



ENGIE Power Limited

Registered Number: 04236804

Reports and Financial Statements

31 December 2022



Directors

K A Dibble
R J Wells
G R Leith (appointed 8 February 2022)
A A Sanz Fernandez (appointed 1 September 2023)

Auditor

Ernst & Young LLP
1 Bridgewater Place
Water Lane
Leeds
LS11 5QR

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 financial statements of ENGIE Power Limited (the "Company") for the year ended 31 December 2022.

Principal activities

The principal activities of the Company are the supply of electricity to industrial, commercial, small business, and the purchase of energy from upstream generators.

Results and dividends

The results for the year, after taxation, amounted to a profit of £73,119,000 (2021 profit: £25,410,000). Of this, all is attributable to the members of the Company.

The Company has seen an increase in sales revenue from its traditional Industrial & Commercial offering and "Small and Medium Sized Enterprises" (SMEs) principally due to energy market price increases. Revenues in the period overall have increased 70% in the year to £1.7 billion (2021 - £1.0 billion).

The increase in revenue has resulted in an increase in the gross reported margin to 7.9% compared to 5.6% in 2021, with an adjusted gross margin (excluding any fair value gain or loss on commodity contracts) of 5.5% showing a increase of 0.7% in the adjusted gross margin compared to 4.8% reported in 2021. See page 9 for the reconciliation of adjusted gross margin.

There was no interim dividend paid during the year (2021: £nil), and no final dividends have been approved or paid (2021: £nil).

Going Concern

The directors have, at the time of approving the financial statements, a reasonable expectation that the Company has adequate resources to continue in operational existence for the period to 31 December 2024. They therefore continue to adopt the going concern basis of accounting in preparing the financial statements.

Base case projections were prepared and reviewed at an ENGIE Energy Supply UK divisional level including the Company, its parent ENGIE Supply Holding UK Limited and the parent's subsidiaries. It is this group which collectively transacts the energy supply activities for ENGIE S.A. in the UK. Cash balances are maintained at a divisional level and cash is held both within bank accounts and on reserve at ENGIE S.A.'s subsidiary ENGIE Treasury Management.

Both the Company and the division have no external debt. An internal divisional overdraft facility provided by ENGIE Treasury Management for up to £453m is committed until 30 June 2025.

The division trades gas and electricity with ENGIE Global Markets, a wholly owned subsidiary of ENGIE S.A. A margin call agreement is in place between ENGIE Global Markets and the division to cover both parties from exposures resulting from unsettled trades. The margin call operates in both directions, i.e. the cash balance could favour either party depending on the polarity of the aggregate exposure. Whenever the margin call favours ENGIE Global Markets, the division is required to place cash with ENGIE Global Markets. The division has a facility provided by its ultimate parent company ENGIE S.A. to assist the division in meeting the cash requirements of the facility up to a value of £269m which is committed up to and including 30 June 2025. The directors are confident this will enable the division to continue to meet its obligations.

A base case projection has been prepared by the directors for the period to 31 December 2024, with the key assumptions being:

Operating cashflows: Operating cashflows have been projected on the assumption that the division will continue its existing commercial activities over the review period with no material changes to the division's systems, processes and people.

Working capital cashflows: Working capital cashflows have been projected on the assumption that the division will maintain its existing credit terms with both customers and suppliers. The timing of ongoing indirect tax cashflows including VAT and Climate Change Levy are assumed to remain unchanged.

Directors' Report (continued)

Going Concern (continued)

Financing cashflows: the division has no external debt at the present date and is assumed to remain free of external debt over the review period.

Investment cashflows: a modest level of capital investment equivalent to 2 months' worth of operating costs is assumed during the review period. The investments assumed relate to maintenance of the division's IT systems. It is assumed that no disposals will take place during the period. No dividend payments are forecast in the going concern period.

Consideration has been given to climate change impacts and the current geopolitical circumstances in respect of Russia and Ukraine, and these are not considered to impact the company during the going concern period.

The base case indicates the division has a substantial level of headroom liquidity to continue its operations for the period.

The directors have reviewed a downside projection which represents a plausible worst-case scenario. This downside projection assumes a 50% increase debtor days, 25% increase in unbilled revenues and includes a 25% headroom on supplier security requirements.

As part of the plausible worst-case scenario, to quantify the margin call cash requirements it was assumed that the prevailing energy prices persist to the end of 2024 and then fall to the lowest levels seen for the last five years.

The directors have also performed a reverse stress test to assess the level of unforeseen cash requirements that the division could withstand before it would experience liquidity issues over the period to 31 December 2024. The directors consider the level of unforeseen cash requirements necessary to create liquidity issues for the company as implausible.

Having carefully considered the base case, downside projection, current trading and trends since the year end, and the letter of support and confirmations received from ENGIE S.A., the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the period to 31 December 2024. Therefore, the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

Directors' Report (continued)

Directors

The directors who served during the year ended 31 December 2022 and subsequently were:

K A Dibble
R J Wells
G R Leith (appointed 8 February 2022)
V M Verbeke (resigned 31 August 2023)
A A Sanz Fernandez (appointed 1 September 2023)

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 Energy Supply Employee Forum 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. 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 as outlined in Note 18. The purpose is to manage the energy market price risk arising from the Company's energy purchasing for its customer base (2021 – the same applied).

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.

Directors' Report (continued)

Streamlined Energy and Carbon Reporting (SECR) Summary Report

In line with the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018 our energy use and greenhouse gas (GHG) emissions are set out below.

The data relates to UK emissions for the 12-month period from 1 January 2022 to 31 December 2022.

Engie Power Ltd Energy Use and Associated Greenhouse Gas Emissions

	Jan – Dec 2022	Jan – Dec 2021
Total Energy consumption (kWh)	1,825,498	2,053,791
Emissions from combustion of gas (Scope 1) (Tco2e)	107	128
Emissions from transport (Scope 1) (Tco2e)	3	3
Emissions from purchased electricity (Scope 2) (Tco2e)	235	283
Emissions from business travel in rental cars or employee-owned vehicles where company is responsible for purchasing the fuel or electricity (Scope3) (Tco2e)	3	2
Total gross emissions (Tco2e)	348	416
Tco2e per £m turnover	0.2	0.4
Emissions avoided by purchasing renewable electricity (tCO2e)	235	0
Total annual net emissions (tCO2e)	113	416

Quantification and Reporting Methodology

The boundaries of this report are based on operational control. We report our emissions with reference to the latest Greenhouse Gas Protocol Corporate Accounting and Reporting Standard (GHG Protocol). In accordance with the 2018 Regulations, the energy use and associated greenhouse gas emissions are for those within the UK only that come under the operational control boundary.

Therefore, energy use and emissions are aligned with financial reporting for the UK subsidiaries and exclude the non-UK based subsidiaries that would not qualify under the 2018 Regulations in their own right. The 2022 UK Government GHG Conversion Factors for Company Reporting published by the UK Department for Environment Food & Rural Affairs (DEFRA) are used to convert energy use in our operations to emissions of CO₂e. Carbon emission factors for purchased electricity calculated according to the 'location-based grid average' method. This reflects the average emission of the grid where the energy consumption occurs. Data sources include billing, invoices and internal systems.

We purchase 100% renewable electricity for our site and have included an additional net emissions figure calculated using market-based factors to account for this in our report above. For transport data where actual usage data (e.g. litres) was unavailable conversions were made using average fuel consumption factors to estimate the usage. Engie Power Limited and Engie Gas Limited operate out of the same site, so energy usage was apportioned between the two companies according to turnover (68% Engie Power, 32% Engie Gas). This approach was also taken for the grey fleet.

Intensity Ratio

We have chosen to report our gross emissions against £m turnover. This amounts to 0.2 tCO₂e per £m turnover.

Energy Efficiency Action

Engie Power Limited has not taken any energy efficiency actions during the year 2022.

Directors' Report (continued)

Auditor

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 ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

By order of the Board,

DocuSigned by:

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R J Wells

Director

19 December 2023

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 ending 31 December 2022.

Business Review

ENGIE Power Limited activities are the supply of electricity to industrial, commercial, small business, and purchase of energy from upstream generators.

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	2022	2021	Movement
Turnover	£'000	1,703,971	1,002,307	70.0%
Reported gross margin	£'000	135,066	55,797	142.1%
Reported gross margin percentage	%	7.9	5.6	41.0%
Headcount		346	302	14.6%

The Company has seen an increase in revenue in the year. During the 12 months ending 31 December 2022 the Company generated revenues of £1.7 billion, an increase of 70% on the reported revenue of £1.0 billion in the year ended 31 December 2021.

During the same period the Company generated a gross margin percentage of 7.9%, an increase of 2.3% from the reported gross margin in 2021 of 5.6%. However, this margin is distorted by movements on the valuations of the Company's contracts to purchase and supply power. Adjusting for these movements in 2022 and 2021, the adjusted gross margin has increased by 0.7% to 5.5% in 2022, compared to 4.8% in the prior period. As shown in the table below;

	Units	2022	2021
Turnover	£'000	1,703,971	1,002,307
Reported gross margin	£'000	135,066	55,797
Movement on fair value	£'000	40,862	7,391
Adjusted gross margin	£'000	94,204	48,406
Adjusted gross margin percentage	%	5.5	4.8

Increase in Revenue

Revenue for the financial year ending 31 December 2022 were up 70% on the previous year, this is primarily due to increases in the energy market price.

The net assets of the Company at the end of 2022 were £102,115,000 (2021 net assets of £28,996,000).

Strategic Report (continued)

Future Developments

Based on the results achieved this year, the directors remain confident in the future prospects of the Company.

The business is constantly developing the services and products to meet the changing needs of our customers and the evolving energy environment.

Statement of corporate governance arrangements

The Company along with its parent ENGIE Supply Holding UK Limited and the parent's subsidiaries forms the ENGIE Energy Supply UK division ("Energy Supply UK"), and report to the ENGIE Global Energy Management (GEM) Management team and Board.

Purpose and leadership

All Energy Supply UK companies share the common purpose 'to be the leading renewable energy supplier providing tailored customer solutions', under the leadership of ENGIE Group Executive Committee. ENGIE's ambition is to become the world leader in the zero-carbon transition "as a service" for our customers. In the UK, this purpose and ambition is articulated as 'To build value added relationships with our target customers to provide tailored renewable energy solutions with direct access to green supplies through our diversified portfolio.'

Directors responsibilities

Whilst the board of directors do not apply any specific code of corporate governance, the directors are confident that the alternative arrangements, which have been in place and were operational throughout the financial year, are sufficient to ensure effective management of the Company and the Energy Supply UK division and interaction with its members and stakeholders. These alternative arrangements consist of a combination of the following:

- a board of directors, composed of directors with in-depth knowledge of the company and the sectors it operates in;
- clearly documented delegations of authorities governing the performance of both day to day and key activities;
- oversight and guidance by an "Executive Team" of which all the officers of the Company form part, that oversees ENGIE's activities in the UK and which sets the strategy for the long-term success of the division;

Opportunity and risk

Risk and opportunity management is owned at the highest level of the business; the directors have an Energy Supply UK risk committee which reviews UK risks and the measures taken to mitigate these. The committee identifies environmental and societal issues and transforms them into opportunities for the business as well as managing environmental, social and governance (ESG) risks associated with the Company's activities that relate to the environment, local and international acceptability, health and safety, human resources management, ethics and governance.

Within the Company, individual contracts are required to produce contract-specific aspects and impacts registers which identify risks and opportunities and include mitigation measures. Any activities that are deemed significant post-mitigation must have further actions identified and implemented to manage the associated risks.

Strategic Report (continued)

Statement of corporate governance arrangements (continued)

Remuneration

The ENGIE board of directors remuneration is reviewed by the remuneration committee and was deemed to be fair, proportionate and timely in relation to corporate performance, in comparison with peers and in ratio with employees' pay and benefits.

The salary of all Executives in the UK is set by the parent company, ENGIE S.A., and aims to support long-term success by linking in bonus, salary increases and long-term incentives to a set number of financial and managerial targets, along with a view on market positioning. The same approach to bonus and salary is used for employees below the executive level (where eligible).

Stakeholder relationships and engagement

When managing stakeholder relationships, all activity adheres to ENGIE's Ethics Policy and Gifts and Hospitality Policy, with governance from an Energy Supply UK level Ethics Officer.

Directors' statement of compliance with duty to promote the success of the company (under section 172 (1) of the companies act 2006)

The directors view the Energy Supply UK companies' key stakeholders to be the environment and community, customers, employees, regulators, government, and suppliers.

The directors' actions are also guided by ENGIE Ways of Leading (EWOL): Safety & Integrity, One ENGIE, Accountability, Trust, Care. This help define the Energy Supply UK companies' strategies and targets.

The directors monitor the performance of the Energy Supply UK companies' against annual objectives.

The directors utilise a full range of communication channels managed at a divisional level to engage with stakeholders. These include face to face meetings, forums and events, reports and other written materials, as well as through public relations activity, targeted digital content and social media.

Environment and Community

ENGIE S.A. Group's employees in the UK are actively engaged in the transition to net zero carbon, through the operation of low carbon infrastructure, and helping business customers to reduce energy consumption, and green their supply. The Company's directors see benefit in reducing the direct environmental impacts of its operations, as well as in supporting its customers in efforts to drive lower carbon outcomes. In 2022, Energy Supply UK reduced its total gross emissions (tCO₂e) attributable to Scope 1 (direct emissions from owned or controlled sources) and Scope 2 (indirect emissions from the generation of purchased electricity, steam, heating and cooling consumed) by 13%.

Customers

The directors recognise that maintaining positive relationships with customers is a major driver to performance in the sector, ensuring strong levels of retention and providing broader business opportunities. The directors directly engage with Energy Supply UK key customers at a strategic level in order to build partnerships, understand changing requirements and help to improve Energy Supply UK's products and services. The directors also work to ensure that the culture of Energy Supply UK has a strong customer focused ethos, investing in its systems and people to continually improve the customer experience.

Providing excellent customer service is a key focus for Energy Supply UK. Industrial and Commercial customers have a designated account manager who ensures the customers are on an appropriate product and ensure that bills are understood. Advice is also provided to customers directly and via webinars, on industry and regulatory developments.

The main Energy Supply UK Customer Service team consists of frontline advisors, team leaders and an operations manager. All teams have their own individual targets and objectives whilst across Customer Service there are "Customer First KPI's" which are monitored and measured throughout each month.

Strategic Report (continued)

Directors' statement of compliance with duty to promote the success of the company (under section 172 (1) of the companies act 2006) (continued)

Employee involvement and engagement

The directors believe in the importance of an engaged and well-motivated employee base in achieving our overall business objectives. Employee involvement in Energy Supply UK is encouraged, and engagement levels are tracked through regular employee surveys. Achieving a shared purpose and common awareness on the part of all employees of the financial and economic factors affecting the Company plays a material role in improving its performance.

The directors regularly communicate with Energy Supply UK employees on matters of concern to them, and consult with them or their representatives, in order that their views are considered where company developments may affect their interests. This is achieved through regular meetings between management and elected employee representatives, company-wide web presentations, leadership blogs, intranet news articles and mails to employees' home addresses.

Energy Supply UK also encourages the involvement of employees to optimise divisional and ENGIE group performance through wider employee share ownership utilising the group's Link Employee Share Purchase Plan.

Energy Supply UK offers and actively promotes development opportunities at all levels. There are focussed programmes for the highest potential talent, which are aligned to the succession planning process. Succession plans and pools for business-critical roles are regularly reviewed, developing internal and external development plans to ensure a sustainable pipeline of talent.

Regulators and Government

Energy Supply UK operates in a highly regulated market, which is subject to a regular flow of government policy consultations, and regulatory developments. Depending on their nature, policy and regulatory changes may provide opportunities or pose risk to Energy Supply UK's operations.

The directors place strong emphasis on compliance with regulations, including with the terms of its relevant licences, and understands the need to demonstrate good performance to, and foster good relationships with, Ofgem, the industry regulator, government, and industry code administrators.

Energy Supply UK has a designated Regulation Director who is responsible for a proactive engagement plan with these stakeholders to facilitate those relationships and understand the expectations that are critical to the business.

This involves consistent meetings with the Department for Energy Sustainability and Net Zero ("DESNZ")—formerly known as the Department for Business, Energy & Industrial Strategy, or "BEIS"—for investor relations. It also entails active participation in crucial industry change proposals, providing feedback on policy and regulatory consultations, and interacting with pertinent trade associations. The directors frequently participate in high-level meetings with DESNZ and Ofgem.

Suppliers

ENGIE Energy Supply UK's suppliers are fundamental to the running of the business from both an operational and regulatory perspective. Energy Supply UK complies with the payment policies and performance regulations introduced by the government in April 2017 which involves submitting supplier payment data on a half-yearly basis.

Although this is the regulatory requirement, the results of the payment performance are monitored by the directors and used to set objectives to encourage ongoing improvement.

The directors maintain high standards of business conduct by ensuring that activities of the Energy Supply UK companies of ENGIE are in line with ENGIE's Ethics Charter, policies and codes of conduct. The overarching Ethics Charter includes a zero tolerance for all forms of corruption and is supplemented with a range of more specific policies and practical guidelines which deal with areas such as supplier relationships, conflicts of interest and gifts and hospitality. All Board members have received training in this respect.

Strategic Report (continued)

Directors' statement of compliance with duty to promote the success of the company (under section 172 (1) of the companies act 2006) (continued)

Long term consequences of decisions made in year

No material principal decisions were taken in 2022 that impact either the strategic direction of the Company or the major stakeholders of the Company.

Principal Risks and Uncertainties

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

Energy Price Volatility

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.

Credit risk

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 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 Company hedges foreign exchange transactions to minimise exposure to foreign exchange movements.

Non-performance of information systems

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.

Political or regulatory change and non-compliance

Energy Supply UK operates in a highly regulated market, which is subject to a continuous flow of government policy interventions, and regulatory developments. Depending on their nature, policy and regulatory changes may provide opportunities or pose risk to Energy Supply UK's operations.

The Energy Supply UK 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.

Reputation risk

ENGIE S.A. group instruction manuals set out the policies and procedures with which the UK subsidiaries are required to comply. The directors' 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.

Business disruption

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

Failing to attract, retain and motivate staff

Energy Supply UK has defined processes 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.

Strategic Report (continued)

Principal Risks and Uncertainties (continued)


Project risk

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.

Climate change risk

In order to help the Company monitor and manage its exposure to climate change risk, the Company includes a climatic component to our stress tests looking at our downstream risks, as well as an increased focus on monitoring our intermittency risk from our solar and wind upstream contracts.

By order of the Board,

DocuSigned by:

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R J Wells

Director

19 December 2023

Independent Auditor's Report

to the members of ENGIE Power Limited

Opinion

We have audited the financial statements of ENGIE Power Limited for the year ended 31 December 2022 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 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period to 31 December 2024.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Company's ability to continue as a going concern.

Other information

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

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. 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 course of 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 this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Independent Auditor's Report (continued)

to the members of ENGIE Power Limited

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or Directors' Report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

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

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

Independent Auditor's Report (continued)

to the members of ENGIE Power Limited

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

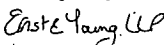
- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Company and determined that the most significant are those that relate to the reporting framework (United Kingdom Accounting Standards including FRS 101 "Reduced Disclosure Framework") and the relevant direct and indirect tax compliance regulations in the United Kingdom.
- We understood how the Company is complying with those frameworks by making enquiries of management. We corroborated our enquiries through our review of Group board minutes, review of correspondence with the relevant authorities and consideration of the results of our audit procedures across the Company.
- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur by assessing the risk of fraud absent of controls, and then identifying controls which are in place at an entity level and whether the design of these controls is sufficient for the prevention and detection of fraud, utilising internal and external information to perform our fraud risk assessment. We considered the risk of fraud through management override and considered the design and implementation of controls at the financial statement level to prevent this, as well as incorporating data analytics across manual journal entries in our audit approach.
- Based on this understanding we designed our audit procedures to identify non-compliance with the laws and regulations identified in the paragraphs above. Our procedures involved: journal entry testing, with a focus on journals meeting our defined risk criteria based on our understanding of the business; enquiries of Company management; and challenging the assumptions and judgements made by management by reading third party evidence wherever possible. We also involved internal specialists as appropriate.

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.

DocuSigned by:



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Kate Jarman (Senior statutory auditor)

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

19 December 2023

Profit and Loss Account

for the year ended 31 December 2022

	Note	2022 £'000	2021 £'000
Turnover	3	1,703,971	1,002,307
Other Income	4	84,655	-
Cost of sales		(1,694,422)	(953,901)
Fair value gain on commodity contracts	18	40,862	7,391
Gross profit		135,066	55,797
Administrative expenses		(23,872)	(24,594)
Impairment (loss) / gain on financial assets		(19,379)	145
Operating profit	5	91,815	31,348
Interest receivable and similar income	9	251	601
Interest payable and similar charges	10	(946)	(353)
Profit before taxation		91,120	31,596
Tax charge	11	(18,001)	(6,186)
Profit for the financial year after tax		73,119	25,410

All amounts relate to continuing activities.

Statement of Comprehensive Income

at 31 December 2022

There was no other comprehensive income attributable to the shareholders of the Company other than the profit for the year ended 31 December 2022 of £73,119,000 (2021: profit of £25,410,000).

Balance Sheet

at 31 December 2022


	Note	2022 £'000	2021 £'000
Non-current assets			
Intangible assets	13	8,262	8,159
Property, plant and equipment	12	775	677
Right-of-use assets	19	2,719	1,934
Debtors greater than one year	14	59,725	32,271
Derivative financial instruments	18	490,461	219,427
		<u>561,942</u>	<u>262,468</u>
Current assets			
Debtors due within one year	14	701,586	285,529
Derivative financial instruments	18	597,216	582,467
Intercompany cash sweep		-	46,640
Cash at bank and in hand		19	5
Deferred tax asset	17	563	194
		<u>1,299,384</u>	<u>914,835</u>
Total assets		<u>1,861,326</u>	<u>1,177,303</u>
Current liabilities			
Creditors: amounts falling due within one year	15	705,944	340,621
Lease liabilities	19	195	571
Derivative financial instruments	18	573,596	561,638
		<u>1,279,735</u>	<u>902,830</u>
Total current liabilities		<u>1,279,735</u>	<u>902,830</u>
NET CURRENT ASSETS		<u>19,649</u>	<u>12,005</u>
Total assets less current liabilities		<u>581,591</u>	<u>274,473</u>
Non-current liabilities			
Provisions	16	2,435	1,993
Lease liabilities	19	3,505	2,911
Derivative financial instruments	18	473,536	240,573
		<u>479,476</u>	<u>245,477</u>
Total non-current liabilities		<u>479,476</u>	<u>245,477</u>
		<u>1,759,211</u>	<u>1,148,307</u>
Total liabilities		<u>1,759,211</u>	<u>1,148,307</u>
NET ASSETS		<u>102,115</u>	<u>28,996</u>

Balance Sheet (continued)

at 31 December 2022

	Note	2022 £'000	2021 £'000
Capital and reserves			
Called up share capital	22,26	-	-
Profit and loss account	26	102,115	28,996
TOTAL SHAREHOLDERS' FUNDS		102,115	28,996

The financial statements with a registration number 04236804 were approved by the board of directors and authorised for issue on 19 December 2023. They were signed on its behalf by:

DocuSigned by:

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R J Wells
Director

19 December 2023

Statement of Changes in Equity

for the year ended 31 December 2022 and 31 December 2021

	Note	Share Capital £'000	Profit and loss account £'000	Total £'000
At 1 January 2021		-	3,586	3,586
Profit for the year		-	25,410	25,410
At 31 December 2021		-	28,996	28,996
<hr/>				
At 1 January 2022		-	28,996	28,996
Profit for the year		-	73,119	73,119
At 31 December 2022		-	102,115	102,115

Notes to the Financial Statements

At 31 December 2022

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 2022 were authorised for issue by the board of the directors on 19 December 2023 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. 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 S.A. are available to the public and can be obtained as set out in note 28.

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

At 31 December 2022

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

Going concern

The directors have, at the time of approving the financial statements, a reasonable expectation that the Company has adequate resources to continue in operational existence for the period to 31 December 2024. They therefore continue to adopt the going concern basis of accounting in preparing the financial statements.

Base case projections were prepared and reviewed at an ENGIE Energy Supply UK divisional level including the Company, its parent ENGIE Supply Holding UK Limited and the parent's subsidiaries. It is this group which collectively transacts the energy supply activities for ENGIE S.A. in the UK. Cash balances are maintained at a divisional level and cash is held both within bank accounts and on reserve at ENGIE S.A.'s subsidiary ENGIE Treasury Management.

Both the Company and the division have no external debt. An internal divisional overdraft facility provided by ENGIE Treasury Management for up to £453m is committed until 30 June 2025.

The division trades gas and electricity with ENGIE Global Markets, a wholly owned subsidiary of ENGIE S.A. A margin call agreement is in place between ENGIE Global Markets and the division to cover both parties from exposures resulting from unsettled trades. The margin call operates in both directions, i.e. the cash balance could favour either party depending on the polarity of the aggregate exposure. Whenever the margin call favours ENGIE Global Markets, the division is required to place cash with ENGIE Global Markets. The division has a facility provided by its ultimate parent company ENGIE S.A. to assist the division in meeting the cash requirements of the facility up to a value of £269m which is committed up to and including 30 June 2025. The directors are confident this will enable the division to continue to meet its obligations.

A base case projection has been prepared by the directors for the period to 31 December 2024, with the key assumptions being:

Operating cashflows: Operating cashflows have been projected on the assumption that the division will continue its existing commercial activities over the review period with no material changes to the division's systems, processes and people.

Working capital cashflows: Working capital cashflows have been projected on the assumption that the division will maintain its existing credit terms with both customers and suppliers. The timing of ongoing indirect tax cashflows including VAT and Climate Change Levy are assumed to remain unchanged.

Financing cashflows: the division has no external debt at the present date and is assumed to remain free of external debt over the review period.

Investment cashflows: a modest level of capital investment equivalent to 2 months' worth of operating costs is assumed during the review period. The investments assumed relate to maintenance of the division's IT systems. It is assumed that no disposals will take place during the period. No dividend payments are forecast in the going concern period.

Consideration has been given to climate change impacts and the current geopolitical circumstances in respect of Russia and Ukraine, and these are not considered to impact the company during the going concern period.

The base case indicates the division has a substantial level of headroom liquidity to continue its operations for the period.

The directors have reviewed a downside projection which represents a plausible worst-case scenario. This downside projection assumes a 50% increase debtor days, 25% increase in unbilled revenues and includes a 25% headroom on supplier security requirements.

Notes to the Financial Statements

At 31 December 2022

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

Going concern (continued)

As part of the plausible worst-case scenario, to quantify the margin call cash requirements it was assumed that the prevailing energy prices persist to the end of 2024 and then fall to the lowest levels seen for the last five years.

The directors have also performed a reverse stress test to assess the level of unforeseen cash requirements that the division could withstand before it would experience liquidity issues over the period to 31 December 2024. The directors consider the level of unforeseen cash requirements necessary to create liquidity issues for the company as implausible.

Having carefully considered the base case, downside projection, current trading and trends since the year end, and the letter of support and confirmations received from ENGIE S.A., the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the period to 31 December 2024. Therefore, the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

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 recognised 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.

Notes to the Financial Statements (continued)

At 31 December 2022

2. Accounting policies

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 monitoring new information that materialises after the balance sheet date. 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.

The business regularly reviews the techniques used to calculate energy, transportation and intermediary fee accruals, along with its estimation of bad debt provisioning and finance cost accruals. This allows the business to more accurately estimate these costs going forward but also review its historic liabilities and provisions.

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 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.

Notes to the Financial Statements (continued)

At 31 December 2022

2. Accounting Policies (continued)

Key sources of estimation uncertainty (continued)

External & Intercompany Receivables – Expected Credit Losses (continued)

As at 31 December 2022, the Company recognised a total of £169.7 million (2021: £72.4 million) of external trade receivables and a total of £165.6 million of intercompany receivables in the year (2021: £43.6 million) which have been settled post year end; and therefore no expected credit loss provision has been recognised. The credit note provision and expected credit loss reserve recognised at the balance sheet date on external debtors are detailed in Note 14.

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.

Notes to the Financial Statements (continued)

At 31 December 2022

2. Accounting Policies (continued)

Significant 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.

Leases

The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Company as a lessee

The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets

The Company recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received.

Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

Land and Buildings - 15 years

If ownership of the leased asset transfers to the Company at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The right-of-use assets are also subject to impairment.

Lease Liabilities

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees.

Notes to the Financial Statements (continued)

At 31 December 2022

2. Accounting Policies (continued)

Significant accounting policies (continued)

Leases (continued)

Lease Liabilities (continued)

In calculating the present value of lease payments, the Company uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable.

After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

The Company's lease liabilities are included in other current and other non current liabilities (see Note 19).

Short-term leases and leases of low-value assets

The Company applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value.

Lease payments on short-term leases and leases of low value assets are recognised as expense 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.

Notes to the Financial Statements (continued)

At 31 December 2022

2. Accounting Policies (continued)

Significant accounting policies (continued)

Financial Assets (continued)

Financial assets at fair value through profit or loss (continued)

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.

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.

Notes to the Financial Statements (continued)

At 31 December 2022

2. Accounting Policies (continued)

Significant accounting policies (continued)

Financial Assets (continued)

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.

Impairment of financial assets

IFRS 9 requires an expected credit loss (ECL) model to be applied to the financial assets. 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.

Notes to the Financial Statements (continued)

At 31 December 2022

2. Accounting Policies (continued)

Significant accounting policies (continued)

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.

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:

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.

Notes to the Financial Statements (continued)

At 31 December 2022

2. Accounting Policies (continued)

Significant accounting policies (continued)

Financial Liabilities (continued)

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 18.

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.

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.

Notes to the Financial Statements (continued)

At 31 December 2022

2. Accounting Policies (continued)

Significant accounting policies (continued)

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

The Company supplies power to commercial business 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 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.

Notes to the Financial Statements (continued)

At 31 December 2022

2. Accounting Policies (continued)

Significant accounting policies (continued)

Other income

The Company recognises grant income in the Profit and Loss as it becomes due. In the case of grants due under the Energy Bill Relief Scheme (EBRS), the income is considered to become due when the qualifying electricity is consumed (note 4).

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 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.

3. Turnover

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

4. Other income

The Company recognised grant income from the UK Government of £84,655,000 in the year. All grant income relates to the Company's obligations to provide energy bill discounts during the 2022/23 winter under the Energy Bill Relief Scheme (EBRS).

The primary purpose of EBRS grants is to reimburse energy suppliers for the cost of energy bill discounts provided to consumers, as such the scheme remains profit neutral for suppliers.

The Company recognises EBRS grant income in the Profit and Loss as it becomes due from the UK Government and is considered to become due when the qualifying electricity is consumed.

The total grant income received in the year was £36,761,000 and the balance of £47,894,000 is presented as a receivable within Trade Debtors.

There are no unfulfilled conditions or contingencies attached to the grant income recognised in the year.

Notes to the Financial Statements (continued)

At 31 December 2022

5. Operating profit

This is stated after charging/(crediting):

	2022	2021
	£'000	£'000
Depreciation - owned assets (note 12)	144	332
Depreciation - right-of-use (note 19)	298	336
Amortisation of intangible assets (note 13)	2,297	2,088
Impairment of property, plant and equipment	-	3,296
Impairment of intangible assets	-	14
Staff costs (note 7)	22,441	17,734
Impairment loss / (gain) recognised on debtors (note 14)	19,379	(145)

6. Auditor's remuneration

Fees payable to Ernst & Young LLP and their associates for the audit of the company's annual accounts were £619,572 (2021: £291,000).

There were no fees payable by ENGIE Power Limited to Ernst & Young LLP for non-audit services (2021: £nil).

7. Staff costs

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

	2022	2021
	Number	Number
Sales and Marketing	83	77
Administration	263	225
	346	302

The aggregate staff costs of these persons comprised:

	2022	2021
	£'000	£'000
Wages and salaries	20,386	16,061
Social security costs	1,215	909
Other pension costs	840	764
	22,441	17,734

Notes to the Financial Statements (continued)

At 31 December 2022

8. Directors remuneration

There was only one director paid through Engie Power Limited in the period, therefore details of directors' remuneration and highest paid director are as follows:

	2022 £'000	2021 £'000
Short term employee benefits	157	128
Post-employment pension	23	19
	<u>180</u>	<u>147</u>

The other directors of the Company are employees of other ENGIE S.A. group and companies their remuneration has been paid by other group companies during the year. For the directors who perform services for the Company are employed and remunerated by other group companies, the total remuneration apportioned to the Company for their services rendered is £29,167 (2021: £20,000).

No director has exercised any group share options (2021 – £nil).

9. Interest receivable and similar income

	2022 £'000	2021 £'000
Inter-company loan interest	249	388
Other interest receivable	2	213
	<u>251</u>	<u>601</u>

10. Interest payable and similar charges

	2022 £'000	2021 £'000
Inter-company loan interest	701	29
Interest payable for late payment to suppliers	26	20
Interest on lease liabilities	87	92
Other interest payable	132	212
	<u>946</u>	<u>353</u>

Notes to the Financial Statements (continued)

At 31 December 2022

11. Taxation

The tax charge comprises:

	2022 £'000	2021 £'000
Current income tax:		
UK corporation tax on profits of the year	17,094	4,656
Adjustments in respect of previous periods	1,276	172
Total current income tax	18,370	4,828
Deferred tax: (note 17)		
Deferred income tax relating to the origination and reversal of temporary differences	288	1,358
Adjustments in respect of previous periods	(657)	-
Total current deferred tax	(369)	1,358
Tax charge in the profit and loss	18,001	6,186

	2022 £'000	2021 £'000
Reconciliation of tax charge		
Profit before tax	91,120	31,596
Profit multiplied by rate of corporation tax of 19.00% (2021: 19%)	17,313	6,003
Adjustments in respect of prior periods – current tax	1,276	172
Deferred tax on disposal	-	76
Adjustments in respect of prior periods – deferred tax	(657)	-
Change in deferred tax rate	69	(65)
Tax charge in the profit and loss	18,001	6,186

Factors that may affect future current and total tax charges

The Finance Act 2021 received Royal Assent on 10 June 2021 and enacted an increase in the corporation tax rate from 19% to 25% with effect from 1 April 2023. Deferred tax has therefore been provided at 25% being the rate at which the underlying temporary differences are expected to reverse.

Notes to the Financial Statements (continued)

At 31 December 2022

12. Property, Plant and Equipment

	Fixtures, fittings and office equipment	Leasehold improvements	IT Equipment	Total
Cost	£'000	£'000	£'000	£'000
At 1 January 2022	4,536	1,731	158	6,425
Additions	-	242	-	242
At 31 December 2022	4,536	1,973	158	6,667
Accumulated depreciation and impairment				
At 1 January 2022	4,533	1,060	155	5,748
Charge for the year	1	140	3	144
At 31 December 2022	4,534	1,200	158	5,892
Net book amount				
At 1 January 2022	3	671	3	677
At 31 December 2022	2	773	-	775

13. Intangible Assets

	Application Software and development costs	Sales Order Book	Total
Cost	£'000	£'000	£'000
At 1 January 2022	24,097	3,300	27,397
Additions	2,400	-	2,400
At 31 December 2022	26,497	3,300	29,797
Aggregate amortisation			
At 1 January 2022	15,938	3,300	19,238
Charge for the year	2,297	-	2,297
At 31 December 2022	18,235	3,300	21,535
Net book amount			
At 1 January 2022	8,159	-	8,159
At 31 December 2022	8,262	-	8,262

Notes to the Financial Statements (continued)

At 31 December 2022

13. Intangible Assets (Continued)

The application software capitalised relates to several different applications developed specifically for the Energy Supply UK 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.

14. Debtors

Debtors due within one year

	2022	2021
	£'000	£'000
Trade debtors	169,727	72,362
Other debtors	33,024	34,035
Amounts owed by fellow subsidiary undertakings	165,642	43,623
Prepayments	46,911	16,484
Accrued income	286,282	119,025
	<u>701,586</u>	<u>285,529</u>

Of the total trade receivables balance of £200.9 million (2021 - £88.8 million) the Company has provided a total of £31.1 million in respect of a combination of credit note provision and expected credit loss reserve (2021 - £16.4 million). No amount was purchased or originated credit impaired. In the current year the Company has incurred a total bad debt and credit note provision expense of £19.4 million (2021 - credit of £0.1 million).

Amounts owed by fellow subsidiary undertakings have all settled post year end.

Debtors greater than one year

	2022	2021
	£'000	£'000
Prepayments	59,725	32,271
	<u>59,725</u>	<u>32,271</u>

Notes to the Financial Statements (continued)

At 31 December 2022

15. Creditors due within one year

	2022 £'000	2021 £'000
Trade creditors	24,547	31,089
Amounts owed to group undertakings	65,011	42,103
Other creditors	119,615	57,171
Other taxation and social security	8,183	8,558
Accruals and deferred income	274,598	162,687
Amounts owed to fellow subsidiary undertakings	131,704	36,874
Current tax liability	14,446	2,139
Intercompany overdraft	67,840	-
	<u>705,944</u>	<u>340,621</u>

The amounts shown as being owed to either fellow subsidiary undertakings or group undertakings are shown net of interest payable. There is no interest due on either amounts owed to fellow or group undertakings, there is no outstanding interest that is attributed to these amounts owed to the group undertakings, and all amounts owed to either fellow subsidiary undertakings or group undertakings have settled post year end.

Consistent with the prior year, the Company is a member of an intercompany cash pooling arrangement, provided by ENGIE Treasury Management (ETM). The Company's cash is placed within an intercompany account on an overnight sweep basis, whilst as per Note 20, this arrangement also provides the Energy Supply UK division with a Negative Balance Limit of £453m, to support the Energy Supply UK division manage its working capital requirements, where required. As at 31 December 2022 the Company had drawn down £67.8m of borrowings under this Negative Balance Limit arrangement, whilst as at 31 December 2021, no monies had been drawn down under the Negative Balance Limit arrangement and the Company had cash held within the intercompany sweep account of £46.6m as presented on the Balance Sheet.

Notes to the Financial Statements (continued)

At 31 December 2022

16. Provisions

	2022 £'000	2021 £'000
Dilapidation	7	669
Contract levelisation	2,428	1,324
	<u>2,435</u>	<u>1,993</u>

	Dilapidation £'000	Contract Levelisation £'000	Total £'000
At 1 January 2022	669	1,324	1,993
Added during the year	-	1,104	1,104
Unwinding	(662)	-	(662)
At 31 December 2022	<u>7</u>	<u>2,428</u>	<u>2,435</u>

Dilapidation

The dilapidation provision for No.1 Leeds was unwound during the year due to modification of the lease. The amount carried forward relates to the modified lease which runs to 2032.

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 2023 to 2026.

Notes to the Financial Statements (continued)

At 31 December 2022

17. Deferred tax asset

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

	2022 £'000	2021 £'000
Deferred tax asset at 1 January	194	2,962
Deferred tax charge in profit and loss account for the year (note 11)	(288)	(1,358)
Adjustments in respect of previous periods (note 11)	657	-
Reversal of unused tax losses	-	(1,410)
Deferred tax asset at 31 December	<u>563</u>	<u>194</u>
Analysed as:	2022 £'000	2021 £'000
Accelerated capital allowances	519	(103)
Other short-term temporary differences	44	297
	<u>563</u>	<u>194</u>

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, and provisions. Forecasts indicate that there will be suitable taxable profits to utilise those deferred tax assets not offset against deferred tax liabilities.

Notes to the Financial Statements (continued)

At 31 December 2022

18. 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.

	2022 £'000	2021 £'000
Financial assets at fair value		
Fair value through profit and loss (FVTPL) > 1 Year *	490,461	219,427
Fair value through profit and loss (FVTPL) < 1 Year*	597,216	582,467
	<u>1,087,677</u>	<u>801,894</u>
Financial liabilities at fair value		
Fair value through profit and loss (FVTPL) > 1 Year *	473,536	240,573
Fair value through profit and loss (FVTPL) < 1 Year *	573,596	561,638
	<u>1,047,132</u>	<u>802,211</u>

*see note on economic hedges below

Notes to the Financial Statements (continued)

At 31 December 2022

18. 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 2022 £'000	Year ended 2021 £'000
Financial assets at fair value		
Fair value through profit and loss (FVTPL)	285,783	696,762
Financial liabilities at fair value		
Fair value through profit and loss (FVTPL)	(244,921)	(689,371)
	<hr/>	<hr/>
Fair value gain / (loss) through profit and loss	40,862	7,391
	<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
2020	5,864,168	-	(1,434,742)	4,429,426
2021	4,429,426	-	(2,492,184)	1,937,242
2022	1,937,242	-	(1,792,928)	144,314

Notes to the Financial Statements (continued)

At 31 December 2022

19. Leases and Right of Use Assets

The Company has a lease contract for an office building. The lease term on this building is 15 years. The remaining duration of this lease is 7 years. Set out below are the carrying amounts of right-of-use assets recognised and the movements during the period:

	Land and Buildings £'000	Total £'000
Cost		
At 1 January 2022	5,045	5,045
Revaluation	(2,140)	(2,140)
At 31 December 2022	2,905	2,905
Accumulated depreciation		
At 1 January 2022	3,111	3,111
Charge for the year	298	298
Revaluation	(3,223)	(3,223)
At 31 December 2022	186	186
Net book amount		
At 1 January 2022	1,934	1,934
At 31 December 2022	2,719	2,719

Set out below are the carrying amounts of lease liabilities (included under current and non-current liabilities) and the movements during the period:

	2022 £'000	2021 £'000
As at 1 January	3,482	4,039
Revaluation	348	-
Accretion of interest	87	92
Payments	(217)	(649)
As at 31 December	3,700	3,482
Current	195	571
Non-current	3,505	2,911

Notes to the Financial Statements (continued)

At 31 December 2022

19. Leases and Right of Use Assets (continued)

Lease Maturity

The lease commitments are separated as follows:

	2022 £'000	2021 £'000
Within 1 year	191	571
Within 2 years	338	585
Within 3 Years	346	600
Within 4 Years	355	614
Within 5 Years	364	630
Over 5 Years	2,106	482
As at 31 December	3,700	3,482

The Company had total cash outflows for leases of £216,538 in 2022 (£649,613 in 2021). The Company also had non-cash additions to right-of-use assets and lease liabilities of £nil in 2022 (£nil in 2021).

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 contracts are insured via a full turnover credit insurance policy, with each customer insured for at least 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 £453m loan facility from its parent company available to the Energy Supply UK division that is committed to 30 June 2025. In addition, there is a £269m facility available from its parent company to the Energy Supply UK division to assist in meeting margin call requirements, which is committed up to and including 30 June 2025.

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.

Notes to the Financial Statements (continued)

At 31 December 2022

21. Capital Management

The company has no long-term external finance, all profits are paid to the ultimate parent company in return for future capital investment.

22. Share capital

	2022 £	2021 £
<i>Authorised</i>		
1,000 ordinary shares of £1 each	1,000	1,000
<i>Called up, allotted and fully paid</i>		
1 ordinary share of £1 each	1	1

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 £840,000 (2021: £764,000). At 31 December 2022, contributions of £67,000 (2021: £65,000) were unpaid.

24. Other financial commitments

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:

	2022 £'000	2021 £'000
Not later than one year	527,882	112,424
After one year but not more than five	628,422	241,300
After five years	-	3,803
	1,156,304	357,527

At 31 December 2022 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 £6,181,384,350 (2021: £4,212,153,403) using forecast purchases and prices as at 31 December 2022.

Notes to the Financial Statements (continued)

At 31 December 2022

24. Other financial commitments (continued)

(iii) Fixed Assets (Capital Commitments)

At 31 December 2022 the Company was committed to spend £nil (2021: £nil).

25. Related party transactions

Trading transactions

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

	2022 Purchases £'000	2022 Amount owed to £'000	2021 Purchases £'000	2021 Amount owed to £'000
ENGIE UK Markets Limited (EUKM), previously called IPM Energy Trading Limited (IPMETL)	353,398	-	153,679	-

Terms and conditions of transactions

The purchases from ENGIE UK Markets 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.

Compensation of key management personnel

	2022 £'000	2021 £'000
Short term employee benefits	157	128
Post-employment pension	23	19
	<u>180</u>	<u>147</u>

No key management personnel have exercised any group share options (2021: £nil).

Notes to the Financial Statements (continued)

At 31 December 2022

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. Contingent liabilities

The Company has received a number of enquiries which relate to external payments. These enquiries remain unresolved at the date of the financial statements being submitted for approval.

Of these enquiries, five have resulted in claims which are currently being defended and are considered immaterial to the company. The directors consider the potential success of the claims to be less than probable and therefore no provision has been made in the financial statements.

Should circumstances change in the future, the maximum possible exposure to the Company as a result of the enquiries and claims is estimated to not exceed £1,600,000.

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 S.A. 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.