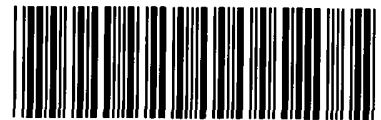


**HUDSON ENERGY SUPPLY UK LIMITED**

**DIRECTORS' REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 MARCH 2017**

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**HUDSON ENERGY SUPPLY UK LIMITED**

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**COMPANY INFORMATION**

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**Directors**

Ms D D Merril  
Mr J W Lewis  
Ms J E Thornton

**Registered number**

07489042

**Registered office**

6th Floor  
60 Gracechurch Street  
London  
EC3V 0HR

**Independent auditors**

Larking Gowen  
Chartered Accountants & Statutory Auditors  
1 Claydon Business Park  
Great Blakenham  
Ipswich  
Suffolk  
IP6 0NL

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**HUDSON ENERGY SUPPLY UK LIMITED**

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## HUDSON ENERGY SUPPLY UK LIMITED

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### STRATEGIC REPORT FOR THE YEAR ENDED 31 MARCH 2017

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The directors present their Strategic report for the year ended 31 March 2017.

#### **Business review**

The Company's principal activity during the year continued to be that of the supply of electricity to the commercial market and of electricity and gas to the residential market.

For the financial year ended 31 March 2017, the Company reported strong growth with gross profit increasing by 24% to £29.266m. EBITDA also increased from (£3.067m) to £17.051m. In addition, operating profit for the financial year was £16.678m compared with a loss of (£3.289m) reported for the financial year ended 31 March 2016. The increase in the current year is primarily attributable to the non-cash gain recorded for the change in fair value of derivative instruments offset by an increase in administrative expenses. The results of operations for the financial year ended 31 March 2017 were in line with the expectations of the directors.

#### **Principal risks and uncertainties**

Described below are the principal risks and uncertainties that the Company can foresee. It is not an exhaustive list, as some future risks may be as yet unknown and other risks, currently regarded as immaterial, could turn out to be material.

##### Commodity price risk

The Company's cost to serve its retail energy customers is exposed to fluctuations in commodity prices. Although the Company enters into commodity derivative instruments with its suppliers to manage the commodity price risks, it is exposed to commodity price risk where estimated customer requirements do not match actual customer requirements or where it is not able to exactly purchase the estimated customer requirements. In such cases, the Company may suffer a loss if it is required to sell excess supply in the spot market (compared to its weighted average cost of supply) or to purchase additional supply in the spot market. Such losses could have a material adverse impact on the Company's operating results, cash flow and liquidity.

A key risk to the Company's business model is a sudden and significant drop in the commodity market price resulting in increase in customer churn, regulatory pressure and resistance on enforcement of liquidation damages and enactment of provisions to reset the customer price to current market price levels which could have significant impact on the Company's business.

##### Earnings seasonality and volatility

The Company's business is seasonal in nature. In addition to regular seasonal fluctuations in its earnings, there is significant volatility in its earnings associated with the requirement to mark its commodity contracts to market. The earnings volatility associated with seasonality and mark to market accounting may affect the ability of the Company to access capital and increase its liquidity risk.

##### Supply counterparty risk

Counterparty risk is a loss that the Company would incur if a counterparty fails to perform under its contractual obligations.

##### Legal and regulatory risk

Legal and regulatory risk is a potential loss that may be incurred as a result of changes in regulations or legislation affecting the Company's business model, costs or operations, as well as being a risk of potential litigation against the Company resulting in impact to the Company's cash flow.

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HUDSON ENERGY SUPPLY UK LIMITED

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STRATEGIC REPORT (CONTINUED)  
FOR THE YEAR ENDED 31 MARCH 2017

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Retail risk

Retail customer risk is a potential loss that may be incurred as a result of change in customer behaviour and from an increase in competition in the retail energy industry.

Business operations risk

Business operations risk is a potential loss occurring from an unplanned interruption or cyber-attack, manual or system errors, or business earnings risk unique to the retail energy sales industry.

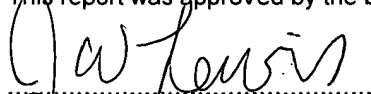
**Financial key performance indicators**

The Company's key performance indicators include gross profit, profit for the year as well as EBITDA.

**Other key performance indicators**

The Company's other performance indicators include growth in customer base.

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



Mr J W Lewis  
Director

Date: 24 JULY 2017

*Interim report  
signed off*

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## HUDSON ENERGY SUPPLY UK LIMITED

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### DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2017

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The directors present their report and the financial statements for the year ended 31 March 2017.

#### Directors' responsibilities statement

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.

#### Results and dividends

The profit for the year, after taxation, amounted to £13,483 thousand (2016 - loss £2,469 thousand).

The directors do not recommend the payment of a dividend (2016 - £NIL).

#### Directors

The directors who served during the year were:

Ms D D Merrill  
Mr J W Lewis  
Ms J E Thornton

#### Future developments

The Company will continue to offer a fresh approach through innovative products to support the energy needs of residential and commercial customers in the UK. The Company will continue to look for product growth and diversification as well as geographical expansion opportunities.

The Company's ultimate parent expects to continue its expansion efforts in the 2018 financial year following its entry into the German market in December 2016.

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## HUDSON ENERGY SUPPLY UK LIMITED

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### DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2017

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#### Financial instruments

The Company has entered into a variety of derivative financial instruments as part of the business of purchasing and selling gas and electricity. The risks associated with the Company's financial instruments are as follows:

##### Market risk

Market risk is the potential loss that may be incurred as a result of changes in the market or fair value of a particular instrument or commodity. Components of market risk to which the Company is exposed are discussed below:

##### Interest rate risk

Whilst the Company is exposed to interest rate fluctuations, the associated risk is considered relatively immaterial and temporary in nature. The Company's current exposure to interest rate does not economically warrant the use of derivative instruments.

##### Commodity price risk

The Company is exposed to market risks associated with commodity prices and market volatility where estimated customer requirements do not match actual customer requirements. Management actively monitors these positions on a daily basis in accordance with its Risk Management Policy. This policy sets out a variety of limits, most importantly, thresholds for open positions in the gas and electricity portfolios which also feed a Value at Risk limit. Should any of the limits be exceeded, they are closed expeditiously or express approval to continue to hold is obtained. The Company's exposure to market risk is affected by a number of factors, including accuracy of estimation of customer commodity requirements, commodity prices, volatility and liquidity of markets. The Company enters into derivative instruments in order to manage exposures to changes in commodity prices. The derivative instruments that are used are designed to fix the price of supply for estimated customer commodity demand and thereby fix margins such that shareholder dividends can be appropriately established. Derivative instruments are generally transacted over the counter. The inability or failure of the Company to manage and monitor the above market risks could have a material adverse effect on the operations and cash flows of the Company. The Company mitigates the exposure to variances in customer requirements that are driven by changes in expected weather conditions through active management of the underlying portfolio, which involves, but is not limited to, the purchase of options including weather derivatives. The Company's ability to mitigate weather effects is limited by the degree to which weather conditions deviate from normal.

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## HUDSON ENERGY SUPPLY UK LIMITED

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### DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2017

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#### Credit risk

Credit risk is the risk that one party to a financial instrument fails to discharge an obligation and causes financial loss to another party. The Company is exposed to credit risk in two specific areas: customer credit risk and counterparty credit risk.

#### Customer credit risk

Credit review processes have been implemented to perform credit evaluations of customers and manage customer default. If a significant number of customers were to default on their payments, it could have a material adverse effect on the operations and cash flows of the Company. Management factors default from credit risk in its margin expectations.

#### Counterparty credit risk

Counterparty credit risk represents the loss that the Company would incur if a counterparty fails to perform under its contractual obligations. This risk would manifest itself in the Company replacing contracted supply at prevailing market rates, thus impacting the related customer margin. Counterparty limits are established within the Risk Management Policy. Any exceptions to these limits require approval from the Board of Directors. The Risk Department and Risk Committee monitor current and potential credit exposure to individual counterparties and also monitor overall aggregate counterparty exposure. However, the failure of a counterparty to meet its contractual obligations could have a material adverse effect on the operations and cash flows of the Company.

#### Liquidity risk

Liquidity risk is the potential inability to meet financial obligations as they fall due. The Company manages this risk by monitoring detailed cash flow forecasts on a bi-monthly basis to ensure adequate and efficient use of cash resources and credit facilities.

#### Supplier risk

The Company purchases the vast majority of the gas and electricity delivered to its customers through a long-term contract entered into with one supplier. To the extent that this supplier was to default on the contract, the Company would have to find new suppliers and there would be no assurance that the terms and profitability under the new arrangements would be comparable to those established.

#### **Disclosure of information to auditors**

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 auditors are 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 auditors are aware of that information.

#### **Post balance sheet events**

The Company continues to support its growth targets by offering unique and value added products.

#### **Auditors**

Under section 487(2) of the Companies Act 2006, Larking Gowen will be deemed to have been reappointed as auditors 28 days after these financial statements were sent to members or 28 days after the latest date prescribed for filing the accounts with the registrar, whichever is earlier.



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HUDSON ENERGY SUPPLY UK LIMITED

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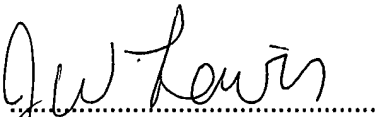
DIRECTORS' REPORT (CONTINUED)  
FOR THE YEAR ENDED 31 MARCH 2017

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**Auditors**

Under section 487(2) of the Companies Act 2006, Larking Gowen will be deemed to have been reappointed as auditors 28 days after these financial statements were sent to members or 28 days after the latest date prescribed for filing the accounts with the registrar, whichever is earlier.

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



Mr J W Lewis  
Director

Date: 24 JULY 2017

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## HUDSON ENERGY SUPPLY UK LIMITED

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### INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF HUDSON ENERGY SUPPLY UK LIMITED

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We have audited the financial statements of Hudson Energy Supply UK Limited for the year ended 31 March 2017, which comprise the Statement of comprehensive income, the Statement of financial position, the Statement of changes in equity and the related notes. The relevant financial reporting framework that has been applied in their preparation is applicable law and the United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including 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 Auditors' 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 Auditors**

As explained more fully in the Directors' responsibilities statement on page 3, 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 Financial Reporting Council's Ethical Standards for Auditors.

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

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at [www.frc.org.uk/apb/scope/UKNP](http://www.frc.org.uk/apb/scope/UKNP).

#### **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 March 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with those financial statements and such reports have been prepared in accordance with applicable legal requirements.

In the light of our 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 and the Directors' report.

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**HUDSON ENERGY SUPPLY UK LIMITED**

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**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF HUDSON ENERGY SUPPLY UK  
LIMITED (CONTINUED)**

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**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.



Ian Fitch FCA (Senior statutory auditor)  
for and on behalf of

**Larking Gowen**  
Chartered Accountants  
Statutory Auditors  
Ipswich

31 July 2017

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HUDSON ENERGY SUPPLY UK LIMITED

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STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 MARCH 2017

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	Note	2017 £000	2016 £000
Turnover	4	285,727	228,047
Cost of sales		(256,461)	(204,350)
<b>Gross profit</b>		<b>29,266</b>	<b>23,697</b>
Selling expenses		(10,983)	(8,710)
Administrative expenses		(17,903)	(8,898)
Change in fair value of derivative instruments		16,298	(9,378)
<b>Operating profit/(loss)</b>	5	<b>16,678</b>	<b>(3,289)</b>
Tax on profit/(loss)	9	(3,195)	820
<b>Profit/(loss) for the financial year</b>		<b>13,483</b>	<b>(2,469)</b>
<b>Total comprehensive income for the year</b>		<b>13,483</b>	<b>(2,469)</b>

There were no recognised gains and losses for 2017 or 2016 other than those included in the statement of comprehensive income.

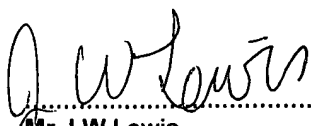
The notes on pages 13 to 30 form part of these financial statements.

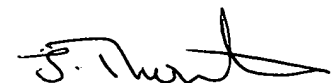
**HUDSON ENERGY SUPPLY UK LIMITED**  
**REGISTERED NUMBER: 07489042**

**STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 MARCH 2017**

	Note	2017 £000	2016 £000
<b>Fixed assets</b>			
Intangible assets	10	34	-
Tangible assets	11	471	495
		<u>505</u>	<u>495</u>
<b>Current assets</b>			
Debtors: amounts falling due within one year	12	69,470	53,220
Cash at bank and in hand	13	15,172	34,968
		<u>84,642</u>	<u>88,188</u>
Creditors: amounts falling due within one year	14	(74,773)	(89,259)
<b>Net current assets/(liabilities)</b>		<u>9,869</u>	<u>(1,071)</u>
<b>Total assets less current liabilities</b>		<u>10,374</u>	<u>(576)</u>
Creditors: amounts falling due after more than one year	15	-	(2,533)
<b>Net assets/(liabilities)</b>		<u><u>10,374</u></u>	<u><u>(3,109)</u></u>
<b>Capital and reserves</b>			
Called up share capital	18	5,200	5,200
Profit and loss account	19	5,174	(8,309)
		<u><u>10,374</u></u>	<u><u>(3,109)</u></u>

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

  
 Mr J W Lewis  
 Director  
 Date: 24 JULY 2017

  
 Ms J E Thornton  
 Director

The notes on pages 13 to 30 form part of these financial statements.

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**HUDSON ENERGY SUPPLY UK LIMITED**

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**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 MARCH 2017**

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	<b>Called up share capital</b>	<b>Profit and loss account</b>	<b>Total equity</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
At 1 April 2016	5,200	(8,309)	(3,109)
<b>Comprehensive income for the year</b>			
Profit for the year	-	13,483	13,483
<b>Total comprehensive income for the year</b>	-	13,483	13,483
<b>At 31 March 2017</b>	<b>5,200</b>	<b>5,174</b>	<b>10,374</b>

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**HUDSON ENERGY SUPPLY UK LIMITED**

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**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 MARCH 2016**

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	<b>Called up share capital</b>	<b>Profit and loss account</b>	<b>Total equity</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
At 1 April 2015	5,200	(5,840)	(640)
<b>Comprehensive expenditure for the year</b>			
Loss for the year	-	(2,469)	(2,469)
<b>Total comprehensive expenditure for the year</b>	-	(2,469)	(2,469)
<b>At 31 March 2016</b>	<b>5,200</b>	<b>(8,309)</b>	<b>(3,109)</b>

The notes on pages 13 to 30 form part of these financial statements.

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## HUDSON ENERGY SUPPLY UK LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

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#### 1. Company information

Hudson Energy Supply UK Limited is a private company limited by shares incorporated in England and Wales, registration number 01569200. The registered office is 6th Floor, 60 Gracechurch Street, London EC3V 0HR.

The Company's principal activity is that of the supply of electricity to the commercial market and of electricity and gas to the residential market under long-term fixed-price, price-protected or variable-priced contracts. The Company markets its gas and electricity contracts under the following trade names: Hudson Energy and Green Star Energy.

By fixing the price of natural gas or electricity under its fixed-price or price-protection program contracts, the Company's customers offset their exposure to changes in the price of these essential commodities. Variable rate products allow customers to maintain competitive rates while retaining the ability to lock into a fixed price at their discretion. The Company derives its margin or gross profit from the difference between the price at which it is able to sell the commodities to its customers and the related price at which it purchases the associated volumes from its suppliers.

#### 2. Accounting policies

##### 2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention and in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' and the Companies Act 2006.

The financial statements are presented in Sterling (£) and all values are rounded to the nearest thousand, except where indicated.

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:



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## HUDSON ENERGY SUPPLY UK LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

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## 2. Accounting policies (continued)

### 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 paragraphs 45(b) and 46-52 of IFRS 2 Share based payment
- 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 73(e) of IAS 16 Property, Plant and Equipment;
  - paragraph 118(e) of IAS 38 Intangible Assets;
- the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134-136 of IAS 1 Presentation of Financial Statements
- 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
- the requirements of paragraphs 134(d)-134(f) and 135(c)-135(e) of IAS 36 Impairment of Assets.

This information is included in the consolidated financial statements of Just Energy Group Inc. as at 31 March 2017, which have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB") and these financial statements may be obtained from that Company's website at <http://www.justenergygroup.com/>

### 2.3 Going concern

After making enquiries and reviewing cash flow forecasts and available facilities for a period of at least 12 months from the date of these financial statements, the directors have a reasonable expectation at the time of approving the financial statements that the Company has adequate resources to continue in operational existence for the foreseeable future.

Furthermore, assurances have been received that the amounts owed to group undertakings totaling £29,000 thousand (2016 - £10,347 thousand) will not be recalled within 12 months from the date of approval of the financial statements should this render the Company unable to meet its liabilities as they fall due. The ultimate parent company, Just Energy Group Inc., is also committed to providing sufficient continued financial support.

The directors therefore continue to adopt the going concern basis of accounting in preparing the financial statements.

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## HUDSON ENERGY SUPPLY UK LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

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#### 2. Accounting policies (continued)

##### 2.4 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes.

For energy supply, turnover is recognised on the basis of electricity and gas supplied during the year. For those customers awaiting a bill an estimate is made of the sales value of units and terms supplied between the last bill period date and the year end date. Any unbilled amounts are included in debtors to the extent they are considered recoverable.

##### 2.5 Intangible assets

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

The estimated useful lives range as follows:

Software	-	1 year straight line
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The amortisation expense related to intangible assets with finite lives is recognised within administrative expenses in the Statement of comprehensive income.

##### 2.6 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The Company adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred, if the replacement part is expected to provide incremental future benefits to the Company. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to profit or loss during the period in which they are incurred.

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## HUDSON ENERGY SUPPLY UK LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

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## 2. Accounting policies (continued)

### 2.6 Tangible fixed assets (continued)

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, on a reducing balance basis.

Depreciation is provided on the following basis:

Leasehold improvements	- Term of lease
Fixtures and fittings	- 20% reducing balance
Office equipment	- 20% reducing balance
Computer equipment	- 30% reducing balance

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Statement of comprehensive income.

### 2.7 Operating leases: the Company as lessee

Rentals paid under operating leases are charged to the profit or loss on a straight line basis over the period of the lease.

### 2.8 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.

### 2.9 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.

### 2.10 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 recognises its financial assets into one of the categories discussed below, depending on the purpose for which the asset was acquired.

The Company's accounting policy for each category is as follows:

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2017

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2. Accounting policies (continued)

2.10 Financial instruments (continued)

**Fair value through profit or loss**

This category comprises only in-the-money derivatives. These are carried in the Statement of financial position 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 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.

**Financial liabilities**

The Company classifies its financial liabilities into one of the categories discussed below, depending on the purpose for which the liability was acquired.

**Fair value through profit or loss**

The Company comprises only out-of-the-money derivatives. They are carried in the Statement of financial position at fair value recognised in the Statement of comprehensive income.

**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 Statement of financial position.

2.11 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.

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## HUDSON ENERGY SUPPLY UK LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

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#### 2. Accounting policies (continued)

##### 2.12 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.

##### 2.13 Pensions

###### **Defined contribution pension plan**

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payment obligations.

The contributions are recognised as an expense in the Statement of comprehensive income when they fall due. Amounts not paid are shown in accruals as a liability in the Statement of financial position. The assets of the plan are held separately from the Company in independently administered funds.

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## HUDSON ENERGY SUPPLY UK LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

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#### 2. Accounting policies (continued)

##### 2.14 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 reporting 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 Statement of financial position 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 reporting date.

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## HUDSON ENERGY SUPPLY UK LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

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

Preparation of the financial statements requires the directors to make significant judgments and estimates that affect the reported amounts of assets, liabilities, income, expenses, and the disclosure of contingent liabilities. The judgments and estimates are based on previous experience and other factors considered reasonable under the circumstances, the results of which form the basis for making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources.

The judgments and estimates are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised. Judgments made by the directors that have a significant impact on the financial statements relate to the following:

##### *Trade receivables*

The Company reviews its individually significant receivables at each reporting date to assess whether an impairment loss should be recorded in the Statement of comprehensive income. In particular, judgment by the directors is required in the estimation of the amount and timing of future cash flows when determining the impairment loss. In estimating these cash flows, the Company makes judgments about the borrower's financial situation and the fair value of collateral. These estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance.

##### *Unbilled receivables*

It is the aim of the Company to generate a bill every month for all electricity and gas customers. Revenue is recognised on the basis of electricity and gas supplied during the accounting period using the monthly customer billed data where available. Unbilled amounts are recognised based on actual customer tariff rates and industry expected settlement data per customer for each customer from their last bill date to the period end date. The industry expected settlement data is the estimated quantity the industry system deems the individual suppliers, including the Company, to have supplied.

##### *Deferred taxes*

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant judgment is required to determine the amount of deferred tax assets and liabilities that can be recognised, based upon the likely timing and the level of future taxable income realised.

##### *Useful life of key tangible and intangible fixed assets*

The amortisation method and useful lives reflect the pattern in which management expects the assets' future economic benefits to be consumed by the Company.

##### *Fair value of financial instruments*

Where the fair values of financial assets and financial liabilities recorded in the consolidated statements of financial position cannot be derived from active markets, they are determined using valuation techniques including discounted cash flow models. 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 judgment includes consideration 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.

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## HUDSON ENERGY SUPPLY UK LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

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#### 4. Turnover

All turnover arose within the United Kingdom.

#### 5. Operating profit

The operating profit is stated after charging:

	2017 £000	2016 £000
Depreciation of tangible fixed assets	105	50
Amortisation of intangible assets, including goodwill	268	172
Defined contribution pension cost	79	61
Operating lease payments	212	142

#### 6. Auditors' remuneration

The company paid the following amounts to its auditors in respect of the audit of the financial statements and for other services provided to the Company:

	2017 £000	2016 £000
Fees for the audit of the Company	30	23



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## HUDSON ENERGY SUPPLY UK LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

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#### 7. Employees

Staff costs, including directors' remuneration, were as follows:

	2017 £000	2016 £000
Wages and salaries	2,911	1,876
Social security costs	224	203
Cost of defined contribution scheme	79	61
	<u>3,214</u>	<u>2,140</u>

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

	2017 No.	2016 No.
Operations	<u>86</u>	<u>54</u>

#### 8. Directors' remuneration

	2017 £000	2016 £000
Directors' emoluments	160	95
Company contributions to defined contribution pension schemes	8	6
	<u>168</u>	<u>101</u>

During the year retirement benefits were accruing to 1 director (2016 - 1) in respect of defined contribution pension schemes.

No directors during the year exercised share options in the Company's parent company (2016 - NIL).

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**HUDSON ENERGY SUPPLY UK LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2017**

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**9. Taxation**

	<b>2017 £000</b>	<b>2016 £000</b>
<b>Corporation tax</b>		
Current tax on profits for the year	<b>42</b>	1,321
Adjustments in respect of previous periods	<b>(156)</b>	(36)
<b>Total current tax</b>	<b>(114)</b>	1,285
<b>Deferred tax</b>		
Origination and reversal of timing differences	<b>3,309</b>	(2,105)
<b>Total deferred tax</b>	<b>3,309</b>	(2,105)
<b>Taxation on profit/(loss) on ordinary activities</b>	<b>3,195</b>	(820)

**Factors affecting tax charge for the year**

The tax assessed for the year is lower than (2016 - *lower than*) the standard rate of corporation tax in the UK of 20% (2016 - 20%). The differences are explained below:

	<b>2017 £000</b>	<b>2016 £000</b>
Profit/(loss) on ordinary activities before tax	<b>16,678</b>	(3,289)
Profit/(loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 20% (2016 - 20%)	<b>3,336</b>	(658)
<b>Effects of:</b>		
Corporation tax overprovided in previous years	<b>(156)</b>	(36)
Deferred tax asset underprovided in previous years	-	(18)
Reduction in the standard rate of corporation tax	-	76
Other differences leading to an increase (decrease) in the tax charge	<b>15</b>	(184)
<b>Total tax charge for the year</b>	<b>3,195</b>	(820)

The standard rate of UK corporation tax reduced from 21% to 20% on 1 April 2015. The Finance Act (No. 2) 2015 includes legislation which will reduce the rate further to 19% from 1 April 2017 and to 18% from 1 April 2020. The Finance Act (No.2) 2015 was substantively enacted on 26 October 2015. Subsequent to this, the Finance Act 2016 was substantively enacted on 6 September 2016 and includes legislation to further reduce the rate from 1 April 2020 to 17%.

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HUDSON ENERGY SUPPLY UK LIMITED

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2017

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10. Intangible assets

	Software £000
<b>Cost</b>	
At 1 April 2016	1,810
Additions	302
At 31 March 2017	<u>2,112</u>
<b>Amortisation</b>	
At 1 April 2016	1,810
Charge for the year	268
At 31 March 2017	<u>2,078</u>
<b>Net book value</b>	
At 31 March 2017	<u><u>34</u></u>
At 31 March 2016	<u><u>-</u></u>

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**HUDSON ENERGY SUPPLY UK LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2017**

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**11. Tangible fixed assets**

	Leasehold improvements £000	Plant and machinery £000	Total £000
<b>Cost or valuation</b>			
At 1 April 2016	81	581	662
Additions	10	71	81
At 31 March 2017	91	652	743
<b>Depreciation</b>			
At 1 April 2016	5	162	167
Charge for the year on owned assets	9	96	105
At 31 March 2017	14	258	272
<b>Net book value</b>			
At 31 March 2017	77	394	471
<i>At 31 March 2016</i>	76	419	495

**12. Debtors**

	2017 £000	2016 £000
Trade debtors	8,746	4,062
Amounts owed by group undertakings	1,891	1,920
Other debtors	4,130	1,197
Prepayments and accrued income	54,333	42,362
Deferred taxation	370	3,679
	69,470	53,220

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**HUDSON ENERGY SUPPLY UK LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2017**

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**13. Cash and cash equivalents**

	<b>2017</b>	<b>2016</b>
	<b>£000</b>	<b>£000</b>
Cash at bank and in hand	<b>15,172</b>	<b>34,968</b>

**14. Creditors: Amounts falling due within one year**

	<b>2017</b>	<b>2016</b>
	<b>£000</b>	<b>£000</b>
Trade creditors	<b>3,519</b>	<b>15,184</b>
Amounts owed to group undertakings	<b>29,000</b>	<b>10,347</b>
Corporation tax	-	<b>1,321</b>
Other taxation and social security	-	<b>2,842</b>
Other creditors	<b>675</b>	<b>14,091</b>
Accruals and deferred income	<b>41,579</b>	<b>45,474</b>
	<b>74,773</b>	<b>89,259</b>

**15. Creditors: Amounts falling due after more than one year**

	<b>2017</b>	<b>2016</b>
	<b>£000</b>	<b>£000</b>
Other creditors	-	<b>2,533</b>

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**HUDSON ENERGY SUPPLY UK LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2017**

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**16. Financial instruments**

	<b>2017</b>	<i>As restated</i>
	<b>£000</b>	<b>2016</b>
		<b>£000</b>
<b>Financial assets</b>		
Financial assets measured at fair value through profit or loss	<b>219</b>	-
Financial assets that are debt instruments measured at amortised cost	<b>12,969</b>	7,179
	<u><b>13,188</b></u>	<u>7,179</u>
<b>Financial liabilities</b>		
Financial liabilities measured at fair value through profit or loss	-	(16,079)
Financial liabilities measured at amortised cost	<b>(67,065)</b>	(63,180)
	<u><b>(67,065)</b></u>	<u>(79,259)</u>

Financial assets measured at fair value through profit or loss comprise derivative financial instruments.

Financial assets that are debt instruments measured at amortised cost comprise trade debtors, amounts owed by group undertakings and other debtors.

Financial liabilities measured at fair value through profit or loss comprise derivative financial instruments.

Financial liabilities measured at amortised cost comprise trade creditors, accruals, amounts owed to group undertakings and other creditors.

**Fair values of assets and liabilities**

The fair value of derivative financial instruments represents the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation. Where market values are not available, fair values have been calculated by discounting cash flows at prevailing rates at the year end. Significant differences can arise between the fair value and the carrying amount of financial instruments that are recognised at historical cost amounts.

The following table illustrates gains/(losses) related to the Company's derivative financial instruments classified as fair value through profit or loss and recorded on the Company's Statement of financial position as other debtors/other creditors, with their offsetting values recorded in change in fair value of derivative instruments.

**HUDSON ENERGY SUPPLY UK LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
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	<b>2017</b>	<b>2016</b>
	<b>£000</b>	<b>£000</b>
<b>Change in fair value of derivative instruments</b>		
Physical forward contracts and options	<b>16,298</b>	<b>(9,378)</b>
Other derivative options	-	-
	<b>16,298</b>	<b>(9,378)</b>

The physical forward contracts and options are entered into by the Company to mitigate the price risk originating from the sale of long term fixed and variable priced natural gas and electricity retail contracts to commercial and residential customers. The physical forward agreements are commitments to purchase a predetermined quantity of natural gas, power, levy exemption certificates or guarantee of origin of renewable power certificates at either a predetermined fixed price or by reference to a predetermined price index formula.

Other derivative options includes a warrant for the subscription in cash for 9.5% of the Company at prevailing book value of the Company at time of execution, held in favour of one of the Company's suppliers. As at 31 March 2017, the directors consider the possibility of the warrant being exercised to be remote, and therefore it did not carry any material fair value (2016 - £NIL).

The discussion of the Company's objectives with regards to derivatives and other financial instruments is included within the Directors' report.

**17. Deferred taxation**

	<b>2017</b>	<b>2016</b>
	<b>£000</b>	<b>£000</b>
At beginning of year	<b>3,679</b>	<b>1,574</b>
Charged to profit or loss	<b>(3,309)</b>	<b>2,105</b>
<b>At end of year</b>	<b>370</b>	<b>3,679</b>

The deferred tax asset is made up as follows:

	<b>2017</b>	<b>2016</b>
	<b>£000</b>	<b>£000</b>
Accelerated capital allowances	<b>303</b>	<b>231</b>
Change in fair value of derivative instruments	<b>67</b>	<b>3,448</b>
	<b>370</b>	<b>3,679</b>

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HUDSON ENERGY SUPPLY UK LIMITED

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2017

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**18. Share capital**

	2017 £000	2016 £000
<b>Shares classified as equity</b>		
<b>Allotted, called up and fully paid</b>		
5,200,001 Ordinary shares of £1 each	<u>5,200</u>	<u>5,200</u>

**19. Reserves**

**Profit and loss account**

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

**20. Pension commitments**

The Company operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The pension cost charge represents contributions payable by the Company to the fund and amounted to £79 thousand (2016 - £61 thousand). Contributions totaling £NIL (2016 - £NIL) were payable to the fund at the reporting date.

**21. Commitments under operating leases**

At 31 March 2017 the Company had future minimum lease payments under non-cancellable operating leases as follows:

	2017 £000	2016 £000
Not later than 1 year	321	345
Later than 1 year and not later than 5 years	733	1,019
Later than 5 years	-	1,045
	<u>1,054</u>	<u>2,409</u>



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## HUDSON ENERGY SUPPLY UK LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

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#### 22. Capital disclosure

The Company defines capital as shareholders' equity. The company's objectives when managing capital are to maintain flexibility by:

- (i) enabling it to operate efficiently;
- (ii) providing liquidity and access to capital for growth opportunities; and
- (iii) providing returns and generating predictable cash flow for dividend payments to shareholders.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. The Board of Directors does not establish quantitative return on capital criteria for management, but rather promotes year over year sustainable and profitable growth. The Company's capital management objectives have remained unchanged from the prior year.

#### 23. Controlling party

The Company is a wholly owned subsidiary of Hudson Energy Holdings UK Limited, a company incorporated in England and Wales.

The Company's ultimate controlling party is Just Energy Group Inc., a company incorporated in Canada. Copies of that Company's consolidated financial statements may be obtained from its website at <http://www.justenergygroup.com/>