Registration number: 09850654

PS Energy UK Limited

Annual Report and Financial Statements

for the Year Ended 31 December 2018

PS Energy UK Limited
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PS Energy UK Limited
Strategic Report for the year ended 31 December 2018

The directors present their Strategic Report on PS Energy UK Limited ("the Company") for the year ended 31 December 2018.

Business review and future developments
PS Energy UK Limited has continued to trade under the brand name of 'Powershop' in 2018, acting as a commercial vehicle for innogy SE to explore strategic options for new customer products and new value streams.

Following initial beta trials in late 2017, Powershop successfully launched its Gas product to the UK energy market in Quarter 2 2018, to bring a full dual fuel offering to the Powershop customer experience, which offers an innovative ability to purchase their energy requirements via 'Power Packs'.

Also in Quarter 2 2018, Powershop launched two branded affinity deals, with prominent rugby clubs, Wigan RLFC and Wasps RFC, with energy deals aimed at the loyal fanbase of those clubs. Successful delivery and demonstration of competence in the White Label market has now led to a deal in 2019 with Sainsbury's to supply Sainsbury's Energy customers with electricity and gas.

Additionally, in Quarter 3 2018, to supplement the Power-shopper product, the business launched a Powershop Lite product into the market, designed to offer customers a simpler, more conventional 'vanilla' energy buying experience, but capable of transitioning the customer to the Powershop consumer experience as and when their purchasing preferences may evolve.

Consequently, at the close of 2018, the business now has 4 distinct brands and has seen a near three-fold increase in its customer base, whilst maintaining high levels of customer satisfaction and low levels of customer churn relative to the market. This has been achieved in spite of extremely difficult UK domestic market conditions which have been characterized by a number of prominent small suppliers becoming insolvent and highly competitive pricing, in part due to the inherent uncertainty of the impact of the Ofgem regulated Standard Variable Tariff price cap.

Within the year, Powershop has made a significant investment into further system developments to deliver Smart metering capability. Completion of delivery work anticipated in 2019 will facilitate compliance as a supplier to meet industry targets for Smart installation and so enables operational and customer benefits in metering and billing accuracy and transparency.

At an earlier stage of technical development, feasibility work has also commenced on the system and operational requirements to offer Powershop products to the SME market as well as an enhanced digital offering for existing customers to have greater control and transparency over their direct debit payments relative to seasonal consumption patterns.

The UK is due to leave the European Union on 31st October 2019. The effects of 'Brexit' on the npower Retail Group have been considered but at the date of signing are not believed to have a significant impact mainly as the npower Retail Group operates predominantly within the UK.

The business closed the year with seventy-five full time equivalent employees, an increase of twenty-two from 2017 close. With plans for continuing customer and product growth, the business is now actively seeking a move to new larger premises in 2019.

The Company is part of the npower Retail Group. The npower Retail Group consists of 6 main trading entities and 4 other entities including PS Energy UK Limited. The main trading entities are Npower Limited, Npower Northern Limited, Npower Yorkshire Limited, Npower Gas Limited, Npower Commercial Gas Limited and Npower Direct Limited.

Position of the business

The Company's loss for the financial year ended 31 December 2018 was £6.0m (2017: loss of £2.7m). The net liabilities of the Company at 31 December 2018 were £9.4m (2017: £3.5m).

Principal risks and uncertainties

The management of the business and the execution of the Company's strategy are subject to a number of risks. These risks are not managed on a legal entity basis, but overseen for the npower Retail Group as a whole.

The npower Retail Group continues to invest in a formal, regular risk assessment process to identify, monitor and mitigate as far as possible any risk that should arise. These are formally reviewed and assessed by the Board on a quarterly basis and actions taken as appropriate.

The key business risk affecting the npower Retail Group is the competitive retail market which could impact the Company's ability to achieve its targets for customer numbers and/or gross margin per customer. The main external uncertainties faced are: the impact of energy efficiency initiatives and the strength of the economy on customer consumption; volatility in wholesale energy prices; and the level of network and environmental charges. Furthermore, the Company has a number of operational risks as part of its end-to-end processes. Detailed discussions of these risks and opportunities, in the context of the innogy SE Group as a whole are provided on pages 97 through 105 of the innogy SE 2018 Annual Report, which is available in the investor relations section of the innogy.com website.

In line with the requirements of the German Corporate Control and Transparency Act (KonTraG), the Company's risk management system enables the directors to identify risks at an early stage and initiate mitigating action where necessary.

Key performance indicators (KPIs)

The directors of the Company do not primarily focus their management of the activities of the Company or wider group on a legal entity basis. Instead business performance is monitored and assessed at a segmented level, which when aggregated covers all of the npower Retail Group's commercial activities in the UK. These segments are supported by a number of central functions that provide a range of services including finance, tax, strategy and HR. Each segment is managed in particular against a number of key performance indicators that cover a range of financial, service delivery, efficiency and operational measures. The operations and activities of the Company and the other entities within the Group are allocated across these segments. Therefore the Company's directors do not set KPIs at a legal entity level, and as a result such KPIs are not presented for the Company.

Approved by the Board on 27/6/2019 and signed on its behalf by:

P Sharman

....
Mr P Sharman
Director

PS Energy UK Limited
Directors' Report for the year ended 31 December 2018

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

Principal activities
The principal activities of the Company are the marketing and supply of electricity, gas and related services to domestic consumers.

Dividends
The directors do not recommend the payment of a dividend (2017: £nil).

Directors of the Company
The directors of the Company who were in office during the year and up to the date of signing the financial statements were as follows:

Mr P Sharman

Mr S Stacey

Mr A Wiggans

Directors' indemnity
The directors have the benefit of the indemnity provision contained in the Company's Articles of Association. This provision was in force throughout the last financial period and is currently in force. This provision is a qualifying third party indemnity provision under section 234 of the Companies Act 2006. The Company also purchased and maintained throughout the financial period directors' and officers' liability insurance in respect of itself and its directors.

Future developments
Further details of significant changes in the future developments of the Company are provided in the Strategic Report on page 1.

Going concern

The financial statements have been prepared on a going concern basis which assumes that the Company will continue to trade. The basis of this assumption depends on the support of Npower Group Limited. Npower Group Limited has indicated that it intends to provide such funds as are necessary for the Company to trade for the period of a year after the date of signing the financial statements. Npower Group Limited had net current liabilities of £348m as at 31 December 2018, however Npower Group Limited has received a letter of support from innogy SE indicating that it intends to provide such funds as are necessary for Npower Group Limited to trade for the period of a year after the date of signing financial statements.

The proposed transaction between RWE and E.ON, as described below, will see innogy SE, and therefore the Company, as its indirect wholly owned subsidiary, transfer to E.ON in 2019 as part of an asset swap deal. E.ON will become the majority shareholder in innogy SE as part of the asset swap deal, however it is not currently known how the legal entity of innogy SE will be integrated into E.ON. If innogy SE is merged with an E.ON group company then it becomes the legal successor of innogy SE and under German law the contracts and liabilities of the acquired group are transferred to the acquiring party, therefore the letter of support from innogy SE will be transferred to E.ON. If innogy SE is not merged with an E.ON group company then the letter of support would continue to be valid with innogy SE. The directors are of the opinion that both E.ON and innogy SE would be able to access external sources of finance and with sufficient liquidity to meet its operating needs. Management however recognise that there is uncertainty regarding the future of the Company within E.ON until an announcement is made by E.ON as to its intentions towards the npower Retail Group going forward.

These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern. Nevertheless, having considered the uncertainties described above and after making enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. For these reasons, the directors continue to adopt the going concern basis in preparing the financial statements. The financial statements do not include the adjustments that would result if the Company was unable to continue as a going concern.

Long term viability statement

The Company is a 100% owned subsidiary of the innogy SE group. The innogy SE group is majority owned by the RWE group following a successful IPO in 2016. innogy SE group had a market capitalisation of €22.4billion at 2018 year end (2017: €18.2 billion) and employs around 43,000 employees. innogy SE group supplies over 15 million customers with electricity and over 6 million with gas in eleven European countries, its key markets being in Germany, the Netherlands and the United Kingdom. In the year 2018, the innogy SE group recorded €37.0 billion (2017: €43.1 billion) in revenue, and had a loss after tax of approximately €0.3 billion (2017: profit €1.1 billion). Being a large group, innogy SE manages its financial resources with a Group Treasury function. This function allocates financial resources across the Group to meet all financial obligations in a timely fashion.

In March 2018, RWE, which owns 76.8% of innogy SE, and fellow German utility, E.ON, agreed to a complex asset swap transaction. The main elements of this transaction are that E.ON will acquire innogy SE's Grid & Infrastructure and Retail businesses and in return, RWE will take on both E.ON and innogy SE's renewables businesses. RWE will also receive a 16.67% stake in E.ON. The deal is contingent on receiving approval from the relevant authorities.

Whilst the Company remains part of the innogy SE group of companies it is funded by its parent on an ongoing basis through a cash management agreement providing access to multi-million pound funding on a daily basis as required to meet its daily working capital requirements. Following the transfer to E.ON the same or similar arrangements are expected to be in place.

Employees
The energy, innovation and creativity of our staff add value to our businesses. During the financial year the npower Retail Group maintained its existing policies in the following areas in respect of employee involvement.

The npower Retail Group is committed to the development of all staff in order to leverage our intellectual capital. Among many development and training initiatives, all staff are required to maintain personal development plans.

The ongoing changes within the npower Retail Group mean that effective communication with staff is vital. Corporate publications and other media, including distribution of key development messages and team briefings, are used to promote wide understanding of policies and strategy. We also utilise the latest technology to aid rapid communication with staff through a range of media.

It is the npower Retail Group's policy to consult with employees or their representatives on a regular basis so that the views of employees can be taken into account in making decisions that are likely to affect their interests. The npower Retail Group also endeavours to achieve a common awareness of all employees in relation to the financial and economic factors that affect the performance of the Company.

Equal opportunities and diversity
The npower Retail Group is committed to equal opportunity and diversity because of a sense of social responsibility and also because it makes sound business sense to tap into the wide-ranging knowledge and experience of individuals in all sectors of society. Through its commitment to valuing the talents of its employees, the npower Retail Group aims to ensure that it is able to compete in attracting and retaining high calibre employees with wide-ranging experience and is therefore able to respond positively and flexibly to change. Decisions to appoint, reward, train, develop and promote are taken based on skills and abilities, or demonstrated potential, merit and the requirements of the job. Employment decisions affecting both job applicants and employees with disabilities are made following any reasonable adjustments that may be necessary to ensure fair treatment. In addition, appropriate arrangements are made for training, career development and promotion of disabled persons employed by the npower Retail Group. If members of staff become disabled the npower Retail Group continues employment, either in the same or an alternative position, with appropriate retraining being given if necessary.

Financial risk management

Capital management
The Company's objectives, policies and processes for managing capital are consistent with those of the innogy SE Group. Detailed discussions of these, in the context of the innogy SE Group as a whole, are provided on pages 97 to 105 of the innogy SE 2018 Annual Report.

Credit risk
The Company has a policy of requiring appropriate, externally sourced credit checks on all new and incoming customers prior to establishing credit terms. Credit thresholds are reviewed on a regular basis and revised as appropriate to maintain a managed reported credit risk position.

Liquidity risk
The Company forms part of the Npower Group Limited treasury arrangements, which actively manages a mixture of finance to ensure that the group has sufficient liquid resources to manage its current and future operational requirements.

Financial risk management (continued)

Commodity price risk
The Company is exposed to commodity price risk as a result of its operations. The risk is actively managed through the application of appropriate techniques and methodologies in accordance with the Commodity Risk Controlling Directive of innogy SE. These techniques and methodologies include the application of appropriate hedge policies, the measurement of commodity risks, the setting of approved transaction limits (together with the monitoring of compliance with the approved limits), the reporting of unhedged positions and the conduct of scenario analyses and stress tests. The hedge policies determine the timing of the purchase of physical forward contracts for power and gas to cover customers' supply requirements. Financial contracts are typically also purchased to manage the impact of weather variations on customer demand.

The Directive and its application within the Company is kept under constant review to reflect changes in market and Company dynamics, together with the nature of products offered to the market.

Securities price risk
The Company has no significant exposure to equity securities price risk as it holds no material listed or other equity investments.

Interest rate cash flow risk
The Company has interest-bearing liabilities. Interest-bearing liabilities include loans from group undertakings. Interest on loans is fixed which minimises the interest rate risk faced by the Company.

General risk management
As a subsidiary of innogy SE, the Company complies with the Risk Management Directive of innogy SE, which embodies the relevant provisions of the German Law on Corporate Control and Transparency (Gesetz zur Kontrolle und Transparenz im Unternehmensbereich), together with the German Stock Corporation Act (Aktiengesetz) and the German Commercial Code (Handelsgesetzbuch). Compliance is achieved within the Company through the application of a tri-partite system of three separate but supportive elements, namely a risk controlling/early warning system, an internal control system and an internal audit process.

Research and development
The Company invests in the development of software to facilitate its business. Where software is capitalised it is treated as an intangible asset.

Statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law).

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;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006.

Statement of disclosure of information to the auditors

In the case of each director in office at the date the Directors' Report is approved:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Approved by the Board on 27/6/2019 and signed on its behalf by:

P. Sharman
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Mr P Sharman
Director

PS Energy UK Limited
Independent Auditors' Report to the members of PS Energy UK Limited

Report on the audit of the financial statements

Opinion

In our opinion, PS Energy UK Limited's financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2018 and of its loss for the year (the "period") then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the Balance Sheet as at 31 December 2018; the Profit and Loss Account and the Statement of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Material uncertainty related to going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 2 to the financial statements concerning the company's ability to continue as a going concern. The company is reliant on a letter of support with its parent, Npower Group Limited, who in turn are reliant on the support of its parent, Innogy SE for funding in order to continue operating for at least 12 months from the date of this report. Due to the proposed transaction between RWE and E.On which will see Innogy SE and therefore Npower transfer to E.On in 2019, management believe the letter of support will transfer to E.On under German law. Whilst the directors are of the opinion that E.On will be able to access external sources of finance to support Npower, the availability, extent and timing of such funding is uncertain. These conditions, along with the other matters explained in note 2 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the company was unable to continue as a going concern.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance 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 an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of 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 based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of directors' responsibilities set out on page 7, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they 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.

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 FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.

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Steven Kentish (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Birmingham

Date: 27 June 2019

PS Energy UK Limited
Profit and Loss Account for the year ended 31 December 2018

	Note	2018 £ 000	2017 £ 000
Turnover	4	20,464	4,875
Cost of sales		(19,523)	(4,663)
Gross profit		941	212
Administrative expenses		(8,138)	(3,279)
Operating loss	5	(7,197)	(3,067)
Interest receivable and similar income	6	28	1
Interest payable and similar expenses	7	(182)	(201)
Loss before taxation		(7,351)	(3,267)
Tax on loss	11	1,364	589
Loss for the financial year		(5,987)	(2,678)

The above results were derived from continuing operations.

There are no further items which would be included in other comprehensive income so no separate statement of comprehensive income has been prepared.

The notes on pages 15 to 30 form an integral part of these financial statements.

PS Energy UK Limited
Balance Sheet as at 31 December 2018

	Note	2018 £ 000	2017 £ 000
Fixed assets			
Intangible assets	12	11,765	6,415
Property, plant and equipment	13	146	27
		11,911	6,442
Current assets			
Stocks		27	-
Debtors: Amounts falling due within one year	14	7,110	2,553
Debtors: Amounts falling due after more than one year	11	5	-
Cash at bank and in hand		10,207	3,303
		17,349	5,856
Creditors: Amounts falling due within one year	15	(14,325)	(5,524)
Net current assets		3,024	332
Total assets less current liabilities		14,935	6,774
Creditors: Amounts falling due after more than one year	16	(24,375)	(10,227)
Net liabilities		(9,440)	(3,453)
Capital and reserves			
Called up share capital	18	-	-
Profit and loss account		(9,440)	(3,453)
Total shareholders' deficit		(9,440)	(3,453)

The financial statements on pages 12 to 30 were approved by the Board on 27/6/2019 and signed on its behalf by:

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Mr P Sharman

Director

PS Energy UK Limited registered company number: 09850654

The notes on pages 15 to 30 form an integral part of these financial statements.

PS Energy UK Limited
Statement of Changes in Equity for the year ended 31 December 2018

	Called up share capital £ 000	Profit and loss account £ 000	Total shareholders' deficit £ 000
At 1 January 2018	-	(3,453)	(3,453)
Loss for the financial year	-	(5,987)	(5,987)
Total comprehensive expense for the year	-	(5,987)	(5,987)
At 31 December 2018	-	(9,440)	(9,440)

	Called up share capital £ 000	Profit and loss account £ 000	Total shareholders' deficit £ 000
At 1 January 2017	-	(775)	(775)
Loss for the financial year	-	(2,678)	(2,678)
Total comprehensive expense for the year	-	(2,678)	(2,678)
At 31 December 2017	-	(3,453)	(3,453)

Called up share capital consists of funds raised by the Company issuing shares in return for cash or other consideration.

Profit and loss account represents the accumulated losses of the Company.

The notes on pages 15 to 30 form an integral part of these financial statements.

1 General information

The Company is a private company limited by share capital incorporated in England and Wales and domiciled in the United Kingdom.

The address of its registered office is:
Windmill Hill Business Park
Whitehill Way
Swindon
Wiltshire
SN5 6PB
United Kingdom

The principal activities of the Company are the marketing and supply of electricity, gas and related services to domestic consumers.

2 Accounting policies

Summary of significant accounting policies
The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of preparation
These financial statements were prepared in accordance with the Companies Act 2006 as applicable to companies using FRS 101. The financial statements were prepared under the historical cost convention.

Summary of disclosure exemptions
The following exemptions from the requirements of IFRS have been applied in the preparation of these financial statements, in accordance with FRS 101:

- Paragraph 33(c) of IFRS 5 (Non-current Assets Held for Sale and Discontinued Operations)

- The requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15 Revenue from Contracts with Customers.

- IFRS 7 (Financial Instruments: Disclosures)

- Paragraph 38 of IAS 1 (Presentation of Financial Statements) to present comparative information in respect of:

  (i) paragraph 79(a)(iv) of IAS 1 (Presentation of Financial Statements)
  (ii) paragraph 73(e) of IAS 16 (Property, Plant and Equipment)
  (iii) paragraph 118(e) of (IAS 38 Intangible Assets)

- The following paragraphs of IAS 1 (Presentation of Financial Statements):

  (i) 10(d)
  (ii) 10(f)
  (iii) 16
  (iv) 38A
  (v) 38B-D
  (vi) 40A-D
  (vii) 111
  (viii) 134-136

2 Accounting policies (continued)

Summary of disclosure exemptions (continued)
- IAS 7 (Statement of Cash Flows)

- Paragraphs 30 and 31 of IAS 8 (Accounting Policies, Changes in Accounting Estimates and Errors)

- Paragraph 17 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.

- Paragraphs 130(f)(ii), 130(f)(iii), 134(d) to 134(f) and 135(c) to 135(e) of IAS 36 (Impairment of Assets).

Where required, equivalent disclosures are given in the group financial statements of innogy SE. The group financial statements of innogy SE are available to the public and can be obtained as set out in note 19.

Going concern
The financial statements have been prepared on a going concern basis which assumes that the Company will continue to trade. The basis of this assumption depends on the support of Npower Group Limited. Npower Group Limited has indicated that it intends to provide such funds as are necessary for the Company to trade for the period of a year after the date of signing the financial statements. Npower Group Limited had net current liabilities of £348m as at 31 December 2018, however Npower Group Limited has received a letter of support from innogy SE indicating that it intends to provide such funds as are necessary for Npower Group Limited to trade for the period of a year after the date of signing financial statements.

The proposed transaction between RWE and E.ON, as described on page 4, will see innogy SE, and therefore the Company, as its indirect wholly owned subsidiary, transfer to E.ON in 2019 as part of an asset swap deal. E.ON will become the majority shareholder in innogy SE as part of the asset swap deal, however it is not currently known how the legal entity of innogy SE will be integrated into E.ON. If innogy SE is merged with an E.ON group company then it becomes the legal successor of innogy SE and under German law the contracts and liabilities of the acquired group are transferred to the acquiring party, therefore the letter of support from innogy SE will be transferred to E.ON. If innogy SE is not merged with an E.ON group company then the letter of support would continue to be valid with innogy SE. The directors are of the opinion that both E.ON and innogy SE would be able to access external sources of finance and with sufficient liquidity to meet its operating needs. Management however recognise that there is uncertainty regarding the future of the Company within E.ON until an announcement is made by E.ON as to its intentions towards the npower Retail Group going forward.

These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern. Nevertheless, having considered the uncertainties described above and after making enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. For these reasons, the directors continue to adopt the going concern basis in preparing the financial statements. The financial statements do not include the adjustments that would result if the Company was unable to continue as a going concern.

New standards, amendments and IFRS IC interpretations
No new accounting standards, or amendments to accounting standards, or IFRIC interpretations that are effective for the year ended 31 December 2018 have had a material impact on the company.

The IASB has adopted further Standards and amendments to Standards, which were not yet mandatory in the European Union (EU) in the year ending 31 December 2018. The most important changes are presented below. EU endorsement is still pending in some cases.

2 Accounting policies (continued)

IFRS 9 Financial Instruments (2014) replaces the previous regulations of IAS 39 on financial instruments. The Standard contains amended regulations on measurement categories for financial assets and includes some smaller changes in relation to the measurement of financial liabilities. Fair value measurement without an effect on income is stipulated for certain debt instruments reported under assets. It also contains regulations on the impairment of assets and hedge accounting. The rules on impairment will now apply to expected losses. The new regulations on hedge accounting are intended to enable better reporting of the risk management activities in the financial statements. To this end, IFRS 9 expands the range of underlying transactions qualifying for hedge accounting and simplifies effectiveness testing, among other things. The new Standard became effective for fiscal years starting on or after 1 January 2018. No material changes have occurred with regard to the implementation of IFRS 9.

IFRS 15 Revenue from Contracts with Customers (2014) including Amendments to IFRS 15, Effective Date of IFRS 15 (2015) and Clarifications to IFRS 15 Revenue from Contracts with Customers (2016) has replaced the contents of IAS 18 Revenue and IAS 11 Construction Contracts and the corresponding Interpretations.

The new Standard does not distinguish between different types of orders and performance. It establishes uniform criteria as to when revenue is realised for a performance obligation at a point in time (as is the case for the npower Retail Group) or over time. Accordingly, revenue is to be recognised when the customer obtains control of the agreed goods and services and can benefit from such. Application of the new Standard is required for annual periods beginning on or after 1 January 2018. The Company applied the modified retrospective method as a transitional method for first-time application as of 1 January 2018. npower Retail Group completed the IFRS 15 contract analysis and identified the below noted points required specific consideration. However there was no significant effect in relation to the following:

Energy supply contracts with households which receive free gifts or goods at a reduced price.
According to IFRS 15, free benefits may represent separate performance obligations, a portion of which should be allocated to the transaction price, and thus revenue is to be recognised upon transfer of control. For goods which are offered at a reduced price, allocation of the total transaction price can result in a change in revenue compared to the current accounting treatment according to IAS 18.

Customers may be offered free benefits in conjunction with signing up for an energy tariff - these benefits represent separate performance obligations as part of the revenue transaction and as such should have a portion of the transaction price allocated to their value. The free benefits are insignificant in value in comparison to the total revenue derived from a typical energy supply contract, and the treatment of these under IFRS 15 does not represent a significant change to the company's treatment under IAS 18. The costs associated with these free benefits are treated as an administrative expense.

Contracts with households which include warranties for customers.
Warranties can either be an assurance that the product complies with agreed-upon specifications ('assurance-type warranty') or assurances that go above and beyond this ('service-type warranty'). According to IFRS 15, service-type warranties represent separate performance obligations, to which a portion of the transaction price is to be allocated. Warranties which only provide an assurance of the agreed-upon specifications are accounted for in accordance with the principles of IAS 37 for provisions.

The Company does offer a limited amount of 'assurance-type warranties' to customers who are on specific energy supply tariffs, however, currently there are no instances of the 'service-type warranties'. Therefore this means that under IFRS 15 there is no change required to the accounting for these arrangements.

2 Accounting policies (continued)

Contract costs are costs which are additionally incurred in obtaining a contract.
If the Company expects that it will recover these costs, they should be capitalised and amortised on a systematic basis consistent with the transfer of the goods or services to the customer. If the expected amortisation period is no longer than one year, in the interests of simplification the contract costs may be recognised as an expense when incurred. Implementation of this new IFRS 15 regulation is limited to changes in presentation and disclosure in the notes.

The only contract costs in relation to contracts with customers that have terms longer than one year, are for certain business customers. Contract costs such as these are capitalised, and subsequently amortised over the same period as the contract term runs - therefore there is no change to the pre-existing treatment of costs of this nature under IFRS 15.

Payments to customers for sales purposes are always recognised as a reduction of revenue.
Payment upon signing of the contract results in the recognition of an asset, which is to be amortised over the life of the contract. If the payment for sales purposes is only payable in the future, a provision is formed which is released upon payment.

Payments are not typically made to customers for sales purposes and as such there is no impact in this area expected on transition to IFRS 15.

Contracts with households frequently give the customer the right to terminate the contract early.
If the customer can cancel the contract on a monthly basis, the contract term is considered to be one month only in line with IFRS 15.

Contract terms are assessed in line with the earliest end date of the contract. For energy supply contracts, revenue is only recognised on transfer to the customer, as such there is little impact from the adoption of IFRS 15 in this area.

IFRS 16 Leases (2016) replaces IAS 17 Leases and the related Interpretations IFRIC 4, SIC-15 and SIC-27. According to this new Standard on leases, aside from short-term leases (less than 12 months) and leases of low-value assets, all leases are to be reported on the balance sheet if their existence conveys a 'right-of-use' asset. Consequently, regardless of economic ownership of the leased asset, the lessee must recognise a right-of-use asset and a corresponding lease liability in the amount of the present value of the fixed lease payments.

For lessors, the new Standard does not result in any significant changes to the current accounting treatment pursuant to IAS 17 also in terms of classifying the lease, which is still necessary. The new Standard becomes effective for fiscal years starting on or after 1 January 2019, which is when npower will adopt the new standard. On transition, the modified retrospective method will be applied. There is no effect of IFRS 16 on the Company's financial statements.

2 Accounting policies (continued)

The following Standards, amendments to Standards, and Interpretations are not expected to have any material effects on npower Retail Group's financial statements:

• IFRS 17 Insurance Contracts (2017).
• Amendments to IFRS 9: Prepayment Features with Negative Compensation (2017).
• Amendments to IAS 28: Long-term Interests in Associates and Joint Ventures (2017).
• Amendments to IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (2016).
• Annual Improvements to IFRS Standards 2014– 2016 Cycle (2016), which contains amendments and clarifications to IFRS 1 and IAS 28.
• Amendments to IAS 40 Transfers of Investment Property (2016).
• Amendments to IFRS 2 Classification and Measurement of Share-based Payment Transactions (2016).
• Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and an Associate or Joint Venture (2014). First-time application of these amendments in the EU was delayed indefinitely.
• IFRIC 22 Foreign Currency Transactions and Advance Consideration (2016).
• IFRIC 23 Uncertainty over Income Tax Treatments (2017).
• Annual Improvements to IFRS Standards 2015– 2017 Cycle (2017); this collective Standard contains amendments and clarifications to IFRS 3, IFRS 11, IAS 12 and IAS 23.
• Amendments to IAS 19 Plan Amendment, Curtailment or Settlement (2018).

Turnover

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied, stated net of discounts and value added taxes. The Company recognises revenue when performance obligations have been satisfied and for the company this is when the goods or services have transferred to the customer and the customer has control of these. The Company bases its estimate of return on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Energy supply: turnover is recognised on the basis of energy supplied during the year. Turnover for energy supply activities includes an assessment of energy supplied to customers between the date of the last meter reading and the year end (known as unbilled revenue). Unread gas and electricity is estimated using historical consumption patterns, taking into account the industry reconciliation process for total gas and total electricity usage by supplier, and is included in accrued energy income within trade and other receivables.

Interest

Interest receivable and payable is credited or charged to the Profit and Loss Account on an accruals basis.

Taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in profit or loss, except that a change attributable to an item of income or expense recognised as other comprehensive income is also recognised directly in other comprehensive income.

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 taxable income.

2 Accounting policies (continued)

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements and on unused tax losses or tax credits in the company. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

The carrying amount of deferred tax assets are reviewed at each reporting date and a valuation allowance is set up against deferred tax assets so that the net carrying amount equals the highest amount that is more likely than not to be recovered based on current or future taxable profit.

Intangible assets
Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Company are recognised as intangible assets when the following criteria are met:

- It is technically feasible to complete the software product so that it will be available for use;

- Management intends to complete the software product and use or sell it;

- There is an ability to use or sell the software product;

- It can be demonstrated how the software product will generate probably future economic benefits;

- Adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and

- The expenditure attributable to the software product during its development can be reliably measured.

Directly attributable costs that are capitalised are part of the software product include the software development employee costs and an appropriate portion of relevant overheads.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in the subsequent period.

Amortisation
Amortisation is provided on intangible assets so as to write off the cost, less any estimated residual value, over their expected useful economic life as follows:

Asset class	Amortisation method and rate
Computer software	5 years
Assets under construction	Not amortised

Property, plant and equipment
Property, plant and equipment is stated in the statement of financial position at cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

The cost of property, plant and equipment includes directly attributable incremental costs incurred in their acquisition and installation.

2 Accounting policies (continued)

Depreciation

Depreciation is charged so as to write off the cost of assets, other than land and properties under construction over their estimated useful lives, as follows:

Asset class	Depreciation method and rate
Computer hardware	3 years
Furniture, fittings and equipment	5 years

Impairment of non-financial assets

The Company's management reviews the carrying amounts of its fixed assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent, if any, of the impairment loss.

If the recoverable amount of an asset or income generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or income generating unit is reduced to its recoverable amount. An impairment loss is recognised immediately in the Profit and Loss Account.

The recoverable amount of an asset is based on its estimated value in use. Value in use is the present value of the future cash flows expected to be derived from use of the asset. The cash flow projections are based on future economic and market assumptions and forecast trading conditions drawn up by the Company's management as follows:

- Future market conditions and prices are based on detailed analysis and predictions based on the specific circumstances of the UK retail energy market

- Cash flow projections are based on management's approved long term business plan which incorporate the predictions of future market conditions above

- The cash flows obtained are discounted at a rate estimated to be appropriate for the retail energy business in the UK

Where an impairment loss subsequently reverses the carrying amount of the asset is increased to the revised estimate of its recoverable amount, not exceeding the carrying amount that would have been determined had no impairment loss been recognised. A reversal of an impairment loss is recognised in the Profit and Loss Account.

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and call deposits which are readily convertible to cash and are subject to an insignificant risk of changes in value.

Trade debtors

Trade debtors are amounts due from customers for services performed in the ordinary course of business or amounts due from group undertakings. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade debtors are recognised initially at the transaction price. They are subsequently measured at amortised cost using the effective interest method, less provision for impairment. The Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets. To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due.

2 Accounting policies (continued)

Trade creditors

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers or amounts due to group undertakings. Trade creditors are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade creditors are recognised initially at the transaction price and subsequently measured at amortised cost using the effective interest method.

Borrowings

All borrowings are initially recorded at the amount of proceeds received, net of transaction costs. Borrowings are subsequently carried at amortised cost, with the difference between the proceeds, net of transaction costs, and the amount due on redemption being recognised as a charge to the profit and loss account over the period of the relevant borrowing.

Interest expense is recognised on the basis of the effective interest method and is included in finance costs.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Called up share capital

Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis.

Defined contribution pension obligation

A defined contribution plan is a pension plan under which fixed contributions are paid into a separate entity and has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

For defined contribution plans contributions are paid publicly or privately administered pension insurance plans on a mandatory or contractual basis. The contributions are recognised as employee benefit expense when they are due. If contribution payments exceed the contribution due for service, the excess is recognised as an asset.

Operating leases

Leases in which substantially all the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to profit or loss on a straight-line basis over the period of the lease.

Contingent liabilities

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Company or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. The Company does not recognise a contingent liability but discloses its existence in the financial statements.

3 Critical accounting judgements and key sources of estimation uncertainty

Turnover
In accounting for energy turnover and direct costs, the Company employs a forecasting process which is driven primarily from customer consumption volume data, held and processed on the Powershop IT system. Estimates of consumption volume are constantly refined by algorithms applied to successive meter read data received from customers, improving the accuracy of the forecast data. Monthly movements between forecasts and subsequent actual billings and costs are reviewed with hindsight and corrective adjustments to the subsequent forecast are then made, where material.

Valuation of debtors – estimation uncertainty
Debtors represent the most significant exposure to credit risk and are stated after an allowance for impairment. The Company makes an estimate of the recoverable value of trade and other debtors. When assessing impairment of trade and other receivables, management considers factors including the credit rating of the receivable, the ageing profile of receivables and historical experience. The Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets. See note 14 for the net carrying amount of the receivables and associated impairment provision.

Recognition of deferred tax assets
The recognition of deferred tax assets is based upon whether it is more likely than not that sufficient and suitable taxable profits will be available in the future against which the reversal of temporary differences can be deducted. To determine the future taxable profits, reference is made to the latest available profit forecasts. Where the temporary differences are related to losses, relevant tax law is considered to determine the availability of the losses to offset against the future taxable profits. Recognition therefore involves judgement regarding the future financial performance of the Company.

4 Turnover

The Company operates in one class of business, marketing and supply of electricity and related services, and in one geographical segment, the United Kingdom. The analysis of the Company's turnover for the year from continuing operations is as follows:

	2018 £ 000	2017 £ 000
Sale of goods	20,461	4,875
Other revenue	3	-
	20,464	4,875

The Company has no contract assets or liabilities to disclose in respect of IFRS 15 for the 2018 financial year (2017: £nil).

5 Operating loss

Operating loss is arrived at after charging:

	2018 £ 000	2017 £ 000
Depreciation expense	14	8
Amortisation expense	2,235	639
Operating lease expense - property	180	41

Operating lease payments represent rentals payable by the Company for its office property. The costs disclosed are a recharge of costs from Npower Limited, who recharges all npower Retail Group companies with property and other group costs.

Full disclosure of the operating lease commitments are shown in the financial statements of the npower Retail Group company that holds the lease. The operating lease costs are then recharged across the npower Retail Group as applicable.

6 Interest receivable and similar income

	2018 £ 000	2017 £ 000
Other finance income	28	1

7 Interest payable and similar expenses

	2018 £ 000	2017 £ 000
Interest payable to group undertakings	182	201

8 Staff costs

The aggregate payroll costs (including directors' remuneration), were as follows:

	2018 £ 000	2017 £ 000
Wages and salaries	1,386	1,044
Social security costs	111	105
Other pension costs	12	53
Share-based payment expenses	4	-
	1,513	1,202

The monthly average number of persons employed by the company (including directors) during the year, analysed by category was as follows:

	2018 No.	2017 No.
Sales and administrative staff	64	29

9 Directors' remuneration

The remuneration is unable to be allocated to individual entities as the npower Retail Group is not managed on a legal entity basis. Details of the directors' aggregate remuneration for the year ended 31 December 2018 are set out in the financial statements of Npower Limited together with details of the highest paid director in the npower Retail Group.

During the year the number of directors who were receiving benefits and share incentives was as follows:

	2018 No.	2017 No.
Accruing benefits under defined benefit pension scheme	1	1
Accruing benefits under money purchase pension scheme	2	2

During the year no directors (2017: nil) exercised share options in innogy SE, the intermediate parent company, or RWE AG, the ultimate parent company. None of the directors (2017: nil) received or became entitled to receive aggregate cash payments in innogy SE or RWE AG under long-term incentive schemes in the financial year.

Further details of the nature and extent of share based payment arrangements have been disclosed in full within the financial statements of Npower Limited. The directors do not consider it necessary to provide separate disclosure within PS Energy UK Limited's financial statements as the amount is not material.

10 Auditors' remuneration

The audit fee for the year is £15k (2017: £15k). No fees were paid to the auditors for non audit services (2017: £nil).

11 Tax on loss

Tax credited in the profit and loss account

	2018 £ 000	2017 £ 000
Current taxation		
Group relief	(1,359)	(773)
Deferred taxation		
Origination and reversal of timing differences	(4)	184
Arising from previously unrecognised tax loss, tax credit or temporary difference of prior periods	(1)	-
Tax credit in the profit and loss account	(1,364)	(589)

The tax charge on loss before taxation for the year is higher than the standard rate of corporation tax in the UK (2017: higher than the standard rate of corporation tax in the UK) of 19% (2017: 19.25%).

The differences are reconciled below:

	2018 £ 000	2017 £ 000
Loss before tax	(7,351)	(3,267)
Loss before tax multiplied by the standard rate of corporation tax in the UK of 19% (2017: 19.25%)	(1,397)	(629)
Expenses not deductible for tax purposes	33	40
Total tax credit for the year	(1,364)	(589)

The tax rate for the current year is lower than the prior year due to changes in the UK corporation tax rate which decreased from 20% to 19% from 1 April 2017.

Changes to the UK corporation tax rates were substantively enacted as part of Finance Bill 2016 (on 6 September 2016). These include reductions to the main rate to reduce the rate to 17% from 1 April 2020. Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements.

11 Tax on loss (continued)

Deferred tax

Deferred tax movement during the year:

	At 1 January 2018 £ 000	Recognised in profit and loss £ 000	At 31 December 2018 £ 000
Other items	-	5	5

Deferred tax movement during the prior year:

	At 1 January 2017 £ 000	Recognised in profit and loss £ 000	At 31 December 2017 £ 000
Other items	184	(184)	-

Other items represent short term timing differences.

12 Intangible assets

	Computer software £000	Intangible assets under construction £000	Total £000
Cost			
At 1 January 2018	4,744	2,310	7,054
Additions	4,973	2,612	7,585
Transfers	2,271	(2,271)	-
At 31 December 2018	11,988	2,651	14,639
Accumulated amortisation			
At 1 January 2018	639	-	639
Amortisation charge for the year	2,235	-	2,235
At 31 December 2018	2,874	-	2,874
Carrying amount			
At 31 December 2018	9,114	2,651	11,765
At 31 December 2017	4,105	2,310	6,415

13 Property, plant and equipment

	Furniture, fittings and equipment	Computer hardware	Total
	£000	£000	£000
Cost or valuation			
At 1 January 2018	16	19	35
Additions	133	-	133
Transfers	19	(19)	-
At 31 December 2018	168	-	168
Accumulated depreciation			
At 1 January 2018	4	4	8
Charge for the year	14	-	14
Transfers	4	(4)	-
At 31 December 2018	22	-	22
Carrying amount			
At 31 December 2018	146	-	146
At 31 December 2017	12	15	27

14 Debtors: amounts falling due within one year

	2018 £ 000	2017 £ 000
Trade receivables	4,129	1,641
Amounts owed by group undertakings	2,369	775
Prepayments	576	-
Value added tax	19	37
Other receivables	17	100
	7,110	2,553

Trade receivables are stated after provisions for impairments of £319k (2017 £2k).

Amounts owed by group undertakings are unsecured, interest free and repayable on demand.

Amounts owed by group undertakings includes £2,132k of group relief receivable (2017: £773k).

15 Creditors: amounts falling due within one year

	2018 £ 000	2017 £ 000
Trade payables	1,524	1,094
Amounts owed to group undertakings	9,089	2,546
Social security and other taxes	33	17
Accrued expenses	1,105	1,181
Deferred income	1,620	686
Other payables	954	-
	14,325	5,524

Amounts owed to group undertakings are unsecured, interest free and have no fixed date of repayment.

During 2017 the Group revised its financing arrangements as explained in note 16.

16 Creditors: amounts falling due after more than one year

	2018 £ 000	2017 £ 000
Loans owed to group undertakings	24,375	10,227

In 2017, the Group revised its financing arrangements. Cash surpluses and deficits in each Group company are swept on a daily basis and recognised as loans owed to/by group undertakings. Interest is calculated on a daily basis and interest rates reflect the overall cost of borrowing or deposit rates and are updated where required. All loans within this financing arrangement mature on 30 December 2021.

The loans are unsecured and at 31 December 2018 bear interest at a rate of 1.067% (2017: 1.56%). Loans owed by group undertakings also include accrued interest receivable on the loan agreements.

17 Pension and other schemes

Defined contribution pension scheme

The Company operates a defined contribution pension scheme as employees are eligible to join the NEST defined contribution governmental pension scheme.

The pension cost for the year represents contributions payable by the Company to the scheme and amounted to £12k (2017: £53k).

There were no prepaid or accrued contributions at 31 December 2018 or 31 December 2017.

18 Called up share capital

Allotted, called up and fully paid shares

	2018		2017	
	No.	£	No.	£
Ordinary shares of £1 each	1	1	1	1

19 Controlling parties

The Company is controlled by Npower Limited (the immediate parent), a company incorporated in the United Kingdom and registered in England and Wales.

The name of the parent undertaking of the smallest group in whose consolidated financial statements the Company's financial statements are consolidated is innogy SE, a company incorporated in Germany. These financial statements are available upon request from innogy SE, Opernplatz 1, D-45128 Essen, Germany.

The ultimate parent company and controlling party is RWE AG, a company incorporated in Germany, which is the parent undertaking of the largest group to consolidate these financial statements. Copies of RWE AG consolidated financial statements can be obtained from RWE AG, Huyssenallee 2, 45128 Essen, Germany.