



ENGIE Power Limited

Registered Number: 04236804

Report and Financial Statements

31 December 2016



Directors

K A Dibble
N E A Lovett
R J Wells

Secretary

S J Gregory

Auditor

Ernst & Young LLP
2 St. Peter's Square
Manchester
M2 3EY

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 2016.

Principal activities

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

Future Developments

The business is planning to expand its offerings and customer numbers in the domestic market, and maintain its long standing business supply customers.

Results and dividends

The results for the year, after taxation, amounted to a profit of £11,543,000 (2015 Restated: £20,230,000), a decrease of 43% from the previous year. Of this, all is attributable to the members of the company.

Following improvements to the businesses internal control systems, regulatory procedures and historic information availability, several historic liabilities including energy, transportation and intermediary fees along with the companies' bad debt provision, financing and overhead cost accruals have been reviewed and where required, a change to the method of estimation has been made. This has resulted in a one-off release to the Profit and Loss Account of £7.5 million in the year.

Despite the fall in total profit for the year the company has been able to deliver higher revenues than in the prior period, as a result of an increase in the market share for Small and Medium sized business (SME's). However, the results for 2016 has suffered from an increasingly competitive market place which has reduced the gross margin earned. This coupled with an increasingly volatile derivative market for energy has resulted in the overall reduction seen.

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. A dividend of £13,000,000 was paid in 2016 in respect of the year ended 31/12/2015 (2015: £26,000,000).

Post Balance Sheet Events

A dividend of £4,000,000 was paid on 14 June 2017 for the year ended 31/12/2016.

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 strength of the company which includes cash held in an intercompany account of £3,735,000. Despite the net current liability position of the company the Directors feel that long terms prospects for the business remain strong, demonstrated by the total net asset position of the business being in excess of £15.7 million. This combined with the continued financial and strategic support of its parent company will underpin its longer term success.

Directors

The directors who served during the year ended 31 December 2016 and subsequently were:

S D Pinnell	(Resigned 10 January 2018)
P E Rawson	(Appointed 1 January 2016, Resigned 9 January 2018)
H S Berger	(Resigned 1 January 2016)
A J Weiss	(Resigned 1 January 2016)
K A Dibble	(Appointed 1 January 2018)
N E A Lovett	(Appointed 1 January 2018)
R J Wells	(Appointed 1 January 2018)

Directors' Report (continued)

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.

Financial instruments

The Company finances its activities using its own working capital. 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.

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

Deloitte LLP resigned as auditor of the company on 9 November 2016. Ernst & Young LLP was appointed as the company's statutory auditor for 2016. The auditor 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.

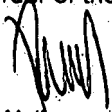
Each of the persons who is a director at the date of approval of this report confirms that:

- 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

16 May 2018

Directors' Responsibilities Statement

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law 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 2016.

Business Review

ENGIE Power Limited activities are, trading and marketing, of electricity to and from industrial, commercial and small business 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	2016	Restated: 2015	Movement
Turnover	£'000	842,369	800,956	5%
Reported Gross Margin	£'000	27,317	39,104	(30%)
Reported Gross Margin Percentage	%	3.2	4.9	
Headcount	X1	255	235	9%

The business delivered higher revenues in 2016 compared to 2015 driven by increased volumes sold from expansion of the customer base. Gross Margin has reduced mainly due to the competitive nature of current market conditions plus movement on fair value of commodity contracts.

The change in the movement on these derivative valuations between 2015 and 2016 was £11.95 million. The underlying gross margin having excluded this movement between the year would be almost identical in both periods.

Following improvements to the businesses internal control systems, regulatory procedures, and historic information availability, several historic liabilities including energy, transportation, and intermediary fees, have been reviewed and where required, a change in method of estimation has been made. This has resulted in a one-off release to the gross margin of £3.0 million in the year.

Further to this, the company has also reviewed its methodology for calculating its bad debt provisions along with its historic cost accruals. Following this review, the business released £4.5 million of historic provisions and accruals that were no longer required directly to net profit.

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 2016 were £15,783,000 (2015 restated: net assets of £17,199,000).

Strategic report (continued)

Future Developments

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

The business is constantly developing the services and products to meet the changing needs of our customers and the evolving energy environment. The Directors are committed to developing its product offering into the home energy market – where to date it has yet to fully explore the potential market opportunities.

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.

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 (formerly GDF SUEZ 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,



K A Dibble

Director

16 May 2018

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 2016 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. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 101 "Reduced Disclosure Framework".

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.

Respective responsibilities of directors and auditor

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. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Directors' Report and Strategic Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including FRS 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Independent Auditor's Report (continued)

Opinion on other matter prescribed by the Companies Act 2006

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

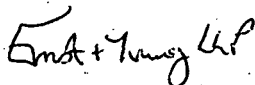
- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements,
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have identified no material misstatements in the Strategic Report or Directors' Report.

We have nothing to report in respect of the following matters where 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.



Jennifer Hazlehurst (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Manchester
16 May 2018

Profit and Loss Account
for the year ended 31 December 2016

	Note	2016 £'000	2015 Restated (note 3) £'000
Turnover	4	842,369	800,956
Cost of sales		(811,323)	(770,072)
Fair value (loss)/gain on commodity contracts	20	(3,729)	8,220
Gross profit		<u>27,317</u>	<u>39,104</u>
Administrative expenses		(12,995)	(10,978)
Operating profit	5	<u>14,322</u>	<u>28,126</u>
Interest receivable and similar income	8	311	447
Interest payable and similar charges	9	(534)	(710)
Profit before taxation		<u>14,099</u>	<u>27,863</u>
Tax charge	10	(2,556)	(7,633)
Profit for the financial year after tax		<u><u>11,543</u></u>	<u><u>20,230</u></u>

All amounts relate to continuing activities.

Statement of Comprehensive Income
at 31 December 2016

There was no other comprehensive income attributable to the shareholders of the company other than the profit for the year ended 31 December 2016 of £11,543,000 (2015 Restated: £20,230,000)

Balance Sheet

at 31 December 2016

	Note	2016 £'000	2015 Restated (Note 3) £'000	1 st January 2015 Restated (Note 3) £'000
Non-current assets				
Intangible assets	13	12,585	6,033	1,135
Property, plant and equipment	12	2,124	2,206	2,330
Debtors greater than one year	15	9,683	9,683	-
Derivative financial instruments	20	30,723	31,777	10,679
		<u>55,115</u>	<u>49,699</u>	<u>14,144</u>
Current assets				
Stocks	14	877	9,324	5,754
Debtors due within one year	15	220,113	221,594	213,386
Deferred tax asset	19	-	-	534
Derivative financial instruments	20	58,860	64,739	33,876
Intercompany cash sweep		3,735	4,117	56,699
Cash at bank and in hand		31	109	104
		<u>283,616</u>	<u>299,883</u>	<u>310,353</u>
Total assets		<u>338,731</u>	<u>349,582</u>	<u>324,497</u>
Current liabilities				
Creditors: amounts falling due within one year	16	218,936	237,483	250,942
Borrowings	17	13,195	-	-
Deferred tax liability	19	239	735	-
Derivative financial instruments	20	58,022	59,914	36,785
		<u>290,392</u>	<u>298,132</u>	<u>287,727</u>
NET CURRENT (LIABILITIES) / ASSETS		<u>(6,776)</u>	<u>1,751</u>	<u>22,626</u>
Total assets less current liabilities		<u>48,339</u>	<u>51,450</u>	<u>36,770</u>
Non-current liabilities				
Provisions	18	2,852	3,235	3,394
Derivative financial instruments	20	29,704	31,016	10,404
		<u>32,556</u>	<u>34,251</u>	<u>13,798</u>
Total liabilities		<u>322,948</u>	<u>332,383</u>	<u>301,525</u>
NET ASSETS		<u>15,783</u>	<u>17,199</u>	<u>22,972</u>

Balance Sheet (continued)

at 31 December 2016

	Note	2016 £'000	2015 Restated (Note 3) £'000	1 st January 2015 Restated (Note 3) £'000
Capital and reserves				
Called up share capital	23	-	-	-
Profit and loss account		15,783	17,199	22,972
TOTAL SHAREHOLDERS' FUNDS		15,783	17,199	22,972

The financial statements with a registration number 04236804 were approved by the board of directors and authorised for issue on 16 May 2018. They were signed on its behalf by:



R J Wells

Director

16 May 2018

Statement of Changes in Equity

for the year ended 31 December 2016 and 31 December 2015

	Note	Share Capital £'000	Hedging Reserve £'000	Profit and loss account £'000	Total £'000
At 1 January 2015		-	47	24,001	24,048
Prior Year Restatement Adjustment	3	-	(47)	(1,029)	(1,076)
At 1 January 2015 (restated)		-	-	22,972	22,972
Profit for the year (restated note 3)		-	-	20,230	20,230
Share based payment	24	-	-	(3)	(3)
Dividends paid	11	-	-	(26,000)	(26,000)
At 31 December 2015 (restated note 3)		-	-	17,199	17,199
At 1 January 2016		-	-	17,199	17,199
Profit for the year		-	-	11,543	11,543
Share based payment	24	-	-	41	41
Dividends paid	11	-	-	(13,000)	(13,000)
At 31 December 2016		-	-	15,783	15,783

Notes to the Financial Statements

at 31 December 2016

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 2016 were authorised for issue by the board of the directors on 16 May 2018 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

No new and revised Standards and Interpretations have had a significant impact on the accounts during the current year.

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 (formerly GDF SUEZ SA). The group accounts of ENGIE SA are available to the public and can be obtained as set out in note 26.

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 strength of the company which includes cash held in an intercompany account of £3,735,000. Despite the net current liability position of the company the Directors feel that long terms prospects for the business remain strong, demonstrated by the total net asset position of the business being in excess of £15.7 million. This combined with the continued financial and strategic support of its parent company will underpin its longer term success.

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 IAS 39

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 IAS 39.

Management has assessed that retail contracts are also viewed as net settled (and therefore in scope of IAS 39) since the criteria of 'net settlement' were met for similar contracts.

Hence all of the Company's power purchase and sale contracts are accounted for as derivatives.

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 IAS 39 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.

Notes to the Financial Statements (continued)

2. Accounting Policies (continued)

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.

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. The impact of this review is outlined in note 5 to the financial statements.

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

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)

Notes to the Financial Statements (continued)

2. Accounting Policies (continued)

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.

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. These assumptions form the basis of an estimated expected percentage loss on outstanding debtor balances.

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

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.

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	-	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.

Notes to the Financial Statements (continued)

2. Accounting Policies (continued)

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.

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.

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 IAS 39 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

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:

Notes to the Financial Statements (continued)

2. Accounting Policies (continued)

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 IAS 39.

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.

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.

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.

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.

Notes to the Financial Statements (continued)

2. Accounting Policies (continued)

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.

Impairment of financial assets

The company assesses at each reporting date whether there is any objective evidence that a financial asset or group of financial assets is impaired.

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.

Financial Liabilities

Initial recognition and measurement

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

All financial liabilities are recognised initially at fair value and in the case of loans and borrowings, 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.

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.

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 20.

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.

Notes to the Financial Statements (continued)

2. Accounting policies (continued)

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.

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.

Revenue recognition

Turnover is recognised to the extent that it is probable that the economic benefits will flow to the company and turnover can be reliably measured. Turnover is measured at the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. Revenue is recognised on the basis of energy supplied during the year.

Notes to the Financial Statements (continued)

2. Accounting policies (continued)

Revenue for Supply activities includes an assessment of energy supplied to end consumers between the last meter read and an estimated year end read. Meters with unread and invalidated reads are estimated using historical consumption patterns, based on industry asset data, and is included within accrued income.

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.

Share-based payments

Equity settled transactions

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the company's best estimate of the number of equity instruments that will ultimately vest. The profit and loss expense or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled transaction award are modified, the minimum expense recognised is the expense as if the terms had not been modified, if the original terms of the award are met. An additional expense is recognised for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the entity or the employee are not met. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph. All cancellations of equity-settled transaction awards are treated equally.

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.

Notes to the Financial Statements (continued)

2. Accounting policies (continued)

The business also has entered into a long-term lease agreement for the rental of its current office premises, which it can accurately forecast its cost for a period greater than 5 years. Further to this the business will have continued 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. Restatement of prior year financial statements

Subsequent to the original issuance of the company's 2015 financial statements, the company has clarified its relationship with its sister companies ENGIE Gas Limited and ENGIE Gas Shipper Limited. The company acts as an agent to ENGIE Gas Limited for the procurement of Gas directly and does not trade with ENGIE Gas Shipper Limited. These relationship contracts were entered into with ENGIE Gas Limited backdated to 31st December 2014. The company continues to procure and sell its Power directly, taking full risks and rewards for procuring and trading.

In previous periods the business had incorrectly accounted for its derivative transactions applying a mixture of held for purpose and cash flow hedges, with the deemed effective portion of the hedge being taken through equity and the ineffective portion being taken directly the Profit and Loss account. Due to the majority of these transactions being made with other companies within the Engie Group the impact of these valuations also impacted on the value of intercompany balances.

Following a review of the way in which these transactions are made together with all wholesale purchase commitments for future delivery, as well as forward traded Power Supply Contracts, it has been concluded that own use accounting and cashflow hedge accounting should not be applied. As such all derivative financial instruments, power purchase agreements and power supply contracts are classified as Fair Value through Profit and Loss (see note 20). This has impacted both the valuation of derivative financial instruments held on the balance sheet, as well as the associated corporation tax expense and associated deferred tax asset.

The hedging reserve held on the balance sheet has also been reversed.

The impact to the Profit and loss account has been to recognise a net fair value gain in the 2015 accounts of £6.5 million, with an associated movement through the balance sheet.

Banking arrangements were also reviewed, and it was determined that amounts previously shown as cash at bank and in hand' should be classified as 'intercompany cash sweep'.

The classification of the company's assets and liabilities have been reviewed to ensure that the correct presentation in the financial statements was applied. Following the review, a number of reclassifications have been made between prepayments, accruals, and other creditors to ensure that the balances are not incorrectly netted off, but instead offset only where they relate to the same matter. The net adjustment below has been to reclassify £2.3 million between debtors and creditors due within 1 year (2014: £4.0 million).

Notes to the Financial Statements (continued)

3. Restatement of prior year financial statements

In order to provide comparative figures for these changes a restatement of the 2015 financial statements is required, which is documented in the following tables.

	2015 (As previously reported) £'000	Restatement Adjustment £'000	2015 Restated £'000
Turnover	800,956	-	800,956
Cost of sales	(770,072)	-	(770,072)
Fair value gain on commodity contracts	-	8,220	8,220
Gross profit	30,884	8,220	39,104
Administrative expenses	(10,979)	1	(10,978)
Operating profit	19,905	8,221	28,126
Interest receivable and similar income	447	-	447
Interest payable and other charges	(710)	-	(710)
Fair value gain on commodity contracts	271	(271)	-
Profit before taxation	19,913	7,950	27,863
Tax charge	(6,175)	(1,458)	(7,633)
Profit for the financial year after tax	13,738	6,492	20,230

Notes to the Financial Statements (continued)

	2015 (As previously reported) £'000	Prior Year Restatement Adjustment £,000	2015 Restated £'000	2014 (As previously reported) £'000	Prior Year Restatement adjustment £'000	2014 Restated £'000
Assets						
Non-current assets						
Intangible Assets	6,033	-	6,033	1,135	-	1,135
Property, plant and equipment	2,206	-	2,206	2,330	-	2,330
Debtors greater than one year	9,683	-	9,683	-	-	-
Derivative financial instruments	17,454	14,323	31,777	5,504	5,175	10,679
	<u>35,376</u>	<u>14,323</u>	<u>49,699</u>	<u>8,969</u>	<u>5,175</u>	<u>14,144</u>
Current assets						
Stocks	9,324	-	9,324	5,754	-	5,754
Debtors due within one year	219,295	2,299	221,594	209,429	3,957	213,386
Deferred tax asset	1,013	(1,013)	-	265	269	534
Derivative financial instruments	44,473	20,266	64,739	26,732	7,144	33,876
Intercompany Cash Sweep	-	4,117	4,117	-	56,699	56,699
Cash at bank and in hand	4,226	(4,117)	109	56,803	(56,699)	104
	<u>278,331</u>	<u>21,552</u>	<u>299,883</u>	<u>298,983</u>	<u>11,370</u>	<u>310,353</u>
Total assets	<u>313,707</u>	<u>35,875</u>	<u>349,582</u>	<u>307,952</u>	<u>16,545</u>	<u>324,497</u>
Current liabilities						
Creditors due within one year	235,184	2,299	237,483	246,985	3,957	250,942
Deferred tax liability	-	735	735	-	-	-
Derivative financial instruments	44,780	15,134	59,914	27,629	9,156	36,785
	<u>279,964</u>	<u>18,168</u>	<u>298,132</u>	<u>274,614</u>	<u>13,113</u>	<u>287,727</u>
NET CURRENT ASSETS	<u>(1,633)</u>	<u>3,384</u>	<u>1,751</u>	<u>24,369</u>	<u>(1,743)</u>	<u>22,626</u>
Total assets less current liabilities	<u>33,743</u>	<u>17,707</u>	<u>51,450</u>	<u>33,338</u>	<u>3,432</u>	<u>36,770</u>
Non-current liabilities						
Provisions	3,235	-	3,235	3,394	-	3,394
Derivative financial instruments	21,271	9,745	31,016	5,896	4,508	10,404
	<u>24,506</u>	<u>9,745</u>	<u>34,251</u>	<u>9,290</u>	<u>4,508</u>	<u>13,798</u>
Total liabilities	<u>304,470</u>	<u>27,913</u>	<u>332,383</u>	<u>283,904</u>	<u>17,621</u>	<u>301,525</u>
NET ASSETS	<u>9,237</u>	<u>7,962</u>	<u>17,199</u>	<u>24,048</u>	<u>(1,076)</u>	<u>22,972</u>
Capital and reserves						
Called up share capital	-	-	-	-	-	-
Profit and loss account	11,736	5,463	17,199	24,001	(1,029)	22,972
Hedging reserve	(2,499)	2,499	-	47	(47)	-
TOTAL SHAREHOLDERS' FUNDS	<u>9,237</u>	<u>7,962</u>	<u>17,199</u>	<u>24,048</u>	<u>(1,076)</u>	<u>22,972</u>

Notes to the Financial Statements (continued)

4. Turnover

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

5. Operating profit

This is stated after charging/(crediting):

	2016	2015
	£'000	£'000
Depreciation of owned assets	538	363
Amortisation of intangible assets	868	401
Cost of stock recognised as expense	9,876	17,605
Staff costs (see note 7)	12,240	10,956
Impairment (gain)/loss recognised on debtors	(2,700)	404
Fees paid to the company's auditor for the audit of the financial statements	222	41
Operating lease rentals- land & buildings	425	425
- others	143	177

The cost of stock recognised as an expense relates to the cost of Renewable Obligation Certificates (ROC's) and Levy except Certificates (LEC's) which have matured over the year to December 2016.

The gross margin generated by the business in the year has benefitted from a series of one off releases of accounting estimates totalling £3.0 million. Following improvements to the businesses internal control systems, regulatory procedures, and historic information availability, several historic liabilities, including energy, transportation, and intermediary fees, have been reviewed, and where required, a change to the method of estimation has been made, to support these releases.

In addition, the company has reviewed its method of estimation in relation to bad debt provisioning as well as undertaking a review of its historic cost accruals. Following the review, the company has made a one-off release of un-required bad debt provisions totalling £2.7 million, along with an additional release of £1.8 million from other aged accruals directly to net profit.

6. Auditor's Remuneration

Fees payable to Ernst & Young LLP and their associates for the audit of the company's annual accounts were £222,000 (2015: £41,000 paid to Deloitte).

There were no fees payable by ENGIE Power Limited to Ernst & Young LLP for non-audit services (2015: £nil to Deloitte).

Notes to the Financial Statements (continued)

7. Staff costs

The monthly average number of employees during the year was 255 (2015: 235).

	2016 Number	2015 Number
Sales and Marketing	66	64
Administration	189	171
	255	235
	2016 £'000	2015 £'000
Wages and Salaries	10,500	9,426
Social security Costs	820	684
Other pension costs	920	849
Share-based payment (note 24)	41	(3)
	12,281	10,956

8. Interest receivable and similar income

	2016 £'000	2015 £'000
Interest Receivable from customers for late payment	86	87
Inter-company loan interest	227	350
Other interest receivable	(2)	10
	311	447

9. Interest payable and similar charges

	2016 £'000	2015 £'000
Inter-company loan interest	342	648
Interest payable for late payment to suppliers	160	47
Other interest payable	32	15
	534	710

Included within other interest payable is an amount of £9,500 paid in relation to the new Receivables Financing Agreement entered into in November 2016.

Notes to the Financial Statements (continued)

10. Tax on profit on ordinary activities

The tax charge comprises:

	2016 £'000	2015 Restated £'000
Tax Charge		
Current income tax:		
UK corporation tax on profits of the year	-	-
Group Relief Payable	3,334	4,106
Adjustments in respect of previous periods	(282)	2,258
Total current income tax	3,052	6,364
Deferred tax: (note 19)		
Deferred income tax relating to the origination and reversal of temporary differences	(455)	1,435
Adjustments in respect of previous periods	(41)	(166)
Total current deferred tax	(496)	1,269
Tax charge in the profit and loss	2,556	7,633

The standard rate of UK corporation tax reduced from 21% to 20% from 1 April 2015 in accordance with the Finance Act 2013.

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

The charge for the year can be reconciled to the profit in the profit and loss account as follows:

	2016 £'000	2015 Restated £'000
Reconciliation of tax charge		
Profit before tax	14,099	27,863
Profit multiplied by rate of corporation tax of 20% (2015: 20.25%)	2,820	5,642
Adjustments in respect of prior periods – current tax	(282)	2,258
Adjustments in respect of prior periods – deferred tax	(41)	(166)
Tax effect of non-deductible or non-taxable items	8	-
Change in deferred tax rate	51	(101)
Tax charge in the profit and loss	2,556	7,633

Notes to the Financial Statements (continued)

11. Dividends

	2016 £'000	2015 £'000
Amounts recognised as distributions to equity holders in the period:		
Final Dividend for the year ended 31 December 2014 declared on 19/02/2015 and paid on 27/02/2015 (equivalent to £26,000,000 per share)		26,000
Final dividend for the year ended 31 December 2015 declared on 15/03/2016 and paid on 18/03/2016 (equivalent to £13,000,000 per share).	13,000	

An interim dividend of £4,000,000 for the year ended 31 December 2016 was declared and authorised on 13 June 2017 and paid on 14 June 2017.

Notes to the Financial Statements (continued)

12. Property, Plant and Equipment

	Fixtures, fittings and office equipment	Leasehold improvements	IT equipment	Total
	£'000	£'000	£'000	£'000
Cost				
At 1 January 2016	23	2,394	685	3,102
Additions	252	-	204	456
At 31 December 2016	275	2,394	889	3,558
Accumulated depreciation				
At 1 January 2016	4	437	455	896
Charge for the year	30	356	152	538
At 31 December 2016	34	793	607	1,434
Net book amount				
At 1 January 2016	19	1,957	230	2,206
At 31 December 2016	241	1,601	282	2,124

13. Intangible Assets

	Application Software and development costs £'000	Sales Order Book £'000	Total £'000
Cost			
At 1 January 2016	6,700	3,300	10,000
Additions	7,420	-	7,420
At 31 December 2016	14,120	3,300	17,420
Aggregate amortisation			
At 1 January 2016	667	3,300	3,967
Charge for the year	868	-	868
At 31 December 2016	1,535	3,300	4,835
Net book amount			
At 1 January 2016	6,033	-	6,033
At 31 December 2016	12,585	-	12,585

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.

Notes to the Financial Statements (continued)

14. Stock

	2016 £'000	2015 £'000
Renewable Obligation Certificates	27	86
Levy Exempt Certificates	849	9,238
Renewable Gas Guarantee of Origin Certificates	1	-
	<u>877</u>	<u>9,324</u>

15. Debtors

Debtors due within one year

	2016 £'000	2015 Restated £'000
Trade debtors	80,522	38,859
Other debtors	530	712
Amounts owed by group undertakings	-	85,300
Amounts owed by fellow subsidiary undertakings	30,917	24,621
Prepayments	25,028	5,331
Accrued income	83,116	66,771
	<u>220,113</u>	<u>221,594</u>

Debtors greater than one year

	2016 £'000	2015 £'000
Prepayments	9,683	9,683
	<u>9,683</u>	<u>9,683</u>

16. Creditors due within one year

	2016 £'000	2015 Restated £'000
Trade creditors	16,720	13,685
Amounts owed to group undertakings	26,984	95,973
Amounts owed to fellow subsidiary undertakings	31,154	25,408
Other creditors	45,156	18,502
Other taxation and social security	7,948	22,139
Accruals	89,643	57,481
Current tax liability	1,331	4,295
	<u>218,936</u>	<u>237,483</u>

Notes to the Financial Statements (continued)

17. Borrowings

	2016 £'000	2015 £'000
Receivables financing due for settlement within one year	13,195	-
Total Borrowings	13,195	-

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.

18. Provisions and Long-Term Liabilities

	2016 £'000	2015 £'000
Dilapidation	460	899
Contract Levelisation	372	423
Rent Accrual	2,020	1,913
	2,852	3,235

	Dilapidation £'000	Contract Levelisation £'000	Rent Accrual £'000	Total £'000
At 1 January 2016	899	423	1,913	3,235
Utilised during the year	(336)	530	107	301
Unwinding	(103)	(581)	-	(684)
At 31 December 2016	460	372	2,020	2,852

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 2017 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. It will start to be released after October 2017 and is expected to end close to the office lease end date in 2027.

Notes to the Financial Statements (continued)

19. Deferred tax

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

	2016 £'000	2015 Restated £'000
Deferred tax liability / (asset) at 1 January	735	(534)
Deferred tax (credit)/charge in profit and loss account for the year (note 10)	(496)	1,269
Deferred tax liability at 31 December	239	735
Analysed as:	2016 £'000	2015 Restated £'000
(Accelerated)/Decelerated capital allowances	(13)	3
Other short-term temporary differences	252	732
	239	735

20. 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.

	2016 £'000	2015 Restated £'000
Financial assets at fair value		
Fair value through profit and loss (FVTPL) > 1 Year *	30,723	31,777
Fair value through profit and loss (FVTPL) < 1 Year*	58,860	64,739
Financial liabilities at fair value		
Fair value through profit and loss (FVTPL) > 1 Year *	29,704	31,016
Fair value through profit and loss (FVTPL) < 1 Year *	58,022	59,914
*see note on economic hedges below		

Notes to the Financial Statements (continued)

20. Other financial commitments (continued)

Changes in value of financial instruments at fair value

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

	Year ended 2016 £'000	Year ended 2015 Restated £'000
Financial assets at fair value		
Fair value through profit and loss (FVTPL)	(4,989)	51,961
Financial liabilities at fair value		
Fair value through profit and loss (FVTPL)	1,260	(43,741)
(Loss)/Gain through profit and loss	(3,729)	8,220

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 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.

	Cumulative "day one" gains - movement year on year			
	Opening	Additions	Releases	Closing
2014	£ -	£ 61,430	£ -	£ 61,430
2015	£ 61,430	£ 1,778,921	£ -	£ 1,840,351
2016	£ 1,840,351	£ 3,714,072	£ -	£ 5,554,423

Notes to the Financial Statements (continued)

21. 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 contracts 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.

22. 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.

23. Share capital

	2016 £	2015 £
<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>

24. Share-based payments

'Shares+ for all'

The ENGIE SA Group operated a 'Shares+ for all' free share allocation plan for all its employees in the group. All employees employed by the company at 28 September 2012 were eligible for the 'Shares+ for all' free share allocation plan. The 2012 scheme reached the vesting date on 28th September 2016 and eligible employees received 35 free shares in ENGIE SA.

The expense/(income) of share-based payments in respect of employee services received up to 31 December 2016 is £41,000 (2015: £(3,000)). All of this (income)/expense arose from equity-settled share-based payment transactions.

Notes to the Financial Statements (continued)

25. 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 £920,000 (2015: £849,000). At 31 December 2016, contributions of £81,000 (2015: £102,000) were unpaid.

26. 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 14 years for land and buildings.

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

	Land and building		Other	
	2016	2015	2016	2015
	£'000	£'000	£'000	£'000
Not later than one year	623	623	133	131
After one year but not more than five	2,492	2,492	69	122
After five years	3,583	4,206	-	-
	<u>6,698</u>	<u>7,321</u>	<u>202</u>	<u>253</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:

	2016	2015
	£'000	£'000
Not later than one year	222,321	180,948
After one year but not more than five	229,445	161,120
After five years	578	-
	<u>452,344</u>	<u>342,068</u>

At 31 December 2016 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 £3,837,310 (2015: £3,837,310) using forecast purchases and prices as at 31 December 2016.

(iii) Power purchase commitments

At 31 December the company was committed to certain future power purchase contracts in relation to the company's export suppliers. These contracts are due to be settled as follows:

Notes to the Financial Statements (continued)

26. Other financial commitments (continued)

	2016 £'000	2015 £'000
Not later than one year	45,171	13,784
	<u>45,171</u>	<u>13,784</u>

(iv) Fixed Assets (Capital Commitments)

At 31 December the company was committed to spend £2,091,000 (2015: £4,199,000) during 2017. This is divided between a new Software System known as the Minerva Project, and the launch of a Home Energy product. This expenditure is due to be settled as follows:

	2016 £'000	2015 £'000
Not later than one year	2,091	4,199
	<u>2,091</u>	<u>4,199</u>

27. Related party transactions

Trading transactions

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

	2016 Purchases £'000	2016 Amount owed to £'000	2015 Purchases £'000	2015 Amount owed to £'000
IPM Energy Trading Limited	266,607	-	293,747	-

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.

Notes to the Financial Statements (continued)

28. 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.