Registered number: 07489042

HUDSON ENERGY SUPPLY UK LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018

COMPANY INFORMATION

Directors	Ms D D Merril (resigned 1 April 2018) Mr J W Lewis (resigned 1 April 2018) Ms J E Thornton Mr J Brown (appointed 1 April 2018)
Registered number	07489042
Registered office	Elder House 3rd Floor 586-592 Elder Gate Central Milton Keynes MK9 1LR
Independent auditors	Larking Gowen LLP Chartered Accountants & Statutory Auditors 1 Claydon Business Park Great Blakenham Ipswich IP6 0NL

HUDSON ENERGY SUPPLY UK LIMITED

CONTENTS

STRATEGIC REPORT
FOR THE YEAR ENDED 31 MARCH 2018

The directors present their Strategic report for the year ended 31 March 2018.

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 2018, the Company reported strong growth with gross profit increasing by 56% to £45.6m. EBITDA has decreased from £17.1m to £14.2m. In addition, operating profit for the financial year was £13.7m compared with a profit of £16.7m reported for the financial year ended 31 March 2017. 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 2018 were in line with the expectations of the directors.

The Company plans to start smart meter roll out during the coming year which will compliment its product and service offerings.

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.

<u>Commodity price risk</u>

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.

<u>Earnings seasonality and volatility</u>

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.

<u>Supply counterparty risk</u>

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

<u>Legal and regulatory risk</u>

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.

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 completion 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 financial key performance indicators include:

	2018	*2017*
	£000	*£000*
Gross profit	**45,642**	*29,266*
Profit for the financial year	**11,303**	*13,483*
EBITDA	**14,158**	*17,051*

Other key performance indicators

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

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

Ms J E Thornton
Director

Date: 31 July 2018

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 MARCH 2018

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

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 £11,303 thousand *(2017 - £13,483 thousand).*

Dividends amounting to £7,491 thousand *(2017 - £NIL)* were paid during the period.

Directors

The directors who served during the year were:

Ms D D Merril (resigned 1 April 2018)
Mr J W Lewis (resigned 1 April 2018)
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. We have also introduced a loyalty programme called 'Perks' providing customers access to points which can be redeemed for energy efficient products and services for the home. The Company will continue to look for product growth and diversification.

The Company's ultimate parent expects to continue its expansion efforts.

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.

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.

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

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

....
Ms J E Thornton
Director

Date: 31 July 2018

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

Opinion

We have audited the financial statements of Hudson Energy Supply UK Limited (the 'Company') for the year ended 31 March 2018, which comprise the Statement of comprehensive income, the Statement of financial position, the Statement of changes in equity and the related notes, 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'.

In our opinion the financial statements:

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

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditors' 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 directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our Auditors' report thereon. 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 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 3, 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 AUDITORS' REPORT TO THE SHAREHOLDERS OF HUDSON ENERGY SUPPLY UK LIMITED (CONTINUED)

Auditors' 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 Auditors' 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 Auditors' 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 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.

Larking Gowen LLP

Ian Fitch FCA (Senior statutory auditor)
for and on behalf of
Larking Gowen LLP
Chartered Accountants
Statutory Auditors
Ipswich

31 July 2018

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2018

	Note	2018 £000	*2017* *£000*
Turnover	4	**434,773**	*285,727*
Cost of sales		**(389,131)**	*(256,461)*
Gross profit		**45,642**	*29,266*
Selling expenses		**(13,988)**	*(10,983)*
Administrative expenses		**(31,486)**	*(17,903)*
Fair value movements	17	**13,570**	*16,298*
Operating profit	5	**13,738**	*16,678*
Tax on profit	9	**(2,435)**	*(3,195)*
Profit for the financial year		**11,303**	*13,483*
Total comprehensive income for the year		**11,303**	*13,483*

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 14 to 32 form part of these financial statements.

STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2018

	Note		2018 £000		2017 £000
Fixed assets					
Intangible assets	11		925		34
Tangible assets	12		533		471
Investments	13		15		-
			1,473		505
Current assets					
Debtors: amounts falling due within one year	14	155,840		69,470	
Cash at bank and in hand	15	13,357		15,172	
		169,197		84,642	
Creditors: amounts falling due within one year	16	(154,325)		(74,773)	
Net current assets			14,872		9,869
Total assets less current liabilities			16,345		10,374
Provisions for liabilities					
Deferred taxation	18		(2,159)		-
Net assets			14,186		10,374
Capital and reserves					
Called up share capital	19		5		5,200
Profit and loss account	20		14,181		5,174
			14,186		10,374

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

Ms J E Thornton
Director

Mr J Brown
Director

Date: 31 July 2018
The notes on pages 14 to 32 form part of these financial statements.

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

	Called up share capital	Capital redemption reserve	Profit and loss account	Total equity
	£000	£000	£000	£000
At 1 April 2017	5,200	-	5,174	10,374
Comprehensive income for the year				
Profit for the year	-	-	11,303	11,303
Total comprehensive income for the year	-	-	11,303	11,303
Dividends: Equity capital	-	-	(7,491)	(7,491)
Capital reduction	(5,195)	5,195	-	-
Transfer to/from profit and loss account	-	(5,195)	5,195	-
At 31 March 2018	5	-	14,181	14,186

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

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

The notes on pages 14 to 32 form part of these financial statements.

1. Company information

Hudson Energy Supply UK Limited is a private company limited by shares and incorporated in England and Wales, registration number 07489042. The registered office is Elder House, 3rd Floor, 586-592 Elder Gate, Central Milton Keynes, MK9 1LR.

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:

2.2 Exemption from preparing consolidated financial statements

The Company is a parent Company that is also a subsidiary included in the consolidated financial statements of its immediate parent undertaking established under the law of a non-EEA state and is therefore exempt from the requirement to prepare consolidated financial statements under section 401 of the Companies Act 2006.

2. Accounting policies (continued)

2.3 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 2018, 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/

2.4 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 totalling £17,036 thousand *(2017 - £29,000 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 Company's ultimate parent, Just Energy Group Inc., is also committed to providing sufficient continued financial support such that the directors consider there to be no material uncertainty with regards going concern. The directors therefore continue to adopt the going concern basis of accounting in preparing the financial statements.

2. Accounting policies (continued)

2.5 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.

2.6 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:

Development costs	-	Amortised over estimated useful life only when the asset is complete
Software	-	1 year straight line

The amortisation expense related to intangible assets with finite lives is recognised within administrative expenses in the Statement of comprehensive income.

2.7 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.

2. Accounting policies (continued)

2.7 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.

2.8 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.

2.9 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated 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.

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 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:

2. Accounting policies (continued)

2.12 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.

2.13 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. Accounting policies (continued)

2.14 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.

2.15 Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting.

2.16 Share based payments

Services received from employees as consideration for equity instruments in the Company's ultimate parent in accordance with the ultimate parent's restricted share grant scheme are measured as cash-settled share based payment transactions.

The cost of share based compensation is measured by reference to the fair value at the date on which it was granted. Awards are valued at the grant date and are not adjusted for changes in the prices of the underlying shares and other measurement assumptions. The cost of such transactions is recognised over the period in which the performance or service conditions are fulfilled, ending on the date on which the relevant grantee becomes fully entitled to the award. The cumulative expense recognised at each reporting date until the vesting period reflects the extent to which the vesting period has expired and the Company's best estimate of the number of the shares that will ultimately vest. The expense or credit recognised for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

2.17 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.

2. Accounting policies (continued)

2.18 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.

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.

4. Turnover

All turnover arose within the United Kingdom.

5. Operating profit

The operating profit is stated after charging:

	2018 £000	2017 £000
Depreciation of tangible fixed assets	136	105
Amortisation of intangible assets, including goodwill	284	268
Defined contribution pension cost	220	79
Operating lease payments	304	212

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:

	2018 £000	2017 £000
Fees for the audit of the Company	48	30

7. Employees

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

	2018 £000	*2017 £000*
Wages and salaries	**4,083**	*2,911*
Social security costs	**474**	*224*
Cost of defined contribution scheme	**220**	*79*
	4,777	*3,214*

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

	2018 No.	*2017 No.*
Operations	**124**	*86*

8. Directors' remuneration

	2018 £000	*2017 £000*
Directors' emoluments	**243**	*160*
Company contributions to defined contribution pension schemes	**9**	*8*
	252	*168*

During the year retirement benefits were accruing to 1 director *(2017 - 1)* in respect of defined contribution pension schemes.

The highest paid director received remuneration of £243 thousand *(2017 - £160 thousand)*.

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £9 thousand *(2017 - £8 thousand)*.

No directors during the year exercised share options in the Company's parent company *(2017 - NIL)*.

9. Taxation

	2018 £000	*2017 £000*
Corporation tax		
Current tax on profits for the year	**(94)**	*42*
Adjustments in respect of previous periods	-	*(156)*
Total current tax	**(94)**	*(114)*
Deferred tax		
Origination and reversal of timing differences	**2,529**	*3,309*
Total deferred tax	**2,529**	*3,309*
Taxation on profit on ordinary activities	**2,435**	*3,195*

Factors affecting tax charge for the year

The tax assessed for the year is lower than *(2017 - lower than)* the standard rate of corporation tax in the UK of 19% *(2017 - 20%)*. The differences are explained below:

	2018 £000	*2017 £000*
Profit on ordinary activities before tax	**13,738**	*16,678*
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2017 - 20%)	**2,610**	*3,336*
Effects of:		
Corporation tax overprovided in previous years	-	*(156)*
Other differences leading to an increase (decrease) in the tax charge	**(175)**	*15*
Total tax charge for the year	**2,435**	*3,195*

The standard rate of UK corporation tax reduced from 20% to 19% on 1 April 2017. The Finance Act 2016 was substantively enacted on 6 September 2016 and includes legislation to reduce the rate from 1 April 2020 to 17%.

10. Dividends

	2018 £000	*2017 £000*
Dividends paid	7,491	-

11. Intangible assets

	Development costs £000	Software £000	Total £000
Cost			
At 1 April 2017	-	2,112	2,112
Additions - external	-	592	592
Additions - internal	582	-	582
At 31 March 2018	582	2,704	3,286
Amortisation			
At 1 April 2017	-	2,078	2,078
Charge for the year	-	284	284
At 31 March 2018	-	2,362	2,362
Net book value			
At 31 March 2018	582	342	924
At 31 March 2017	-	*34*	*34*

12. Tangible fixed assets

	Leasehold improvements £000	Plant and machinery £000	Total £000
Cost or valuation			
At 1 April 2017	91	652	743
Additions	10	188	198
At 31 March 2018	101	840	941
Depreciation			
At 1 April 2017	14	258	272
Charge for the year on owned assets	12	124	136
At 31 March 2018	26	382	408
Net book value			
At 31 March 2018	75	458	533
At 31 March 2017	*77*	*394*	*471*

13. Fixed asset investments

	Investments in subsidiary companies £000
Cost or valuation	
At 1 April 2017	-
Additions	15
At 31 March 2018	15
Net book value	
At 31 March 2018	15
At 31 March 2017	*-*

Investments comprise equity shares in Just Energy (Ireland) Limited, a private company limited by shares and incorporated in the Republic of Ireland.

The Company owns 100% of the ordinary share capital of Just Energy (Ireland) Limited *(2017 - £NIL)*.

14. Debtors

	2018 £000	*2017 £000*
Trade debtors	15,949	*8,746*
Amounts owed by group undertakings	4,222	*1,891*
Other debtors	17,149	*4,130*
Prepayments and accrued income	118,520	*54,333*
Deferred taxation	-	*370*
	155,840	*69,470*

15. Cash and cash equivalents

	2018 £000	*2017 £000*
Cash at bank and in hand	**13,357**	*15,172*

16. Creditors: Amounts falling due within one year

	2018 £000	*2017 £000*
Trade creditors	**15,287**	*3,519*
Amounts owed to group undertakings	**17,036**	*29,000*
Other taxation and social security	**2,010**	*-*
Other creditors	**427**	*675*
Accruals and deferred income	**119,565**	*41,579*
	154,325	*74,773*

Trade creditors amounting to £11,683 thousand *(2017 - £NIL)* are secured via debenture containing fixed and floating charges.

17. Financial instruments

	2018 £000	*2017 £000*
Financial assets		
Financial assets measured at fair value through profit or loss	**13,788**	*219*
Financial assets that are debt instruments measured at amortised cost	**23,249**	*12,969*
	37,037	*13,188*
Financial liabilities		
Financial liabilities measured at amortised cost	**(132,951)**	*(67,065)*
	(132,951)	*(67,065)*

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 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.

	2018 £000	*2017 £000*
Change in fair value of derivative instruments		
Physical forward contracts and options	**13,570**	*16,298*
Other derivative options	-	-
	13,570	*16,298*

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 2018, the directors consider the possibility of the warrant being exercised to be remote, and therefore it did not carry any material fair value *(2017 - £NIL)*.

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

18. Deferred taxation

	2018 £000	*2017* *£000*
At beginning of year	**370**	*3,679*
Charged to profit or loss	**(2,529)**	*(3,309)*
At end of year	**(2,159)**	*370*

The deferred taxation balance is made up as follows:

	2018 £000	*2017* *£000*
Accelerated capital allowances	**90**	*303*
Change in fair value of derivative instruments	**(2,249)**	*67*
	(2,159)	*370*

19. Share capital

	2018 £000	*2017* *£000*
Allotted, called up and fully paid		
5,200,001 Ordinary shares of £1 each	**-**	*5,200*
5,200,001 Ordinary shares of £0.001 each	**5**	*-*
	5	*5,200*

19. Share capital (continued)

During the year, the company reduced its share capital by reducing the nominal value of each of its ordinary shares from £1.00 per share to £0.001 per share.

20. Reserves

Profit and loss account

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

21. 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 £220 thousand *(2017 - £79 thousand)*. Contributions totalling £NIL *(2017 - £NIL)* were payable to the fund at the reporting date.

22. Commitments under operating leases

At 31 March 2018 the Company had future minimum lease payments under non-cancellable operating leases as follows:

	2018	*2017*
	£000	*£000*
Not later than 1 year	**275**	*321*
Later than 1 year and not later than 5 years	**460**	*733*
	735	*1,054*

23. 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.

24. 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/