

VATTENFALL UK SALES LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018



VATTENFALL UK SALES LIMITED

COMPANY INFORMATION

Directors	Martinus Franciscus Hagens Erik Axel Hagland Per Tomas Bjornsson (appointed 30 March 2018)
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Company secretary	Jonas Van Mansfeld
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Registered number	05461926
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Registered office	First Floor 1 Tudor Street London EC4Y 0AH
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Independent auditor	Ernst & Young LLP Wessex House 19 Threefield Lane Southampton Hampshire SO14 3QB
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VATTENFALL UK SALES LIMITED

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VATTENFALL UK SALES LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2018

Introduction

This report provides an overview of the current year performance, position and main issues that have been considered by the directors.

Business review

For the six months to 30 June 2017 the Company was dormant. On 1 July 2017 Vattenfall UK Sales Limited purchased 100% of the share capital of I Supply Energy Limited, a UK based electricity and gas supplier.

During 2018 the main purpose of the Company was to be the holding company of I Supply Energy Limited. The Company launched some minor activities relating to the e-mobility sector but is currently evaluating the future direction for this business.

Following an impairment review adjudging the equity value of the investment in I Supply Energy Limited to have decreased significantly, the Company recognised an impairment in the year amounting to £8,269,000.

The ultimate parent undertaking is Vattenfall AB.

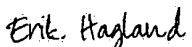
Key performance indicators ("KPIs")

Due to the nature of the Company's activities, the Company does not have any explicit KPIs.

Principal risks and uncertainties

The Company is exposed to financial risk through its financial assets and liabilities. The key financial risk is that the proceeds from financial assets are not sufficient to fund the obligations arising from liabilities as they fall due. The most important components of financial risk are credit risk, liquidity risk and cash flow risk. Due to the nature of the Company's business and the assets and liabilities contained within the Company's Balance Sheet, the only financial risks the directors consider relevant to the Company are liquidity risk. These risks are mitigated first with the Company being fully equity funded, and by being part of the Vattenfall group.

This report was approved by the board and signed on its behalf.

DocuSigned by:

Erik Axel Hagland
Director

Date: 26 November 2019

VATTENFALL UK SALES LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2018

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

Principal activity

The Company's principal activity is that of a holding company. The Company is a private limited company, domiciled in the United Kingdom and incorporated in England and Wales. The Company's immediate parent undertaking is Vattenfall AB, a Swedish based international utility company registered in Sweden.

Going concern

The Company's cash flows are largely driven by its parent company and, as a consequence, the Company depends, in large parts, on the ability of the Vattenfall group to continue as a going concern. The directors have considered the Company's funding and operational relationships with its parent company to date and have considered available relevant information relating to Vattenfall's ability to continue as a going concern. In addition, the directors have no reason to believe that the respective Vattenfall companies will not continue to fund the Company, should it become necessary, to enable it to continue in operational existence.

On the basis of these considerations, the directors have a reasonable expectation that the Company will be able to continue in operational existence for the foreseeable future. Therefore, they continue to adopt the going concern basis of accounting when preparing the financial statements.

Results and dividends

The loss for the year, after taxation, amounted to £9,279,043 (2017 - loss £6,140,096).

Following an impairment review adjudging the equity value of the investment in I Supply Energy Limited, a 100% subsidiary, to have decreased significantly, the Company recognised an impairment in the year amounting to £8,269,000.

Dividend paid in the year is £nil (2017: £nil). The directors do not recommend the payment of a final dividend.

Directors

The directors who served during the year were:

Martinus Franciscus Hagens
Erik Axel Hagland
Per Tomas Bjornsson (appointed 30 March 2018)

Future developments

The Company is continuously reviewing the business activity of its subsidiary, I Supply Energy Limited, to stay responsive to the challenging energy market conditions. In addition, the Company entered the e-mobility market in 2018, which relates to offering charging services and selling charging hardware. However, the Company is currently evaluating the future direction for this business.

Qualifying third party indemnity provisions

Certain directors benefited from qualifying third party indemnity provisions in place during the financial period and at the date of this report.

VATTENFALL UK SALES LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

Disclosure of information to auditor

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed 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 ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

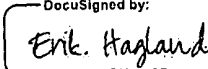
Post balance sheet events

On 29 March 2019 the Company subscribed for an additional 25,000,000 Ordinary shares of £1 each in I Supply Energy Limited for total consideration of £25,000,000.

Auditor

The auditor, Ernst & Young LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board and signed on its behalf.

DocuSigned by:

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Erik Axel Hagland
Director

Date: 26 November 2019

VATTENFALL UK SALES LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2018

The directors are responsible for preparing the Strategic Report, the Directors' 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 applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including 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 judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 to 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.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF VATTENFALL UK SALES LIMITED

Opinion

We have audited the financial statements of Vattenfall UK Sales Limited (the 'Company') for the year ended 31 December 2018, which comprise the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and the related notes 1 to 17, 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 Financial Reporting Standard 101 'Reduced Disclosure Framework' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2018 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

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

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. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

**INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF VATTENFALL UK SALES LIMITED
(CONTINUED)**

work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matters prescribed by the Companies Act 2006

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

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

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 the 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 on page 4, 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.

**INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF VATTENFALL UK SALES LIMITED
(CONTINUED)**

Auditor's responsibilities for the audit of the financial statements

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

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

Ernst & Young LLP

James Harris (Senior Statutory Auditor)

for and on behalf of

Ernst & Young LLP, Statutory Auditor

Southampton

26 November 2019

VATTENFALL UK SALES LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	2018 £	2017 £
Administrative expenses		(1,242,199)	(137,682)
Operating loss		(1,242,199)	(137,682)
Amounts written off investments		(8,269,000)	(5,978,082)
Interest receivable and similar income	7	1,171	674
Interest payable and expenses	8	(5,914)	(63,629)
Loss before tax		(9,515,942)	(6,178,719)
Tax on loss	9	236,899	38,623
Loss for the financial year		(9,279,043)	(6,140,096)
Total comprehensive loss for the year		(9,279,043)	(6,140,096)

There were no recognised gains and losses for 2018 or 2017 other than those included in the Statement of Comprehensive Income.


The notes on pages 12 to 24 form part of these financial statements.

VATTENFALL UK SALES LIMITED
REGISTERED NUMBER:05461926

BALANCE SHEET
AS AT 31 DECEMBER 2018

	Note	2018 £	2018 £	2017 £	2017 £
Fixed assets					
Investments	10		12,100,300		20,369,300
Current assets					
Debtors: amounts falling due within one year	11	475,172		38,623	
Cash at bank and in hand	12	-		1,098,864	
		<u>475,172</u>		<u>1,137,487</u>	
Creditors: amounts falling due within one year	13	(1,994,511)		(1,646,783)	
Net current liabilities			<u>(1,519,339)</u>		<u>(509,296)</u>
Total assets less current liabilities			<u>10,580,961</u>		<u>19,860,004</u>
Net assets			<u>10,580,961</u>		<u>19,860,004</u>
Capital and reserves					
Called up share capital	16	26,000,100		26,000,100	
Retained earnings		(15,419,139)		(6,140,096)	
Total equity			<u>10,580,961</u>		<u>19,860,004</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:

DocuSigned by:

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Erik Axel Hagland
 Director

Date: 26 November 2019

The notes on pages 12 to 24 form part of these financial statements.

VATTENFALL UK SALES LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2018

	Called up share capital	Retained earnings	Total equity
	£	£	£
At 1 January 2018	26,000,100	(6,140,096)	19,860,004
Comprehensive loss for the year			
Loss for the year	-	(9,279,043)	(9,279,043)
Total comprehensive loss for the year	-	(9,279,043)	(9,279,043)
At 31 December 2018	26,000,100	(15,419,139)	10,580,961

The notes on pages 12 to 24 form part of these financial statements.

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VATTENFALL UK SALES LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2017

	Called up share capital	Retained earnings	Total equity
	£	£	£
At 1 January 2017	100	-	100
Comprehensive loss for the year			
Loss for the year	-	(6,140,096)	(6,140,096)
Total comprehensive loss for the year	-	(6,140,096)	(6,140,096)
Shares issued during the year	26,000,000	-	26,000,000
Total transactions with owners	26,000,000	-	26,000,000
At 31 December 2017	26,000,100	(6,140,096)	19,860,004

The notes on pages 12 to 24 form part of these financial statements.

VATTENFALL UK SALES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

1. Authorisation of financial statements

The financial statements of Vattenfall UK Sales Limited (the "Company") for the year ended 31 December 2018 were approved by the board and authorised for issue on 26 November 2019 and the Balance Sheet was signed on the board's behalf by Erik Axel Hagland. Vattenfall UK Sales Limited is a private limited company, incorporated and domiciled in England and Wales. The registered office is First Floor, 1 Tudor Street, London, EC4Y 0AH.

The Company has taken advantage of the exemption under s400 of the Companies Act 2006 not to prepare group accounts as it is a wholly owned subsidiary of Vattenfall AB.

The results of Vattenfall UK Sales Limited are included in the consolidated financial statements of Vattenfall AB which are available from the Vattenfall website, <http://corporate.vattenfall.com>.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' and the Companies Act 2006.

The Company's functional and presentational currency is GBP.

The preparation of financial statements in compliance with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies (see note 3).

The following principal accounting policies have been applied:

2.2 Financial reporting standard 101 - reduced disclosure exemptions

The Company has taken advantage of the following disclosure exemptions under FRS 101:

- the requirements of IFRS 7 Financial Instruments: Disclosures
- the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement
- the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:
 - paragraph 79(a)(iv) of IAS 1;
 - paragraph 73(e) of IAS 16 Property, Plant and Equipment;
- the requirements of IAS 7 Statement of Cash Flows
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors
- the requirements of paragraph 17 and 18A of IAS 24 Related Party Disclosures
- 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

VATTENFALL UK SALES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

2. Accounting policies (continued)

2.3 Change in accounting policy and disclosures

Unless otherwise stated, the accounting policies and method of computation adopted in the preparation of the financial statements are consistent with those of the previous year.

The following new and amended IFRS and IFRIC interpretations are mandatory as of 1 January 2018 unless otherwise stated and the impact of adoption is described below. There are no other changes to IFRS effective in 2018 which have a material impact on the Company.

IFRS 9 Financial instruments

IFRS 9 introduces new requirements for classifying, measuring and impairing financial instruments and hedge accounting. Under IFRS 9, loans and trade receivables may be measured at fair value through other comprehensive income or amortised cost depending on the characteristics of the contractual cash flows.

Under IFRS 9, the Company should also record expected credit losses on all of its debt securities, loans and trade receivables on a 12 month or lifetime basis.

IFRS 15 Revenue from contracts with customers

The standard replaces all previous revenue requirements in IFRS and applies to all revenue arising from contracts with customers. The standard outlines the principles an entity must apply to measure and recognise revenue. The standard is intended to assist entities in applying judgement when recognising recognition.

IFRIC Interpretation 22 Foreign currency transactions and advance consideration

IFRIC 22 clarifies that the transaction date is the date on which a company initially recognises the prepayment or deferred income arising from the advance consideration.

New standards and interpretations not yet effective:

The Company has elected not to early adopt the following revised and amended standards, which are not yet mandatory in the EU.

The list below includes only standards and interpretations that could have an impact on the financial statements of the Company.

- IFRS 16 Leases (effective in the EU 1 January 2019)
- IFRIC Interpretation 23 Uncertainty over income tax treatments (effective in the EU 1 January 2019)
- AIP IAS 23 Borrowing costs - Borrowing costs eligible for capitalisation (effective in the EU 1 January 2019)
- IAS 1 Presentation of financial statements and IAS 8 Accounting policies, changes in accounting estimates and errors (effective in the EU 1 January 2020)

VATTENFALL UK SALES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

2. Accounting policies (continued)

2.4 Impact of new international reporting standards, amendments and interpretations

IFRS 9

There have been no material impacts on the Company's financial statements as a result of adopting IFRS 9 from 1 January 2018.

IFRS 15

From 1 January 2018, the Company has applied IFRS 15 using the cumulative effect method.

There have been no material impacts on the Company's financial statements as a result of adopting IFRS 15 from 1 January 2018.

2.5 Interest income

Interest income is recognised in the Statement of Comprehensive Income using the effective interest method.

2.6 Interest expenses

Interest expenses are charged to the Statement of Comprehensive Income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

2.7 Foreign currency translation

Functional and presentation currency

The Company's functional and presentational currency is GBP.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Comprehensive Income except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses are presented in the Statement of Comprehensive Income within 'interest receivable and similar income' for gains or 'interest payable and expenses' for losses.

VATTENFALL UK SALES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

2. Accounting policies (continued)

2.8 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Statement of Comprehensive Income, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the Balance Sheet date in the countries where the Company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Balance Sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the Balance Sheet date.

2.9 Investments

Investments in subsidiaries and joint ventures are measured at cost less accumulated impairment. Where merger relief is applicable, the cost of the investment in a subsidiary undertaking is measured at the nominal value of the shares issued together with the fair value of any additional consideration paid.

The Company assesses investments for impairment whenever events or changes in circumstances indicate that the carrying value of an investment may not be recoverable. If any such indication of impairment exists, the Company makes an estimate of its recoverable amount. Where the carrying amount of an investment exceeds its recoverable amount, the investment is considered impaired and is written down to its recoverable amount.

Investments in unlisted company shares, whose market value can be reliably determined, are remeasured to market value at each Balance Sheet date. Gains and losses on remeasurement are recognised in the Statement of Comprehensive Income for the period. Where market value cannot be reliably determined, such investments are stated at historic cost less impairment.

2.10 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

VATTENFALL UK SALES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

2. Accounting policies (continued)

2.11 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

2.12 Creditors

Creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers.

Creditors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.13 Financial instruments

The Company recognises financial instruments when it becomes a party to the contractual arrangements of the instrument. Financial instruments are de-recognised when they are discharged or when the contractual terms expire. The Company's accounting policies in respect of financial instruments transactions are explained below:

Financial assets

The Company classifies its financial assets as both *fair value through profit or loss* and *loans and receivables*.

Fair value through profit or loss

This category comprises only cash at bank and in hand. These are carried in the Balance Sheet at fair value with changes in fair value recognised in the Statement of Comprehensive Income.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (e.g. trade receivables), but also incorporate other types of contractual monetary asset. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less any provision for impairment.

Impairment provisions are recognised when there is objective evidence (such as significant financial difficulties on the part of the counterparty or default or significant delay in payment) that the Company will be unable to collect all of the amounts due under the terms receivable, the amount of such a provision being the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable. For trade receivables, which are reported net, such provisions are recorded in a separate allowance account with the loss being recognised within administrative expenses in the Statement of Comprehensive Income. On confirmation that the trade receivable will not be collected, the gross carrying value of the asset is written off against the associated provision.

VATTENFALL UK SALES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

2. Accounting policies (continued)

Financial liabilities

The Company classifies all of its financial liabilities as liabilities *at amortised cost*.

At amortised cost

Financial liabilities at amortised cost including bank borrowings are initially recognised at fair value net of any transaction costs directly attributable to the issue of the instrument. Such interest bearing liabilities are subsequently measured at amortised cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried into the Balance Sheet.

3. Judgments in applying accounting policies and key sources of estimation uncertainty

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the amounts reported for assets and liabilities as at the Balance Sheet date as well as revenues and expenses reported during the year.

The following estimates are dependant upon assumptions which could change in the next financial year and have a material effect on the carrying amounts of assets and liabilities recognised at the Balance Sheet date:

Impairments

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 group of assets. Where the carrying amount of an asset exceeds its recoverable amounts, the asset is considered impaired and is written down to its recoverable amount. Impairment losses on continuing operations are recognised in the Statement of Comprehensive Income 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 Statement of Comprehensive Income, unless the asset is carried at a revalued amounts when it is treated as a revaluation increase.

4. Operating loss

The operating loss is stated after charging:

	2018	2017
	£	£
Exchange differences	1,686	-

VATTENFALL UK SALES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

5. Auditor's remuneration

The Company paid the following amounts to its auditors in respect of the audit of the financial statements. No other services are provided to the Company:

	2018 £	2017 £
Fees for audit services	28,000	12,997

Total fees payable to the Company's auditors were £28,000 (2017: £64,422). Of this amount, £nil (2017: £51,425) was paid on behalf of I Supply Energy Limited, a 100% subsidiary, for the audit of I Supply Energy Limited for the period ended 31 December 2018.

6. Employees

Number of employees

The average monthly number of employees (including directors) during the year was 3 (2017: 2). The Company's payroll costs are incurred by other entities within the Group, with the costs recharged to the Company.

Directors remuneration

The directors remuneration for the year, apportioned to the Company based on the estimated individual director representation for the Company, amounts to £25,068 (2017: £nil). All of the remuneration was paid by another Vattenfall Group company.

The highest paid director received total remuneration apportioned to the Company of £15,470 (2017: £nil).

The number of directors in the Company with money purchase pension schemes or defined benefit pension schemes is 0 (2017: 0).

7. Interest receivable and similar income

	2018 £	2017 £
Interest receivable from group companies	1,171	674

VATTENFALL UK SALES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

8. Interest payable and expenses

	2018 £	2017 £
Interest payable from group companies	5,914	63,629

9. Taxation

	2018 £	2017 £
Current tax		
Current tax on profits for the year	(154,177)	(38,623)
Adjustments in respect of previous periods	20	-
Total current tax	(154,157)	(38,623)
Deferred tax		
Charge for current period	(82,742)	-
Total deferred tax	(82,742)	-
Taxation on loss on ordinary activities	(236,899)	(38,623)

VATTENFALL UK SALES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

9. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2017 - *higher than*) the standard rate of corporation tax in the UK of 19% (2017 - 19.25%). The differences are explained below:

	2018 £	2017 £
Loss on ordinary activities before tax	(9,515,942)	(6,178,719)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2017 - 19.25%)	(1,808,029)	(1,189,403)
Effects of:		
Adjustments to tax charge in respect of prior periods	20	-
Expenses not deductible / (income not taxable) for tax purposes - impairment of investment	1,571,110	1,150,780
Total tax charge for the year	(236,899)	(38,623)

Factors that may affect future tax charges

In the 2016 Budget the UK Government announced that the main rate of corporation tax would be reduced to 17% with effect from 1 April 2020. The rate was substantively enacted before the Balance Sheet date and therefore the closing deferred tax asset has been calculated at the rate applicable for the period in which the underlying temporary difference is expected to unwind.

VATTENFALL UK SALES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

10. Fixed asset investments

	Investments in subsidiary company £
Cost or valuation	
At 1 January 2018	20,369,300
At 31 December 2018	<u>20,369,300</u>
Impairment	
Charge for the period	8,269,000
At 31 December 2018	<u>8,269,000</u>
Net book value	
At 31 December 2018	<u>12,100,300</u>
At 31 December 2017	<u>20,369,300</u>

As at 31 December 2018, the Company performed impairment tests based on value in use calculation. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next five years. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash flows and the growth rate used for extrapolation purposes. Management identified that the performance of I Supply Energy Limited was not as expected which resulted in an impairment loss of £8,269,000.

VATTENFALL UK SALES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

10. Fixed asset investments (continued)

Subsidiary undertaking

The following was a subsidiary undertaking of the Company:

Name	Registered office	Class of shares	Holding
I Supply Energy Limited	37 Commercial Road, Poole, England, BH14 0HU	Ordinary	100%

The aggregate of the share capital and reserves as at 31 December 2018 and the profit or loss for the year ended on that date for the subsidiary undertaking were as follows:

Name	Aggregate of share capital and reserves	Profit/(Loss)
I Supply Energy Limited	(26,099,000)	(13,854,000)

11. Debtors

	2018 £	2017 £
Amounts owed by group undertakings	369,448	38,623
Other debtors	22,982	-
Deferred taxation	82,742	-
	<u>475,172</u>	<u>38,623</u>

There has been no effect on contract asset balances due to factors relating to the timing of satisfaction of the Company's performance obligations and their relationship with the typical timing of payment.

12. Cash at bank and in hand

	2018 £	2017 £
Cash at bank and in hand	-	1,098,864

VATTENFALL UK SALES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

13. Creditors: amounts falling due within one year

	2018 £	2017 £
Trade creditors	38,058	-
Amounts owed to group undertakings	1,770,059	-
Other creditors	26,610	-
Accruals	159,784	1,646,783
	<u>1,994,511</u>	<u>1,646,783</u>

14. Financial instruments

	2018 £	2017 £
Financial assets		
Financial assets measured at fair value through profit or loss	-	1,098,864
Financial assets that are loans and receivables	369,448	38,623
	<u>369,448</u>	<u>1,137,487</u>

Financial liabilities

Financial liabilities measured at amortised cost	<u>(1,734,922)</u>	-
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Financial assets measured at fair value through profit or loss comprise most of amounts owed by group companies.

Financial assets that are loans and receivables comprise mostly of amounts owed by group companies.

15. Deferred taxation

	2018 £
At beginning of year	-
Charged to profit or loss	82,742
At end of year	<u>82,742</u>

VATTENFALL UK SALES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

15. Deferred taxation (continued)

The deferred tax asset is made up as follows:

	2018 £	2017 £
Tax losses carried forward	82,742	-

16. Share capital

	2018 £	2017 £
Authorised, allotted, called up and fully paid		
104,000,400 (2017 - 104,000,400) Ordinary shares of £0.25 each	26,000,100	26,000,100

17. Ultimate parent undertaking and controlling party

At 31 December 2018, the immediate parent undertaking is Vattenfall AB, a company registered in Sweden. The Directors regard Vattenfall AB, a company registered in S-162 87 Stockholm, Sweden as the Company's controlling party and ultimate parent undertaking.

Under Companies Act 2006, the Company is exempt from producing consolidated accounts.

The results of Vattenfall UK Sales Limited are included in the consolidated financial statements of Vattenfall AB which are available from the Vattenfall website, <http://corporate.vattenfall.com>.