

Registration number: 09850654

# **PS Energy UK Limited**

Annual Report and Financial Statements

for the Year Ended 31 December 2017

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**PS Energy UK Limited**  
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## **PS Energy UK Limited**

### **Strategic Report for the year ended 31 December 2017**

The directors present their Strategic Report on PS Energy UK Limited ("the Company") for the year ended 31 December 2017.

#### **Business review and future developments**

PS Energy UK Limited trades under the brand name of 'Powershop' and was established as a commercial vehicle for Innogy SE group to explore strategic options for new customer products, new value streams for its UK retail businesses and to better leverage existing energy market competencies.

In 2017, Powershop formally launched its domestic electricity proposition to market with a web-based and smart phone application enabled product. The product has been successfully sold via direct online and telesales channels from Q1 2017 and price comparison websites, from Q2 2017. We acquired just over 20k customer accounts in 2017.

The 'shopper' Powershop product offers customers an innovative ability to purchase their energy requirements via 'Power Packs'; actively 'shopping' for power, providing greater control over purchase decisions, generating increased customer engagement, insight and transparency into their energy consumption and associated cost, while allowing customers to secure strong discounts.

During the course of the year, further system development has been ongoing to customise and prepare the Powershop system for the UK gas market. Development work was completed to time and budget in Q4 2017 and initial gas customer trials have subsequently commenced.

The Company now plans to fully launch the gas version of the 'shopper' product, in Q2 2018, hence offering the Powershopper experience to the much wider UK domestic dual fuel market and building upon the high levels of customer satisfaction and retention that have been enjoyed by the single fuel electricity product.

In addition to the Powershopper proposition and aligned to the Company's wider commercial strategy, the business is also actively progressing bespoke branded products and 'white label' affinity deals with third parties.

In Q4 2017, the 'Npower Select' brand was launched in response to specific Competition and Market Authority requirements for customers with complex metering arrangements, utilising the core bespoke Powershop system as the operational hosting platform.

In the white label market, commercial discussions have progressed well with a number of third parties and contracts with two prominent rugby clubs reached financial close in 2017, with anticipated first supply dates for both in Q2 2018.

The Company is part of the Npower Retail Group. The Npower Retail Group consists of 6 main trading entities and 5 other trading entities. The main trading entities are Npower Limited, Npower Northern Limited, Npower Yorkshire Limited, Npower Gas Limited, Npower Commercial Gas Limited and Npower Direct Limited. The parent company of the Npower Group, innogy SE, announced on the 8 November 2017 that it plans to merge the Npower Group with SSE's household energy and energy services business in Great Britain to form a major, independent British retail energy company. The new company is planned to have a premium listing on the London Stock Exchange and innogy SE will hold a minority stake of 34.4%, with SSE's shareholders (not SSE itself) holding the remaining 65.6% stake.

The new business will serve around 11.5 million customer accounts and employ around 15,000 people across Great Britain. Before the new company can operate it is necessary to obtain competition authority approval for the merger. The exact timing of closing will depend upon when all necessary closing conditions are met.

#### **Position of the business**

The Company's loss for the year ended 31 December 2017 was £2.7m (2016: £0.8m). The net liabilities of the Company at 31 December 2017 were £3.4m (2016: £0.8m).

## **PS Energy UK Limited**

### **Strategic Report for the year ended 31 December 2017 (continued)**

#### **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 Retail Group as a whole.

The 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 risks affecting the Company are the retention rates of existing customers and the proportion of its market share. The level of volatility in electricity wholesale prices is the main uncertainty faced by the Company. Detailed discussions of these risks and opportunities, in the context of the innogy SE Group as a whole are provided on pages 98 through 106 of the innogy SE 2017 Annual Report.

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 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 21 June 2018 and signed on its behalf by:



.....  
Mr P Sharman  
Director

## **PS Energy UK Limited**

### **Directors' Report for the year ended 31 December 2017**

The directors present their report on the Company and the audited financial statements for the year ended 31 December 2017.

#### **Principal activities**

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

#### **Dividends**

The directors do not recommend the payment of a dividend (2016: £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 (appointed 1 January 2017)

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 (formerly Npower Group plc). Npower Group Limited has indicated that it intends to provide funds as are necessary for the Company to trade for the foreseeable future.

As mentioned in the long term viability statement on page 4, the proposed merger of npower and SSE's household energy and energy services businesses would create an independent stock market-listed company. The directors are of the opinion that the new company will be structured to enable an investment grade credit rating, able to access external sources of finance and with sufficient liquidity to meet its operating needs.

## **PS Energy UK Limited**

### **Directors' Report for the year ended 31 December 2017 (continued)**

#### **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 €18.2 billion (£15.9 billion) at 2017 year end and employs over 42,000 employees. innogy SE group supplies approximately 16 million customers with electricity and around 7 million with gas in eleven European countries, its key markets being in Germany, the Netherlands and the United Kingdom. In the year 2017, the innogy SE group recorded €43.1 billion (£37.7 billion) in revenue, and had an income after tax of approximately €1.1 billion (£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 November 2017, innogy SE announced the plan to create a major British energy company by bringing together npower with SSE's household energy and energy services business in Great Britain. The proposed merger would create an independent, stock market-listed company controlled by neither SSE nor innogy SE but with innogy SE holding a minority stake. The new company would be a home energy solutions and services company serving 11.5 million customer accounts and employing around 15,000 people across Great Britain. The directors believe that the new company will be structured to enable an investment grade credit rating, able to access external sources of finance, with sufficient liquidity to meet its operating needs as a dedicated retail business, able to respond well to the changing nature of the energy supply and related services market in Great Britain. The merger is contingent on obtaining the necessary approvals from the shareholders of SSE in July 2018 and the Competition and Markets Authority, a decision on this is likely in the last quarter of 2018 or the first quarter of 2019.

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.

#### **Employees**

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

The 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 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 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.

## **PS Energy UK Limited**

### **Directors' Report for the year ended 31 December 2017 (continued)**

#### **Equal opportunities and diversity**

The 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 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 Group. If members of staff become disabled the Group continues employment, either in the same or an alternative position, with appropriate retraining being given if necessary.

The Group is a member of the Employers' Forum on Disability, Opportunity Now and the Employers' Forum on Age and is committed to the aims of these organisations.

#### **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 page 130 of the innogy SE 2017 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.

##### ***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.

## **PS Energy UK Limited**

### **Directors' Report for the year ended 31 December 2017 (continued)**

#### **Financial risk management (continued)**

##### ***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 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.

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.

**PS Energy UK Limited**

**Directors' Report for the year ended 31 December 2017 (continued)**

**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 21 June 2018 and signed on its behalf by:



.....  
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 2017 and of its loss for the year 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 2017; the Profit and Loss Account, 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.

**Conclusions relating to going concern**

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

- 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.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

**PS Energy UK Limited**  
**Independent Auditors' Report to the members of PS Energy UK Limited (continued)**

**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 2017 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 6, 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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditors' report.

## **PS Energy UK Limited**

### **Independent Auditors' Report to the members of PS Energy UK Limited (continued)**

#### ***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.



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

Date: 27 June 2018

**PS Energy UK Limited**  
**Profit and Loss Account for the year ended 31 December 2017**

		<b>Year ended 31 December 2017</b>	<b>30 October 2015 to 31 December 2016</b>
	<b>Note</b>	<b>£ 000</b>	<b>£ 000</b>
Turnover	4	4,875	2
Cost of sales		<u>(4,663)</u>	<u>(4)</u>
Gross profit/(loss)		212	(2)
Administrative expenses		<u>(3,279)</u>	<u>(953)</u>
Operating loss	5	(3,067)	(955)
Interest receivable and similar income	6	1	-
Interest payable and similar expenses	7	<u>(201)</u>	<u>(4)</u>
Loss before taxation		(3,267)	(959)
Tax on loss	11	<u>589</u>	<u>184</u>
Loss for the financial year/period		<u><u>(2,678)</u></u>	<u><u>(775)</u></u>

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 14 to 26 form an integral part of these financial statements.

**PS Energy UK Limited**  
**Balance Sheet as at 31 December 2017**

	Note	31 December 2017 £ 000	31 December 2016 £ 000
<b>Fixed assets</b>			
Intangible assets	12	6,415	2,000
Property, plant and equipment	13	<u>27</u>	<u>-</u>
		<u>6,442</u>	<u>2,000</u>
<b>Current assets</b>			
Debtors: Amounts falling due within one year	14	2,553	251
Debtors: Amounts falling due after more than one year	11	-	184
Cash at bank and in hand		<u>3,303</u>	<u>625</u>
		5,856	1,060
Creditors: Amounts falling due within one year	15	<u>(5,524)</u>	<u>(3,835)</u>
Net current assets/(liabilities)		<u>332</u>	<u>(2,775)</u>
Total assets less current liabilities		6,774	(775)
Creditors: Amounts falling due after more than one year	16	<u>(10,227)</u>	<u>-</u>
Net liabilities		<u>(3,453)</u>	<u>(775)</u>
<b>Capital and reserves</b>			
Called up share capital	18	-	-
Profit and loss account		<u>(3,453)</u>	<u>(775)</u>
Total shareholders' deficit		<u>(3,453)</u>	<u>(775)</u>

The financial statements on pages 11 to 26 were approved by the Board on 21 June 2018 and signed on its behalf by:



Mr P Sharman

Director

PS Energy UK Limited registered company number: 09850654

The notes on pages 14 to 26 form an integral part of these financial statements.

**PS Energy UK Limited****Statement of Changes in Equity for the year ended 31 December 2017**

	<b>Called up share capital £ 000</b>	<b>Profit and loss account £ 000</b>	<b>Total shareholders' deficit £ 000</b>
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)
New share capital subscribed	-	-	-
At 31 December 2017	-	(3,453)	(3,453)

	<b>Share capital £ 000</b>	<b>Retained earnings £ 000</b>	<b>Total £ 000</b>
Loss for the financial period	-	(775)	(775)
Total comprehensive expense for the period	-	(775)	(775)
At 31 December 2016	-	(775)	(775)

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 14 to 26 form an integral part of these financial statements.

## **PS Energy UK Limited**

### **Notes to the Financial Statements for the year ended 31 December 2017**

#### **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 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)
- 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

## **PS Energy UK Limited**

### **Notes to the Financial Statements for the year ended 31 December 2017 (continued)**

#### **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.

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 funds as are necessary for the Company to trade for the foreseeable future.

Whilst the Company has net liabilities, as mentioned in the Directors Report it is proposed that npower and SSE's household energy and energy services businesses will merge to create an independent stock market-listed company. The directors are of the opinion that the new company will be structured to enable an investment grade credit rating, with access to external sources of financing and sufficient liquidity to meet its operating needs.

##### **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 2017 have had a material impact on the company.

##### **Turnover**

Turnover is recognised to the extent that it is probable that the economic benefits will flow to the Company and the turnover can be measured reliably. Turnover includes amounts receivable for goods and services provided in the normal course of business, net of discounts, rebates, VAT and other sales-related taxes.

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.

## **PS Energy UK Limited**

### **Notes to the Financial Statements for the year ended 31 December 2017 (continued)**

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

##### **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.

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:

<b>Asset class</b>	<b>Amortisation method and rate</b>
Computer software	4 to 6 years
Assets under construction	Not amortised

## **PS Energy UK Limited**

### **Notes to the Financial Statements for the year ended 31 December 2017 (continued)**

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

##### **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.

##### **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:

<b>Asset class</b>	<b>Depreciation method and rate</b>
Furniture, fittings and equipment	5 years
Computer hardware	3 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 prepared by innogy economists 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 on hand and call deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

## **PS Energy UK Limited**

### **Notes to the Financial Statements for the year ended 31 December 2017 (continued)**

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

##### **Trade debtors**

Trade debtors are amounts due from customers for merchandise sold or 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. A provision for the impairment of debtors is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the debt.

##### **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.

## **PS Energy UK Limited**

### **Notes to the Financial Statements for the year ended 31 December 2017 (continued)**

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

##### **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's exposure to credit risk, and therefore the basis of determining the provisions for bad and doubtful debts, is based on segmenting the receivables by overdue ageing, payment method and customer supply status. While the provisions are considered to be appropriate, changes in estimation basis or in economic conditions could lead to a change in the level of provisions recorded and consequently on the charge or credit to the profit and loss account.

##### **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:

	<b>Year ended 31 December 2017</b>	<b>30 October 2015 to 31 December 2016</b>
	<b>£ 000</b>	<b>£ 000</b>
Sale of goods	<u>4,875</u>	<u>2</u>

**PS Energy UK Limited****Notes to the Financial Statements for the year ended 31 December 2017 (continued)****5 Operating loss**

Operating loss is arrived at after charging:

	<b>Year ended 31 December 2017</b>	<b>30 October 2015 to 31 December 2016</b>
	<b>£ 000</b>	<b>£ 000</b>
Depreciation expense	8	-
Amortisation expense	639	-
Operating lease expense - property	<u>41</u>	<u>24</u>

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 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 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**

	<b>Year ended 31 December 2017</b>	<b>30 October 2015 to 31 December 2016</b>
	<b>£ 000</b>	<b>£ 000</b>
Other finance income	<u>1</u>	<u>-</u>

**7 Interest payable and similar expenses**

	<b>Year ended 31 December 2017</b>	<b>30 October 2015 to 31 December 2016</b>
	<b>£ 000</b>	<b>£ 000</b>
Interest payable to group undertakings	<u>201</u>	<u>4</u>

**PS Energy UK Limited****Notes to the Financial Statements for the year ended 31 December 2017 (continued)****8 Staff costs**

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

	<b>Year ended 31 December 2017</b>	<b>30 October 2015 to 31 December 2016</b>
	<b>£ 000</b>	<b>£ 000</b>
Wages and salaries	1,044	315
Social security costs	105	38
Other pension costs	53	19
	<u>1,202</u>	<u>372</u>

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

	<b>Year ended 31 December 2017</b>	<b>30 October 2015 to 31 December 2016</b>
	<b>No.</b>	<b>No.</b>
Sales and administrative staff	<u>29</u>	<u>5</u>

**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 2017 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:

	<b>Year ended 31 December 2017</b>	<b>30 October 2015 to 31 December 2016</b>
	<b>No.</b>	<b>No.</b>
Accruing benefits under defined benefit pension scheme	1	1
Accruing benefits under money purchase pension scheme	<u>2</u>	<u>2</u>

During the year no directors (2016: nil) exercised share options in RWE AG the ultimate parent company. None of the directors (2016: nil) received or became entitled to receive aggregate cash payments in 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.

**PS Energy UK Limited****Notes to the Financial Statements for the year ended 31 December 2017 (continued)****10 Auditors' remuneration**

The audit fee for the year is £15k. The audit fee for the prior year was borne by Npower Limited, another group company, and not recharged.

No fees were paid to the auditors for non audit services (2016: £nil).

**11 Tax on loss**

Tax credited in the profit and loss account

	<b>Year ended 31 December 2017 £ 000</b>	<b>30 October 2015 to 31 December 2016 £ 000</b>
<b>Current taxation</b>		
Group relief	(773)	-
<b>Deferred taxation</b>		
Origination and reversal of timing differences	<u>184</u>	<u>(184)</u>
Tax credit in the profit and loss account	<u>(589)</u>	<u>(184)</u>

The tax assessed on loss before taxation for the period is higher than (2016: higher than) the standard rate of corporation tax in the UK of 19.25% (2016: 20%).

The differences are reconciled below:

	<b>Year ended 31 December 2017 £ 000</b>	<b>30 October 2015 to 31 December 2016 £ 000</b>
Loss before tax	<u>(3,267)</u>	<u>(959)</u>
Loss before tax multiplied by the standard rate of corporation tax in the UK of 19.25% (2016: 20%)	(629)	(192)
Expenses not deductible for tax purposes	40	-
Impact of change in UK tax rate	<u>-</u>	<u>8</u>
Total tax credit for the year/period	<u>(589)</u>	<u>(184)</u>

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.

**PS Energy UK Limited****Notes to the Financial Statements for the year ended 31 December 2017 (continued)****11 Tax on loss (continued)****Deferred tax**

Deferred tax movement during the year:

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

Deferred tax movement during the prior period:

	At 30 October 2015 £ 000	Recognised in profit and loss £ 000	At 31 December 2016 £ 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
<b>Cost</b>			
At 1 January 2017	-	2,000	2,000
Additions	2,744	2,310	5,054
Transfers	2,000	(2,000)	-
At 31 December 2017	4,744	2,310	7,054
<b>Accumulated amortisation</b>			
At 1 January 2017	-	-	-
Amortisation charge	639	-	639
At 31 December 2017	639	-	639
<b>Carrying amount</b>			
At 31 December 2017	4,105	2,310	6,415
At 31 December 2016	-	2,000	2,000

**PS Energy UK Limited**

**Notes to the Financial Statements for the year ended 31 December 2017 (continued)**

**13 Property, plant and equipment**

	<b>Furniture, fittings and equipment £ 000</b>	<b>Computer hardware £ 000</b>	<b>Total £ 000</b>
<b>Cost or valuation</b>			
At 1 January 2017	-	-	-
Additions	16	19	35
At 31 December 2017	16	19	35
<b>Accumulated depreciation</b>			
At 1 January 2017	-	-	-
Charge for the period	4	4	8
At 31 December 2017	4	4	8
<b>Carrying amount</b>			
At 31 December 2017	12	15	27
At 31 December 2016	-	-	-

**14 Debtors: amounts falling due within one year**

	<b>31 December 2017 £ 000</b>	<b>31 December 2016 £ 000</b>
Trade receivables	1,641	-
Amounts owed by group undertakings	775	144
Value added tax	37	106
Other receivables	100	1
	<b>2,553</b>	<b>251</b>

Trade receivables are stated after provisions for impairments of £2k (2016: £nil).

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

Amounts owed by group undertakings includes £773k of group relief receivable (2016: £nil).

**PS Energy UK Limited****Notes to the Financial Statements for the year ended 31 December 2017 (continued)****15 Creditors: amounts falling due within one year**

	<b>31 December 2017 £ 000</b>	<b>31 December 2016 £ 000</b>
Loans owed to group undertakings	-	3,004
Trade payables	1,094	208
Amounts owed to group undertakings	2,546	185
Social security and other taxes	17	5
Accrued expenses	1,181	433
Deferred income	686	-
	<u>5,524</u>	<u>3,835</u>

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

Loans owed to group undertakings outstanding at 31 December 2016 were settled during the year. The loans were unsecured and bore interest at 3.24%.

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

**16 Creditors: amounts falling due after more than one year**

	<b>31 December 2017 £ 000</b>	<b>31 December 2016 £ 000</b>
Loans owed to group undertakings	<u>10,227</u>	<u>-</u>

During the year the Group revised its financing arrangements. Cash surpluses and deficits in each Group company are now 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 2017 bear interest at a rate of 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 £53k (2016: £19k).

There were no prepaid or accrued contributions at 31 December 2017 or 31 December 2016.

## PS Energy UK Limited

### Notes to the Financial Statements for the year ended 31 December 2017 (continued)

#### 18 Called up share capital

##### Allotted, called up and fully paid shares

	31 December 2017		31 December 2016	
	No.	£	No.	£
Ordinary shares of £1 each	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>

#### 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.