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# **ENGIE Power Limited**

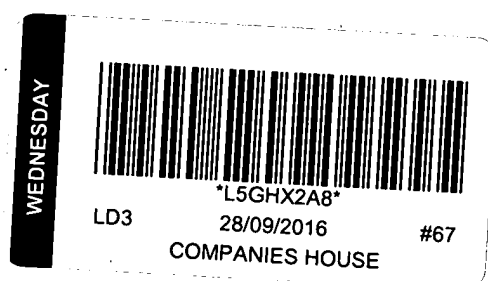
**(Formerly GDF SUEZ Marketing Limited)**

**Registered Number: 04236804**

## **Report and Financial Statements**

**31 December 2015**

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**Directors**

S D Pinnell  
P E Rawson

**Secretary**

S J Gregory

**Auditor**

Deloitte LLP  
Chartered Accountants and Statutory Auditor  
2 New Street Square  
London  
EC4A 3BZ

**Bankers**

Barclays Bank PLC  
50 Pall Mall  
London  
SW1A 1QF

**Registered Office**

No 1 Leeds  
26 Whitehall Road  
Leeds  
LS12 1BE

## Directors' Report

The directors present their report and the company financial statements for the year ended 31 December 2015.

### Principal activities

The principal activities of the company are the purchase, supply and management of electricity to and from industrial and commercial customers.

On 27 January 2016 the company changed its name from GDF SUEZ Marketing Limited to ENGIE Power Limited as part of a global rebranding exercise to unite all the former GDF SUEZ companies under a single banner.

### Results and dividends

The results for the year, after taxation amounted to a profit of £13,738,000 (2014: £20,933,000), a decrease of 34% from the previous year. Of this, all is attributable to the members of the company.

Dividends are recognised in the accounts in the year in which they are paid, or in the case of a final dividend when approved by the shareholders. A dividend of £26m was paid in 2015 in respect of the year ended 31/12/2014.

### Post Balance Sheet Events

A dividend of £13,000,000 was paid on 16 March 2016 for the year.

### Going concern

The directors have considered the going concern basis and concluded that it is appropriate. In performing this assessment the directors have considered the forecasts for the company and the uncertain current economic conditions. Further detail is provided in note 1 to the financial statements.

### Directors

The directors who served during the year ended 31 December 2015 and subsequently were:

S Riley	(Resigned 31 December 2015)
S D Pinnell	
H S Berger	(Resigned 1 January 2016)
A J Weiss	(Resigned 1 January 2016)
P E Rawson	(Appointed 1 January 2016)

### 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.

### Employees

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

## **Directors' Report (continued)**

### **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.

### **Environmental policy**

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

### **Auditor**

The auditor will be deemed to be reappointed and Deloitte LLP will therefore continue in office.

### **Directors' statement as to disclosure of information to the auditor**

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

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

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

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

By order of the Board,



S J Gregory

Secretary

15 September 2016

## Directors' Responsibilities Statement

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether Financial Reporting Standard 101 Reduced Disclosure Framework has been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

## Strategic Report

The directors present their Strategic report for the year ended 31 December 2015.

### Business Review

ENGIE Power Limited is a supplier of electricity to industrial and commercial end-users.

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	2015	2014	Movement
<b>Revenues</b>	£'000	800,956	821,856	(3)%
<b>Reported Gross Margin</b>	£'000	30,884	36,832	(16)%
<b>Reported Gross Margin Percentage</b>	%	3.9	4.5	
<b>Headcount</b>	x1	235	213	10%

The business delivered slightly lower revenues in 2015 compared to 2014 driven by downward pressure on wholesale prices. Comparative Gross Margin has reduced due mainly to the competitive nature of current market conditions.

The portfolio of electricity customers remains strong and provides a firm foundation for the forthcoming year.

The net assets of the company at the end of 2015 were £9,237,000 (2014: net assets of £24,048,000). The year on year movement on net liabilities was driven by an unfavourable movement in the Hedging Reserve.

### Future Developments

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

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

### Principal Risks and Uncertainties

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

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

The company's credit risk is attributable to its trade debtors and accrued income. 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.

## Strategic report (continued)

### Principal Risks and Uncertainties (continued)

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

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

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

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

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

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

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

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

By order of the Board,



S D Pinnell

Director

15 September 2016

# **Independent Auditor's Report**

**to the members of ENGIE Power Limited**

We have audited the financial statements of ENGIE Power Limited for the year ended 31 December 2015 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 24. The financial reporting framework that has been applied in their preparation is applicable law and Financial Reporting Standard 101 Reduced Disclosure Framework.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

## **Respective responsibilities of directors and auditor**

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

## **Scope of the audit of the financial statements**

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

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

## **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2015 and of its profit for the year then ended;
- have been properly prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework; and
- have been prepared in accordance with the requirements of the Companies Act 2006.



## Independent Auditor's Report (continued)

### Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report and the Strategic Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

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

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

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



Makhan Chahal ACA (Senior Statutory Auditor)  
for and on behalf of Deloitte LLP,  
Chartered Accountant and Statutory Auditor  
London, UK

19th September 2016

**Profit and Loss Account**  
for the year ended 31 December 2015

		<b>2015</b>	<b>2014</b>
	<b>Note</b>	<b>£'000</b>	<b>£'000</b>
<b>Turnover</b>	3	800,956	821,856
Cost of sales		(770,072)	(785,024)
<b>Gross profit</b>		<u>30,884</u>	<u>36,832</u>
Administrative expenses	4	(10,979)	(9,200)
<b>Operating profit</b>	4	<u>19,905</u>	<u>27,632</u>
Interest receivable and similar income	7	447	425
Interest payable and similar charges	8	(710)	(475)
Fair value gain/(loss) on commodity contracts	18	271	(1,686)
<b>Profit before taxation</b>		<u>19,913</u>	<u>25,895</u>
Tax charge	9	(6,175)	(4,962)
<b>Profit for the financial year</b>		<u><u>13,738</u></u>	<u><u>20,933</u></u>

All amounts relate to continuing activities.

# Statement of Comprehensive Income

at 31 December 2015

	2015 £'000	2014 £'000
Profit for the year	13,738	20,933
<i>Other comprehensive income that may be reclassified subsequently to profit and loss</i>		
Valuation gain on cash flow hedge	(3,105)	630
Tax on amounts in other comprehensive income	559	(126)
Other comprehensive income for the year, net of tax	(2,546)	504
Total comprehensive income for the year, net of tax	11,192	21,437

All of the above income is attributable to the owners of the company.

# Balance Sheet

at 31 December 2015

	Note	2015 £'000	2014 £'000
<b>Non-current assets</b>			
Intangible assets	12	6,033	1,135
Property, plant and equipment	11	2,206	2,330
Debtors greater than one year	14	9,683	-
Financial assets	18	17,454	5,504
		<u>35,376</u>	<u>8,969</u>
<b>Current assets</b>			
Stocks	13	9,324	5,754
Debtors due within one year	14	219,295	209,429
Deferred tax asset	17	1,013	265
Financial assets	18	44,473	26,732
Cash at bank and in hand		4,226	56,803
		<u>278,331</u>	<u>298,983</u>
<b>Total assets</b>		<u><u>313,707</u></u>	<u><u>307,952</u></u>
<b>Current liabilities</b>			
Creditors: amounts falling due within one year	15	235,184	246,985
Financial liabilities	18	44,780	27,629
		<u>279,964</u>	<u>274,614</u>
<b>NET CURRENT ASSETS</b>		<u><u>(1,633)</u></u>	<u><u>24,369</u></u>
<b>Total assets less current liabilities</b>		<u><u>33,743</u></u>	<u><u>33,338</u></u>
<b>Non-current liabilities</b>			
Provisions	16	3,235	3,394
Financial liabilities	18	21,271	5,896
		<u>24,506</u>	<u>9,290</u>
<b>Total liabilities</b>		<u><u>304,470</u></u>	<u><u>283,904</u></u>
<b>NET ASSETS</b>		<u><u>9,237</u></u>	<u><u>24,048</u></u>

## Balance Sheet (continued)

at 31 December 2015

	Note	2015 £'000	2014 £'000
<b>Capital and reserves</b>			
Called up share capital	19	-	-
Profit and loss account		11,736	24,001
Hedging reserve		(2,499)	47
<b>TOTAL SHAREHOLDERS' FUNDS</b>		<b>9,237</b>	<b>24,048</b>

The financial statements with a registration number 04236804 were approved by the board of directors and authorised for issue on 15 September 2016. They were signed on its behalf by:



S D Pinnell

Director

15 September 2016

# Statement of Changes in Equity

for the year ended 31 December 2015 and 31 December 2014

	Note	Share Capital £'000	Hedging Reserve £'000	Profit and loss account £'000	Total £'000
<b>At 1 January 2014</b>		-	(457)	3,070	2,613
Profit for the year		-	-	20,933	20,933
Share based payment	20	-	-	(2)	(2)
Dividends paid	10	-	-	-	-
Valuation gain on cash flow hedge		-	630	-	630
Tax on amounts in other comprehensive income		-	(126)	-	(126)
<b>At 31 December 2014</b>		-	<b>47</b>	<b>24,001</b>	<b>24,048</b>
<b>At 1 January 2015</b>		-	47	24,001	24,048
Profit for the year		-	-	13,738	13,738
Share based payment	20	-	-	(3)	(3)
Dividends paid	10	-	-	(26,000)	(26,000)
Valuation gain on cash flow hedge		-	(3,105)	-	(3,105)
Tax on amounts in other comprehensive income		-	559	-	559
<b>At 31 December 2015</b>		-	<b>(2,499)</b>	<b>11,736</b>	<b>9,237</b>

# Notes to the Financial Statements

at 31 December 2015

## 1. Authorisation of financial statements and statement of compliance with IFRSs

The financial statements of ENGIE Power Limited (the 'company') for the year ended 31 December 2015 were authorised for issue by the board of the directors on 15 September 2016 and the balance sheet was signed on the board's behalf. ENGIE Power Limited is a private limited company incorporated and domiciled in England & Wales.

### Basis of Preparation

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

The company meets the definition of a qualifying entity under FRS 100 (Financial Reporting Standard 100) issued by the Financial Reporting Council. Accordingly, in the year ended 31 December 2012 the company underwent transition from reporting under IFRSs adopted by the European Union to FRS 101 as issued by the Financial Reporting Council. The financial statements have therefore been prepared in accordance with FRS 101 (Financial Reporting Standard 101) 'Reduced Disclosure Framework' as issued by the Financial Reporting Council. This transition is not considered to have had a material effect on the financial statements.

As permitted by FRS 101, the company has taken advantage of the disclosure exemptions available under that standard in relation to cash flow statement, share-based payment, financial instruments, capital management, presentation of comparative information in respect of certain assets, standards not yet effective, impairment of assets, related party transactions and compensation of key management personnel.

Where required, equivalent disclosures are given in the group accounts of ENGIE SA (formerly GDF SUEZ SA). The group accounts of ENGIE SA are available to the public and can be obtained as set out in note 24.

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 certain 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.

### Going concern

The company's business activities, together with the factors likely to affect its future development and position, are set out in the Business Review section of the Strategic Report.

The directors have considered the going concern basis and concluded that it is appropriate. In performing this assessment the directors have considered the forecasts for the company taking account of the uncertain current economic conditions, together with the balance sheet strength of the company which includes cash and short term deposits of £56,803,000.

## 2. Accounting Policies

### Critical Accounting judgements and key sources of estimation uncertainty

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

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

## **2. Accounting Policies (continued)**

### **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.

#### *Fair value of financial instruments*

Where the fair value of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, they are determined using valuation techniques including the discounted cash flows model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

#### **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.

#### *Contract Levelisation*

Provision is made for the net present cost of expected losses on sales contracts. The provision is based on the difference between the contracted sales prices and the expected weighted average purchase cost of electricity.

#### *Taxation*

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

#### *Dilapidations Provision*

Provision is made for the future cost of returning the company office to its original state as per the agreed contract. The estimate is based upon the cost per square foot quoted as part of the office move in 2013 discounted to represent the time value of money.

### **Significant accounting policies**

#### **Intangible assets**

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

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

Application software	-	3 years
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.



## **2. Accounting Policies (continued)**

### **Property, plant and equipment**

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

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

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

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

### **Impairment of non-financial assets**

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

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

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

### **Provisions**

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

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

### **Leases**

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

## 2. Accounting Policies (continued)

### Financial Assets

#### *Initial recognition and measurement*

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

All financial assets are recognised initially at fair value plus directly attributable transaction costs

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

The subsequent measurement of financial assets depends on their classification, 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 IAS 39.

Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets at fair value through profit and loss are carried in the balance sheet at fair value with changes in fair value recognised as a finance expense in the profit and loss.

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

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

#### *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest (EIR) method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance revenue in the income statement. The losses arising from impairment are recognised in the profit and loss in other operating expenses.

#### *Effective interest method*

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

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

## **2. Accounting Policies (continued)**

### *De-recognition of financial assets*

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

### *Impairment of financial assets*

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

### *Assets carried at amortised cost*

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

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

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

## **Financial Liabilities**

### *Initial recognition and measurement*

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

All financial liabilities are recognised initially at fair value and in the case of loans and borrowings, plus directly attributable transaction costs.

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

## **2. Accounting Policies (continued)**

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. Gains or losses on liabilities held for trading are recognised as profit or loss.

Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Financial liabilities at fair value through profit and loss are carried in the balance sheet at fair value with changes in fair value recognised in the profit and loss.

### *Interest bearing loans and borrowings*

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

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

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

### *De-recognition of financial liabilities*

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

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

### *Offsetting of financial instruments*

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

### *Fair values*

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

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

An analysis of fair values of financial instruments and further details as to how they are measured are provided in note 18.

## **2. Accounting policies (continued)**

### **Derivative financial instruments**

The company enters into wholesale purchase commitments to satisfy demand forecasts associated with its supply contracts. The movements in fair value of some of these commitments qualify as derivative financial instruments due to the terms and conditions attached to the related supply contracts. Such derivative financial instruments are initially recognised at fair value on the date on which such a wholesale purchase commitment is entered into and are subsequently re-measured at fair value at each reporting date. For each such event, the related supply contract acts as a natural hedge to the wholesale purchase commitment.

Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. A derivative is presented as a current asset due within one year or a liability due within one year.

Any gains or losses from changes in the fair value of derivatives that do not qualify for hedge accounting are taken to the profit and loss. The treatment of gains and losses arising from revaluing derivatives designated as hedging instruments depends on the nature of the hedging relationship.

### **Hedge accounting**

For those derivatives designated as hedges and for which hedge accounting is desired, the hedging relationship is formally designated and documented at its inception. This documentation identifies the risk management objective and strategy for undertaking the hedge, the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how effectiveness will be measured throughout its duration. Such hedges are expected at inception to be highly effective in offsetting changes in fair value or cash flows and are assessed on an on-going basis to determine that they actually have been highly effective throughout the reporting period for which they were designated.

For the purpose of hedge accounting, hedges are classified as;

- Fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment; or
- Cash flow hedges when hedging exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction.

#### *Fair value hedges*

For fair value hedges, the carrying amount of the hedged item is adjusted for gains and losses attributable to the risk being hedged; the derivative is measured at fair value and gains and losses from both are taken as profit or loss. For hedged items carried at amortised cost, the adjustment is amortised through the profit and loss such that it is fully amortised by maturity. When an unrecognised firm commitment is designated as a hedged item, this gives rise to an asset or liability in the balance sheet, representing the cumulative change in the fair value of the firm commitment attributable to the hedged risk.

The company discontinues fair value hedge accounting if the hedging instrument expires or is sold, terminated or exercised, the hedge no longer meets the criteria for hedge accounting or the company revokes the designation.

#### *Cash flow hedges*

For cash flow hedges, the effective portion of the gain or loss on the hedging instrument is recognised directly as other comprehensive income, while the ineffective portion is recognised in profit or loss. Amounts taken to other comprehensive income are transferred to the profit and loss when the hedged transaction affects profit or loss, such as when a forecast sale or purchase occurs. Where the hedged item is the cost of a non-financial asset or liability, the amounts taken to equity are transferred to the initial carrying amount of the non-financial asset or liability.

If a forecast transaction is no longer expected to occur, amounts previously recognised in equity are transferred to profit and loss. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, amounts previously recognised in other comprehensive income remain in other comprehensive income until the forecast transaction occurs and are transferred to the profit and loss or to the initial carrying amount of a non-financial asset or liability as above. If the related transaction is not expected to occur, the amount is taken to profit and loss.

## **2. Accounting policies (continued)**

### **Stock**

Stock has 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 bringing stock to its present location and condition are accounted for at the weighted average purchase cost.

### **Debtors due within one year**

Trade debtors, which generally have 14-30 day terms, 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.

### **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.

## **2. Accounting policies (continued)**

### **Revenue recognition**

Turnover is recognised to the extent that it is probable that the economic benefits will flow to the company and turnover can be reliably measured. Turnover is measured at the fair value of the consideration received, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before turnover is recognised:

#### *Sale of goods*

Turnover represents amounts receivable for goods provided in the normal course of business excluding discounts, VAT and other sales related taxes. Turnover from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have been passed to the buyer, usually on supply of energy to the customer.

#### *Interest income*

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

### **Pension costs**

The company operates a defined contribution scheme.

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

### **Share-based payments**

#### *Equity settled transactions*

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

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

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

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

### **Foreign currencies**

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

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

### **Operating Profit**

Operating profit is stated before interest income and interest payable.

### 3. Turnover

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

An analysis of the company's turnover is as follows:

	2015 £'000	2014 £'000
Sale of goods	800,956	821,856
Interest income	447	425
	<u>801,403</u>	<u>822,281</u>

### 4. Operating profit

This is stated after charging:

	2015 £'000	2014 £'000
Depreciation of owned assets	363	389
Amortisation of intangible assets	401	443
Net Exceptional costs	12	311
Cost of stock recognised as expense	17,605	18,883
Staff costs (see note 6)	10,956	9,296
Impairment loss recognised on debtors	404	558
Fees paid to the company's auditor for the audit of the financial statements	41	41
Operating lease rentals- land & buildings	425	424
- others	177	131

Exceptional Costs in 2015 of £12,000 relate to costs incurred re-branding the company materials in advance of the change of name in January 2016.

Exceptional Costs in 2014 of £311,000 relate to an impairment of the Sales order book acquired from IPM Energy Retail Limited due to renewal rate being lower than was estimated in the valuation.

### 5. Auditor's Remuneration

Fees payable to Deloitte LLP and their associates for the audit of the company's annual accounts were £41,000 (2014: £41,000).

There were no fees payable by ENGIE Power Limited to Deloitte LLP for non-audit services (2014: £nil).



## 6. Staff costs

The monthly average number of employees (including directors paid by ENGIE Power Limited) during the year was 235 (2014: 213).

	2015 Number	2014 Number
Sales and Marketing	64	55
Administration	171	158
	<u>235</u>	<u>213</u>

	2015 £'000	2014 £'000
Wages and salaries	9,426	7,901
Social security costs	684	675
Other pension costs	849	722
Share-based payment (note 20)	(3)	(2)
	<u>10,956</u>	<u>9,296</u>

## 7. Interest receivable and similar income

	2015 £'000	2014 £'000
Interest receivable from customers for late payment	87	101
Inter-company loan interest	350	249
Other interest receivable	10	75
	<u>447</u>	<u>425</u>

## 8. Interest payable and similar charges

	2015 £'000	2014 £'000
Inter-company loan interest	648	418
Interest payable for late payment to suppliers	47	39
Other interest payable	15	18
	<u>710</u>	<u>475</u>

## 9. Tax on profit on ordinary activities

The tax charge comprises:

	2015 £'000	2014 £'000
Tax Charge		
<b>Current income tax:</b>		
UK corporation tax on profits of the year	-	-
Group Relief Payable	4,106	5,597
Adjustments in respect of previous periods	2,258	(791)
Total current income tax	6,364	4,806
<b>Deferred tax: (note 17)</b>		
Deferred income tax relating to the origination and reversal of temporary differences	(23)	(27)
Adjustments in respect of previous periods	(166)	183
Total current deferred tax	(189)	156
<b>Tax charge in the profit and loss</b>	<b>6,175</b>	<b>4,962</b>

The company earns its profits primarily in the UK. Therefore the tax rate used for tax on profit on ordinary activities is the average standard rate for UK corporation tax, currently 20.25% (2014: 21.5%).

The standard rate of UK corporation tax reduced from 24% to 23% from 1 April 2013 in accordance with the Finance Act 2012. The Finance Act 2013 was substantively enacted on 2 July 2013 to reduce the main rate of UK corporation tax from 23% to 21% with effect from 1 April 2014 and then to further reduce it to 20% from 1 April 2015.

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

	2015 £'000	2014 £'000
Reconciliation of tax charge		
<b>Profit before tax</b>	<b>19,913</b>	<b>25,895</b>
Profit multiplied by rate of corporation tax of 20.25% (2014: 21.5%)	4,032	5,567
Adjustments in respect of prior periods – current tax	2,258	(791)
Adjustments in respect of prior periods – deferred tax	(166)	183
Tax effect of non-deductible or non-taxable items	-	3
Change in deferred tax rate	51	-
<b>Tax charge in the profit and loss</b>	<b>6,175</b>	<b>4,962</b>

## 10. Dividends

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

## 11. Property, Plant and Equipment

	Fixtures, fittings and office equipment £'000	Leasehold improvements £'000	IT equipment £'000	Total £'000
<b>Cost</b>				
At 1 January 2015	888	2,394	2,928	6,210
Additions	20	-	219	239
Transfers	(885)	-	(2,462)	(3,347)
At 31 December 2015	<u>23</u>	<u>2,394</u>	<u>685</u>	<u>3,102</u>
<b>Accumulated depreciation</b>				
At 1 January 2015	885	277	2,718	3,880
Charge for the year	4	160	199	363
Transfers	(885)	-	(2,462)	(3,347)
At 31 December 2015	<u>4</u>	<u>437</u>	<u>455</u>	<u>896</u>
<b>Net book amount</b>				
At 31 December 2015	<u>19</u>	<u>1,957</u>	<u>230</u>	<u>2,206</u>
At 31 December 2014	<u>3</u>	<u>2,117</u>	<u>210</u>	<u>2,330</u>

## 12. Intangible Assets

	Application Software and development costs £'000	Sales Order Book £'000	Total £'000
<b>Cost</b>			
At 1 January 2015	12,395	3,300	15,695
Additions	5,299	-	5,299
Transfers	(10,994)	-	(10,994)
At 31 December 2015	6,700	3,300	10,000
<b>Aggregate amortisation</b>			
At 1 January 2015	11,260	3,300	14,560
Charge for the year	401	-	401
Transfers	(10,994)	-	(10,994)
At 31 December 2015	667	3,300	3,967
<b>Net book amount</b>			
At 31 December 2015	6,033	-	6,033
At 31 December 2014	1,135	-	1,135

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

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

## 13. Stock

	2015 £'000	2014 £'000
Renewable Obligation Certificates	86	116
Levy Exempt Certificates	9,238	5,638
	<u>9,324</u>	<u>5,754</u>

## 14. Debtors

### Debtors due within one year

	2015 £'000	2014 £'000
Trade debtors	38,859	33,749
Other debtors	712	5,191
Amounts owed by group undertakings	85,300	67,300
Amounts owed by fellow subsidiary undertakings	24,621	30,721
Prepayments	7,830	8,322
Accrued income	61,973	64,146
	<u>219,295</u>	<u>209,429</u>

### Debtors greater than one year

	2015 £'000	2014 £'000
Trade debtors	9,683	-
	<u>9,683</u>	<u>-</u>

## 15. Creditors due within one year

	2015 £'000	2014 £'000
Trade creditors	8,887	9,410
Amounts owed to group undertakings	95,973	74,371
Amounts owed to fellow subsidiary undertakings	25,408	28,730
Other creditors	19,979	42,028
Other taxation and social security	22,139	26,615
Accruals	58,503	63,358
Current tax liability	4,295	2,473
	<u>235,184</u>	<u>246,985</u>

## 16. Provisions and Long-Term Liabilities

	2015 £'000	2014 £'000
Dilapidation	899	746
Contract Levelisation	423	842
Rent Accrual	1,913	1,806
	<u>3,235</u>	<u>3,394</u>

## 16. Provisions and Long-Term Liabilities (continued)

	Dilapidation £'000	Contract Levelisation £'000	Rent Accrual £'000	Total £'000
At 1 January 2015	746	842	1,806	3,394
Arising during the year	306	332	107	745
Unwinding	(153)	(751)	-	(904)
At 31 December 2015	899	423	1,913	3,235

### *Dilapidation*

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

### *Contract Levelisation*

Provision is made for the net present cost of expected losses on sales contracts. The provision is based on the difference between the contracted sales prices and the expected weighted average purchase cost of electricity.

The calculation of the provision aligns with the expiry of the relevant contracts through 2016 to 2021.

### *Rent Accrual*

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

## 17. Deferred tax

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

	2015 £'000	2014 £'000
Deferred tax asset at 1 January	(265)	(547)
Deferred tax charge in profit and loss account for the year (note 9)	(189)	156
Deferred tax charge to equity	(559)	126
Deferred tax (asset) at 31 December	(1,013)	(265)
Analysed as:	2015 £'000	2014 £'000
Decelerated capital allowances	3	(14)
Other short-term temporary differences	(455)	(249)
Timing difference on Cash flow hedge movements	(561)	(2)
	(1,013)	(265)

## 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.

	2015 £'000	2014 £'000
<b>Financial assets at fair value</b>		
Fair value through profit and loss (FVTPL) *	61,937	31,692
Derivative instruments designated as cash flow hedges (CFH)	(10)	544
<b>Financial liabilities at fair value</b>		
Fair value through profit and loss (FVTPL) *	63,001	33,027
Derivative instruments designated as cash flow hedges (CFH)	3,050	498
*see note on economic hedges below		

### Changes in value of financial instruments at fair value

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

	Year ended 2015 £'000	Year ended 2014 £'000
<b>Financial assets at fair value</b>		
Fair value through profit and loss (FVTPL)	(30,245)	(27,024)
<b>Financial liabilities at fair value</b>		
Fair value through profit and loss (FVTPL)	29,974	28,710

### Changes in value of cash flow hedge financial instruments

The Hedging Reserves for the year has been arrived at after charging/(crediting):

	Year ended 2015 £'000	Year ended 2014 £'000
<b>Cash Flow Hedge Financial assets</b>		
Cash Flow Hedge (CFH)	553	(475)
<b>Cash Flow Hedge Financial liabilities</b>		
Cash Flow Hedge (CFH)	2,552	(155)

### 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.

## 18. Financial instruments (continued)

### 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 contract permits the customer to sell back the purchases made prior to delivery. 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).

Purchase commitments under all other supply contracts not containing a sell back facility are not fair valued but are measured using regular trade date accounting as these are classified as held for the purpose of the receipt or delivery of a non-financial item in accordance with the entity's expected purchase, sale or usage requirements.

#### Cash flow hedges

The contracts to purchase index-priced gas are designated as hedged items and are designated as a hedging instrument where the supply contracts do not permit the customer to sell back the purchases prior to delivery. The portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised directly in equity, net of tax, while the ineffective portion is recognised in income.

The gains or losses accumulated in equity are reclassified to the profit and loss, under the same caption as the loss or gain on the hedged item – i.e. current operating income for operating cash flows and financial income or expenses for other cash flows – in the same periods in which the hedged cash flows affect income.

If the hedging relationship is discontinued, in particular because the hedge is no longer considered effective or the forecast transaction is no longer probable, the cumulative gain or loss on the hedging instrument is recognised in income.

Purchase commitments under all other supply contracts not containing a sell back facility are not fair valued but are measured using regular trade date accounting as these are classified as held for the purpose of the receipt or delivery of a non-financial item in accordance with the entity's expected purchase, sale or usage requirements.

## 19. Share capital

	2015 £	2014 £
<i>Authorised</i>		
1,000 ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>
<i>Called up, allotted and fully paid</i>		
1 ordinary share of £1 each	<u>1</u>	<u>1</u>



## 20. Share-based payments

### *Shares+ for all*

The ENGIE SA (formerly GDF SUEZ SA) Group operate a number of separate 'Shares+ for all' free share allocation plans for all its employees in the group. All employees employed by the company at 30 April 2011 and 28 September 2012 respectively were eligible for the 'Shares+ for all' free share allocation plan. Employees who remain in continuous service until 23 June 2015 in respect of the first scheme respectively qualify for 25 shares in ENGIE SA. Employees who remain in continuous service until 28 September 2016 in respect of the fourth scheme respectively qualify for 35 shares in ENGIE SA.

The 2011 scheme reached the vesting date on 23rd June 2015 and eligible employees received 25 free shares in ENGIE SA.

### *Link 2010*

The ENGIE SA group offered employees the chance to participate in the Link 2010 Classic Scheme under which they could, subject to a number of restrictions, buy shares in ENGIE SA. The purchase price of shares under this scheme was £13.16, a 20% discount on the market price. Shares were non-transferable for 5 years and bonus shares were awarded on a 1 for 1 basis for the first 10 shares purchased, and a 1 for 4 basis for the next 40 shares awarded once the 5 years have passed subject to those employees continuing in employment until 24 August 2015.

The Link 2010 scheme reached the vesting date on 24th August 2015 and eligible employees received shares in ENGIE SA.

The (income)/expense recognised for share-based payments in respect of employee services received up to 31 December 2015 is £(3,000) (2014: £(2,000)). All of this (income)/expense arises from equity-settled share-based payment transactions.

	2015 No.	2015 WAFV	2014 No.	2014 WAFV
Outstanding at 1 January	20,018	15.63	15,809	17.55
Free shares vested	(3,211)	13.40	(525)	15.86
Free shares issued	7,345	12.91	6,940	15.19
Reduction due to leavers and qualification criteria	(3,087)	12.91	(2,206)	15.22
Outstanding at 31 December	21,065	12.91	20,018	15.63

## 21. 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 £849,000 (2014: £722,000). At 31 December 2015, contributions of £102,000 (2014: £89,000) were unpaid.

## 22. Other financial commitments

### (i) Operating leases

The company has entered into commercial operating leases on certain properties and motor vehicles. These leases have remaining durations of up to 3 years for vehicles and 14 years for land and buildings.

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

	Land and building		Other	
	2015	2014	2015	2014
	£'000	£'000	£'000	£'000
Not later than one year	623	389	131	70
After one year but not more than five	2,492	2,492	122	80
After five years	4,206	4,829	-	-
	<u>7,321</u>	<u>7,710</u>	<u>253</u>	<u>150</u>

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

### (ii) Electricity purchase commitments

At 31 December the company was committed to certain future electricity purchase contracts. These contracts are due to be settled as follows:

	2015	2014
	£'000	£'000
Not later than one year	180,948	203,547
After one year but not more than five	161,120	79,299
	<u>342,068</u>	<u>282,846</u>

At 31 December 2015 the company has a number of Power Purchase Agreements in place for the purchase of electricity and Renewable Obligation Certificates over the next 20 years. Due to the longevity of these contracts, the uncertainty of the volume of power and number of certificates that will be purchased and the price that will ultimately be paid, the purchase commitments have been estimated at £3,837,310,000 (2014: £1,648,870,000) using forecast purchases and prices as at 31 December 2015.

### (iii) Gas purchase commitments

At 31 December the company was committed to certain future gas purchase contracts. These contracts are due to be settled as follows:

	2015	2014
	£'000	£'000
Not later than one year	13,784	19,310
	<u>13,784</u>	<u>19,310</u>

## 22. Other financial commitments (continued)

### (iv) Fixed Assets (Capital Commitments)

At 31 December the company was committed to spend £4,199,000 during 2016 on a new Software System known as the Minerva Project. This contract is due to be settled as follows:

	2015 £'000	2014 £'000
Not later than one year	4,199	-
	<u>4,199</u>	<u>-</u>

## 23. Related party transactions

### Trading transactions

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

	2015 Purchases £'000	2015 Amount owed to £'000	2014 Purchases £'000	2014 Amount owed to £'000
IPM Energy Trading Limited	293,747	-	311,062	1,399

### Terms and conditions of transactions

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

The directors' remuneration is set out below:

	2015 £'000	2014 £'000
<b>Directors' Remuneration</b>		
Emoluments	322	205
Company contributions to money purchase pension schemes	12	22
Share Based Payments	30	-
	<u>364</u>	<u>227</u>

## 23. Related party transactions (continued)

	Number	Number
<b>The number of directors who:</b>		
Are members of a money purchase pension scheme	1	1
Exercised options over shares in the parent company	-	-
Had awards receivable in the form of shares in the parent company under a long-term incentive scheme	1	1
	<u>          </u>	<u>          </u>
	<b>2015</b>	<b>2014</b>
	<b>£'000</b>	<b>£'000</b>
<b>Remuneration of the highest paid director</b>		
Emoluments	322	205
Company contributions to money purchase pension schemes	12	22
Share Based Payments	30	
	<u>          </u>	<u>          </u>
	<b>364</b>	<b>227</b>
	<u>          </u>	<u>          </u>

The highest paid director did not exercise any share options in the year.

## 24. Controlling party

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

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