in value of financial instruments at fair value

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

	Year ended 2018 £'000	Year ended 2017 £'000
Financial assets at fair value		
Fair value through profit and loss (FVTPL)	20,449	(29,048)
Financial liabilities at fair value		
Fair value through profit and loss (FVTPL)	(26,418)	29,962
	<hr/>	<hr/>
(Loss)/Gain through profit and loss	(5,969)	914
	<hr/>	<hr/>

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

The fair values of derivative instruments are calculated using prices derived from observable macroeconomic data and are provided by the ENGIE group. Where active markets don't exist, there is some degree of estimation in deriving these prices, however industry data and external benchmarking is used where relevant.

Hedging activities

Economic hedges

The company enters into wholesale purchase commitments to cover future contracted supplies, subject to market liquidity, availability of products and compliance with risk policies and limits set down by management.

The company had entered into wholesale purchase commitments for future delivery under certain supply contracts where the consumption unit price has been fixed for a period of time. The purchase commitments related to such supply contracts have been fair valued through the profit and loss. The supply contracts with such customers are designated as derivatives and these supply contracts are also fair valued through the profit and loss (see note 2). No transactions are designated as being in a hedge relationship for accounting purposes.

"Day One" Gains

For certain transactions the initial recognition for energy derivatives differs from the transaction price, and a day 1 gain or loss will arise. In such circumstances, the day one gains of the entire contract is not recognised immediately in profit or loss, but deferred and amortised to profit and loss based on volumes delivered over the contractual period.

Outlined in the table below is a summary of the impact of the day one gains by year and the cumulative impact over the last 3 years.

	Opening	Additions	Releases	Closing
2016	1,840,351	3,714,072	-	5,554,423
2017	5,554,423	4,644,499	927,643	9,271,279
2018	9,271,279	-	(231,212)	9,040,067

Notes to the Financial Statements (continued)

20. Financial Risk Management

As a participant in the energy market, the company is exposed to a number of financial risks. To manage these risks the company operates an enterprise risk management framework, in which all key risks are assessed each year.

Credit Risk

All new customers and suppliers are credit checked, and all supply contacts are insured via a full turnover credit insurance policy, with each customer insured for 4 months' worth of energy consumption. Security from the Customer is obtained if credit insurance cannot be secured. The company works closely with a debt collection company and a disconnections agent to minimise its exposure.

Liquidity Risk

The company funds most investment from its own working capital. It offers fifteen-day payment terms and uses a receivables financing product to offer extended payment terms to its customer base. There is a £20m unutilised loan facility from its Parent Company.

The company has to closely monitor its debtor recoveries, supplier payments, green certificate purchasing, and intermediary payments, when forecasting future cash flows.

Market Risk

The company is exposed to commodity price fluctuations. It has an established demand forecasting system and applies a 'back to back' hedging strategy, with limits to minimise open positions. It also has a number of products that can be used to minimise the impact of unexpected market demand and supply.

System Risk

The company manages a significant number of applications and data transfer. It has a robust change management, and system delivery process, with established supply partners.

21. Capital management

With the exception of derivatives, the company has no long-term liabilities, or share capital. All profits are paid to the Parent Entity, in return for a licence to operate in the UK market, and future capital investment.

22. Share capital

	2018 £	2017 £
<i>Authorised</i>		
1,000 ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>
<i>Called up, allotted and fully paid</i>		
1 ordinary share of £1 each	<u>1</u>	<u>1</u>

23. Pension arrangements

The company operates a defined contribution pension scheme, the assets of which are held separately from those of the company. Employer's contributions to the scheme during the year were £890,000 (2017: £903,000). At 31 December 2018, contributions of £107,000 (2017: £107,000) were unpaid.

Notes to the Financial Statements (continued)

24. Other financial commitments

(i) Operating leases

The company has entered into commercial operating leases on certain properties and motor vehicles. These leases have remaining durations of up to 3 years for vehicles and 9 years for land and buildings.

Future minimum rentals payable under non-cancellable operating leases are as follows:

	Land and building		Other	
	2018	2017	2018	2017
	£'000	£'000	£'000	£'000
Not later than one year	650	650	47	81
After one year but not more than five	2,598	2,598	10	47
After five years	2,436	3,086	-	-
	<u>5,684</u>	<u>6,334</u>	<u>57</u>	<u>128</u>

Land & Building commitments are those created by the lease for No. 1 Leeds, 26 Whitehall Road, Leeds.

(ii) Electricity purchase commitments

At 31 December the company was committed to certain future electricity purchase contracts in relation to fulfilling the company's obligation to provide electricity to meet its customers future needs. These contracts are due to be settled as follows:

	2018	2017
	£'000	£'000
Not later than one year	216,977	230,596
After one year but not more than five	164,896	198,599
After five years	868	-
	<u>382,741</u>	<u>429,195</u>

At 31 December 2018 the company has a number of Power Purchase Agreements in place for the purchase of electricity and Renewable Obligation Certificates over the next 20 years. Due to the longevity of these contracts, the uncertainty of the volume of power and number of certificates that will be purchased and the price that will ultimately be paid, the purchase commitments have been estimated at £2,964,542,671 (2017: £915,479,997) using forecast purchases and prices as at 31 December 2018.

(iii) Fixed Assets (Capital Commitments)

At 31 December the company was committed to spend £320,000 (2017: £1,545,000) during 2019. This relates to the development of a customer portal for B2B customers. This expenditure is due to be settled as follows:

	2018	2017
	£'000	£'000
Not later than one year	320	1,545
	<u>320</u>	<u>1,545</u>

Notes to the Financial Statements (continued)

25. Related party transactions

Trading transactions

During the year, the company entering into the following trading transactions with related parties:

	2018 Purchases £'000	2018 Amount owed to £'000	2017 Purchases £'000	2017 Amount owed to £'000
IPM Energy Trading Limited	259,101	-	307,428	-

Terms and conditions of transactions

The purchases from IPM Energy Trading Limited, who are not a wholly owned subsidiary of the group, represent the purchase of electricity and are made at prices and with terms and conditions in line with external third party customers.

Transactions entered into with related group companies, which are either 100% owned by the company's immediate parent company (ENGIE Supply Holdings UK Limited), or ultimate parent company (ENGIE SA), have been excluded from the disclosure above having applied the exception criteria in paragraph 17 of IAS 24: Related Party Disclosures.

Directors' Remuneration

The directors of the company are employees of the ENGIE SA group and receive no remuneration for their qualifying services as directors of this company. They have not exercised any group share options.

26. Reserves

Issued Share Capital

Issued share capital represents the nominal value of shares that have been issued

Profit and loss account

The profit and loss account includes all current and prior period realised and retained profits and losses.

27. Controlling party

The company's immediate parent undertaking is ENGIE Supply Holding UK Limited, a company registered in England and Wales.

The company's ultimate parent company and ultimate controlling party is ENGIE SA a company incorporated and registered in France. This is the smallest and largest group which consolidates this company's financial statements. Copies of ENGIE SA's group financial statements can be obtained from ENGIE SA, Tour T1, 1 place Samuel de Champlain, Faubourg de l'Arche, 92930 Paris La Défense, France.

Notes to the Financial Statements (continued)

28. Events after the Balance Sheet Date

On the 20 January 2020, ENGIE Power Limited announced the sale of its UK residential gas and electricity energy supply business to Octopus Energy Limited, for an undisclosed consideration. Under the terms of the agreement, ENGIE Power Limited's 70,000 UK residential energy customers' supply will transfer to Octopus Energy Limited. ENGIE Power Limited's portfolio of business energy customers and district supply operations throughout the UK will not be impacted by this sale.

The decision to exit the UK residential energy supply market is driven by the wider ENGIE group's focus on activities closely aligned to the strategy of making zero carbon happen for businesses and local authorities.

In light of this decision, the Directors have been required to perform an impairment review of a number of the intangible assets specifically held in relation to the UK residential energy supply part of the business. Following the review the Directors have impaired the intangible assets by £810,000.