Registration number: 09850654

PS Energy UK Limited

Annual Report and Financial Statements

for the Year Ended 31 December 2020

PS Energy UK Limited
Contents

PS Energy UK Limited
Strategic Report for the year ended 31 December 2020

The directors present their Strategic Report on PS Energy UK Limited ("the Company") for the year ended 31 December 2020.

Business review and future developments
For the first three quarters of 2020, PS Energy UK Limited has continued to trade in the UK domestic energy market, under the trading name of "Powershop", offering electricity and gas to consumers under five distinct brands, including its white label offering for Sainsburys Energy.

In spite of a year of extremely difficult operating conditions created by the Covid-19 pandemic and continuing competitive conditions in the UK energy market, the Company achieved a further 57% growth to its customer portfolio, relative to 2019 closing positions and grew annual turnover by 78%.

The Powershop IT system offers high levels of remote flexibility for system users and Company operations have been conducted with the majority of staff based at home since the initial Covid-19 UK national 'lock-down' period in March 2020.

This major shift in both work environment and culture has had no discernible adverse impacts on the Company's historic high levels of customer satisfaction and low levels of customer churn. Pre-pandemic planned levels of improvement in operational efficiency have also been achieved. However, as anticipated at the announcement of lockdown, bad debt performance for the year has been adversely impacted, due to customers sustaining reductions to their household income and higher home energy consumption.

The future direction of the Company was the subject of a strategic review conducted in Q3 2020. The outcome of the review, announced in October 2020, was the decision to cease Company operations and integrate the existing customer base and some staff into E.ON UK during the first half of 2021. Accordingly, the activities of the business in Quarter 4 2020 were focused upon the necessary preparatory steps for informing and migrating customers and concluding existing supply and service contracts.

As a result of the new strategic direction, 2020 financial results of the business include costs relating to the impairment of intangible and tangible fixed assets totalling £19m, now adjudged to have no future economic benefit and contractual termination costs of £9m.

Customer acquisition activity has now been significantly curtailed and the management team is actively engaged in ensuring smooth transfer of commercial arrangements to E.ON UK and in seeking optimal outcomes for impacted employees. Business activities and staffing levels will now be gradually reduced, with a full cessation anticipated in Q3 2021.

The migration of customers to E.ON UK will see the Company ceasing to trade and will lead to the eventual winding up of the Company which is anticipated to occur in late 2021 or 2022.

<u>Brexit</u>
The UK left the European Union (EU) on 31st January 2020 with a transitional period up until 31st December 2020. This process has often been referred to as "Brexit". On 30th December 2020, the UK Government passed legislation for a new EU-UK Trade and Cooperation Agreement (the "Agreement"). Work was conducted throughout 2020 in readiness for the cessation of the transitional period on a no-deal basis. The Agreement has ensured that trade and commerce will still pass between the EU and the UK which reduces the impact of Brexit on the Company. Given the planning undertaken and the Agreement, there are not expected to be any material implications on the balance sheet as at 31 December 2020 as a result of Brexit.

Position of the business
The Company's loss for the financial year ended 31 December 2020 was £47.7m (2019: loss of £10.5m). The net liabilities of the Company at 31 December 2020 were £67.7m (2019: £20m).

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, of which this Company belongs, as part of the enterprise risk management process of E.ON UK. 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. Risks specific to npower Retail Group are reviewed by the Chief Financial Officer of npower, prior to formal review by the E.ON UK Risk Committee; this takes place on a quarterly basis and actions are 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, the strength of the economy and weather impacts 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. The Covid-19 pandemic increases the risks to the Company as set out above, and additionally increases the risks related to customers' ability to pay. Detailed discussions of these risks and opportunities, in the context of the E.ON SE Group as a whole are provided on pages 57 through 64 of the E.ON SE 2020 Annual Report, which is available in the investor relations section of the eon.com website.

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

Key performance indicators (KPIs)
Due to the decision to cease trading and transferring of customers to E.ON UK, with the curtailing of activity around customer acquisitions, the directors of the Company have switched the focus of the Company to winding down activities and migrating customers. KPIs presented would therefore not be reflective of full year trading, as a result KPIs are not presented for the Company.

Approved by the Board on 2 July 2021 and signed on its behalf by:

....
Mr S Stacey
Director

The directors present their report on the Company and the audited financial statements for the year ended 31 December 2020.

Principal activities and going concern

The principal activities of the Company are the marketing and supply of electricity, gas and related services to domestic consumers. In October 2020, it was announced that customer accounts of the Company would be fully migrated to E.ON Next Energy Limited (E.ON UK) systems in 2021. The Company's operational activities ceased during 2021 as its customers were fully migrated to E.ON UK, remaining liabilities will be settled throughout 2021 with a view to winding up the Company in due course. Accordingly, the going concern basis of accounting is not appropriate and the financial statements have been prepared on a basis other than going concern.

Dividends

The directors do not recommend the payment of a dividend (2019: £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 S Stacey

Mr A Wiggans (resigned 26 February 2020)

Mr D Winter (appointed 26 February 2020)

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. These accounts are therefore prepared on a basis other than going concern.

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.

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 E.ON SE Group. Detailed discussions of these, in the context of the E.ON SE Group as a whole, are provided on page 57 to 64 of the E.ON SE 2020 Annual Report.

Credit risk
The npower Retail Group of companies has a policy of requiring appropriate credit checks on customers prior to establishing credit terms and payment method. Credit insurance, security deposits and advance payments are arranged depending upon a combination of the credit rating and the projected annual spend. For all new customers with an annual spend in excess of predetermined limits, the Counterparty Risk Management function of E.ON SE is required to sign off the account prior to acceptance.

Cash at bank and in hand comprises cash in hand and deposits which are readily convertible to cash and are subject to insignificant risk of change in value or credit risk.

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 Risk Management Policy of E.ON 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), and the reporting of unhedged positions. The hedge policies determine the timing of the purchase of physical forward contracts for power and gas to cover customers' supply requirements. Financial contracts may also be 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 E.ON SE, the Company complies with 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.

Streamlined Energy and Carbon Reporting (SECR) for the year ended 31st December 2020

Large unquoted companies are obliged to report their UK energy use and associated greenhouse gas emissions, relating to gas, electricity and transport fuel, as well as an intensity ratio and information relating to energy efficiency action, through their annual reports. The npower Retail Group has complied with the requirements on an individual company level where the emissions and energy use are contractually bound to the company reporting and also disclosed the energy use across the npower Retail Group as a whole. The reporting is shown in the tables below:

Company

Global GHG emissions and energy use for period 1 January 2019 to 31 December 2020	**Current reporting year 2020** **UK and offshore**	**Comparison reporting year 2019** **UK and offshore**
Energy consumption used to calculate emissions (kWh)	28,899	59,112
Emissions from combustion of gas (Scope 1) tCO2e	-	-
Emissions from combustion of stationary sources (Scope 1) tCO2e	-	-
Emissions from combustion of fuel for transport purposes (Scope 1) tCO2e	-	-
Emissions from business travel in rental cars or employee-owned vehicles where the company is responsible for purchasing the fuel (Scope 3) tCO2e	-	1
Emissions from purchased electricity (Scope 2, location-based) tCO2e	7	15
Total gross (Scope 1, 2 & 3) tCO2e	7	16
Intensity ratio (gross Scope 1, 2 & 3) tCO2e/m²	0.003	0.007
Methodology	Data collected as part of a certified ISO 50001 Energy Management System in accordance with2020 Government greenhouse gas conversion factors for company reporting. An instance of estimation is applicable for Scope 2 emissions relating to a landlord managed office. The estimation technique utilises an estimated monthly kWh based on 6 months data extrapolated for a 7 month period to provide a 12 month period. Data collated using the Energy Managers Association SECR reporting tool.	
External verification and assurance	Certification to ISAE 3000 (limited assurance) by Ricardo Energy & Environment	
Energy Efficiency Action Taken:		
In the period covered by the report the Company has maintained a mature energy management system certified to ISO 50001 and ensured electricity purchased for the npower Estate during the period is 100% REGO-certified renewable energy. The company continues to see a significant and ongoing reduction of its Carbon Footprint in line with the wind up of its estate and operations.		

Streamlined Energy and Carbon Reporting (SECR) for the year ended 31st December 2020 (continued)

npower Retail Group

Global GHG emissions and energy use for period 1 January 2019 to 31 December 2020	**Current reporting year 2020** **UK and offshore**	**Comparison reporting year 2019** **UK and offshore**
Energy consumption used to calculate emissions (kWh)	19,669,188	32,635,346
Emissions from combustion of gas (Scope 1) tCO_2e	608	636
Emissions from combustion of stationary sources (Scope 1) tCO_2e	32	24
Emissions from combustion of fuel for transport purposes (Scope 1) tCO_2e	2,103	3,616
Emissions from business travel in rental cars or employee-owned vehicles where the company is responsible for purchasing the fuel (Scope 3) tCO_2e	274	1,308
Emissions from purchased electricity (Scope 2, location-based) tCO_2e	1,477	2,274
Total gross (Scope 1, 2 & 3) tCO_2e	4,494	7,857
Intensity ratio (gross Scope 1, 2 & 3) tCO_2e/m^2	0.88	1.3

PS Energy UK Limited
Directors' Report for the year ended 31 December 2020 (continued)

Statement of directors' responsibilities in respect of the financial statements
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.

Directors' confirmations
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 2 July 2021 and signed on its behalf by:

....
Mr S Stacey
Director

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 2020 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 2020; 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.

Emphasis of matter - financial statements prepared on a basis other than going concern

In forming our opinion on the financial statements, which is not modified, we draw attention to note 2 to the financial statements which describes the directors' reasons why the financial statements have been prepared on a basis other than going concern.

Report on the audit of the financial statements (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 our work undertaken in the course of the audit, the Companies Act 2006 requires 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 2020 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.

Report on the audit of the financial statements (continued)

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 in respect of the financial statements, 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to compliance with industry regulations, employment legislation and tax legislation, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to the posting of unusual journals to revenue or the manipulation of accounting estimates which could be subject to management bias. Audit procedures performed by the engagement team included:

- Understanding and evaluating the key elements of internal controls around accounting estimates;
- Reviewing accounting estimates for any indicators of management bias by validating supporting evidence and challenging and testing the assumptions that are made;
- Obtaining an understanding of the control environment in monitoring compliance with laws and regulations;
- Review of legal expense accounts, board minutes and internal documentation alongside discussions with the heads of the legal and regulation within the business; and
- Substantive testing of manual journal entries, in particular any journals posted with unusual account combinations which result in an impact to revenue.

Report on the audit of the financial statements (continued)

Responsibilities for the financial statements and the audit (continued)

Responsibilities of the directors for the financial statements (continued)
There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

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.

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

2 July 2021

PS Energy UK Limited
Profit and Loss Account for the year ended 31 December 2020

	Note	2020 £ 000	2019 £ 000
Turnover	4	86,724	49,015
Cost of sales		(79,611)	(47,244)
Gross profit		7,113	1,771
Administrative expenses		(55,332)	(13,660)
Operating loss	5	(48,219)	(11,889)
Interest receivable and similar income	6	-	54
Interest payable and similar expenses	7	(192)	(280)
Loss before taxation		(48,411)	(12,115)
Tax on loss	11	713	1,581
Loss for the financial year		(47,698)	(10,534)

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 2020

	Note	2020 £ 000	2019 £ 000
Fixed assets			
Intangible assets	12	-	16,429
Property, plant and equipment	13	-	127
		-	16,556
Current assets			
Stocks		-	5
Debtors: Amounts falling due after more than one year	11	2,294	-
Debtors: Amounts falling due within one year	14	15,064	12,005
Cash at bank and in hand		129	741
		17,487	12,751
Creditors: Amounts falling due within one year	15	(82,832)	(25,832)
Net current liabilities		(65,345)	(13,081)
Total assets less current liabilities		(65,345)	3,475
Creditors: Amounts falling due after more than one year	16	-	(23,449)
Provisions for liabilities	18	(2,327)	-
Net liabilities		(67,672)	(19,974)
Capital and reserves			
Called up share capital	19	-	-
Profit and loss account		(67,672)	(19,974)
Total shareholders' deficit		(67,672)	(19,974)

The financial statements on pages 12 to 30 were approved by the Board on 2 July 2021 and signed on its behalf by:

....
Mr S Stacey
Director

PS Energy UK Limited registered company number: 09850654

PS Energy UK Limited
Statement of Changes in Equity for the year ended 31 December 2020

	Called up share capital £ 000	Profit and loss account £ 000	Total shareholders' deficit £ 000
At 1 January 2020	-	(19,974)	(19,974)
Loss for the financial year	-	(47,698)	(47,698)
Total comprehensive expense for the year	-	(47,698)	(47,698)
At 31 December 2020	-	(67,672)	(67,672)

	Called up share capital £ 000	Profit and loss account £ 000	Total shareholders' deficit £ 000
At 1 January 2019	-	(9,440)	(9,440)
Loss for the financial year	-	(10,534)	(10,534)
Total comprehensive expense for the year	-	(10,534)	(10,534)
At 31 December 2019	-	(19,974)	(19,974)

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. In October 2020, it was announced that customer accounts of the Company would be fully migrated to E.ON Next Energy Limited (E.ON UK) systems in 2021. The Company's operational activities ceased during 2021 as its customers were fully migrated to E.ON UK, remaining liabilities will be settled throughout 2021 with a view to winding up the Company in due course. Accordingly, the going concern basis of accounting is not appropriate and the financial statements have been prepared on a basis other than going concern.

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.

The Company's trading activities ceased during 2021 and the Company is in the process of being wound up. Accordingly, the going concern basis of accounting is not appropriate and so the financial statements have been prepared on a basis other than going concern. Adjustments were necessary in these financial statements to reduce assets to their net realisable values, to provide for liabilities arising from the decision and to reclassify fixed assets as current assets. The profit and loss impact of these adjustments is set out in note 5.

The principal accounting policies, which have been applied consistently throughout the year, are set out below and, where necessary, have been updated to include any policies which are now considered significant given the presentation of the financial statements as at 31 December 2020 on a basis other than going concern.

2 Accounting policies (continued)

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

- IAS 7 (Statement of Cash Flows)

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

- Paragraphs 17 and 18A of IAS 24 (Related Party Disclosures)

- The requirements in IAS 24 (Related Party Disclosures) to disclose related party transactions entered into between two or more members of a group.

- 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 E.ON SE. The group financial statements of E.ON SE are available to the public and can be obtained as set out in note 20.

Going concern
The Company's operational activities ceased during 2021 and the Company is in the process of being wound up. Accordingly, the going concern basis of accounting is no longer appropriate and so the financial statements have been prepared on a basis other than going concern.

2 Accounting policies (continued)

New standards, amendments and IFRS IC interpretations
There are no new accounting standards, or amendments to accounting standards, or IFRIC interpretations that are effective for the year ended 31 December 2020 have had a material impact on the company.

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, returns 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's activities are described in detail below. 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.

The company supplies electricity, gas and related services to commercial and industrial customers.Turnover is recognised on the basis of energy supplied during the year, recognised over time per performance obligation fulfilled.

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. This methodology has been applied consistently for a number of years across a large, homogeneous customer base and therefore it is highly probable that a significant reversal in the cumulative revenue recognised will not occur.

Contract terms are assigned with the earliest date of the contract exit, however, for energy contracts, revenue is only recognised on transfer to the customer.

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.

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.

2 Accounting policies (continued)

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.

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
Assets under construction	Not depreciated
Furniture, fittings and equipment	5 years

2 Accounting policies (continued)

Impairment of non-financial assets
The Company's management reviews the carrying amounts of its fixed assets, which includes goodwill, intangible assets and tangible 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.

3 Critical accounting judgements and key sources of estimation uncertainty

Turnover – estimation uncertainty

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.

While the estimates are considered to be appropriate, changes in estimation basis could lead to a change in the level of turnover recorded and consequently on the charge or credit to Profit and Loss Account.

3 Critical accounting judgements and key sources of estimation uncertainty (continued)

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. 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 - judgement

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:

	2020 £ 000	2019 £ 000
Sale of goods	86,600	48,997
Other revenue	124	18
	86,724	49,015

The Company has no contract assets or liabilities to disclose in respect of IFRS 15 for the 2020 financial year (2019: £nil).

5 Operating loss

Operating loss is arrived at after charging:

	2020 £ 000	2019 £ 000
Depreciation expense	89	47
Amortisation expense	1,998	1,467
Low value lease expense - property	38	81
Impairment	19,368	-
Contractual termination costs	9,380	-

5 Operating loss (continued)

Under IFRS 16 lease expenses relating so short term, low value or variable lease payments are not treated as finance leases and instead, they are expensed to the income statement. In 2018 the leases were accounted for under IAS 17 as operating leases and expensed to the income statement.

Full disclosure of the lease commitments are shown in the financial statements of the npower Retail Group company that legally holds the lease. Where use of such leases are shared across the group the lease costs are then recharged across the npower Retail Group as applicable.

Impairment
In Q3 2020, the Company was subject to a strategic review which resulted in the decision to cease Company operations and integrate the existing customer based and some staff into E.ON UK. Due to the business is ceasing in 2021, the billing system was deemed to have no economic benefit. This resulted in an impairment charge of £18.9m. A further £0.5m recognised for tangible assets relating to the business activities of the Company.

Contractual termination costs
The decision to cease trading resulted in the Company incurring £8.8m of costs in relation to contractual early termination fees payable to the billing system provider. A further £0.5m was recognised in relation to the termination of a property lease.

6 Interest receivable and similar income

	2020 £ 000	2019 £ 000
Other finance income	-	54

7 Interest payable and similar expenses

	2020 £ 000	2019 £ 000
Interest payable to group undertakings	192	280

8 Staff costs

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

	2020 £ 000	2019 £ 000
Wages and salaries	2,765	1,879
Social security costs	231	173
Other pension costs	43	28
Share-based payment expenses	10	5
	3,049	2,085

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

8 Staff costs (continued)

	2020 No.	2019 No.
Sales and administrative staff	117	87

9 Directors' remuneration

During the year aggregate emoluments of £107k were paid to the directors (2019: nil) for their services to PS Energy UK.

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

	2020 No.	2019 No.
Accruing benefits under defined benefit pension scheme	2	1
Accruing benefits under money purchase pension scheme	1	2

The accrued pension entitlement of the directors under the defined benefit pension scheme at 31 December 2020 was £13,997 (2019: £nil)

During the year no directors (2019: £nil) exercised share options in innogy SE, the intermediate parent company, or E.ON SE, the ultimate parent company. None of the directors (2019: £nil) received or became entitled to receive aggregate cash payments in innogy SE or E.ON SE 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 Group Limited.

In respect of the highest paid director:

	2020 £	2019 £
Remuneration	106,711	-
Benefits under long-term incentive schemes (excluding shares)	-	-
Defined benefit accrued pension entitlement at the end of the year	13,997	-
Defined benefit accrued lump sum at the end of the year	-	-

The highest paid director for 2020 was appointed during the year and had no qualifying remuneration in 2019.

10 Auditors' remuneration

The audit fee for the year is £30k (2019: £28k). No fees were paid to the auditors for non audit services (2019: £nil).

11 Tax on loss

Tax credited in the profit and loss account

	2020 £ 000	2019 £ 000
Current taxation		
Group relief	-	(1,586)
Adjustments in respect of prior periods	(713)	-
Deferred taxation		
Origination and reversal of timing differences	-	5
Tax credit in the profit and loss account	(713)	(1,581)

The tax charge on loss before taxation for the year is higher than the standard rate of corporation tax in the UK (2019: higher than the standard rate of corporation tax in the UK) of 19% (2019: 19%).

The differences are reconciled below:

	2020 £ 000	2019 £ 000
Loss before tax	(48,411)	(12,115)
Loss before tax multiplied by the standard rate of corporation tax in the UK of 19% (2019: 19%)	(9,198)	(2,302)
Adjustment for prior periods	(713)	-
Expenses not deductible for tax purposes	37	55
Increase in current tax from unrecognised tax loss or credit	9,161	591
Increase in current tax from unrecognised temporary difference from a prior period	-	5
Impact of change in UK tax rate	-	70
Total tax credit for the year	(713)	(1,581)

In the Spring Budget 2021, the Government announced that from 1 April 2023 the corporation tax rate will increase to 25%. As the proposal to increase the rate to 25% had not been substantively enacted at the balance sheet date, its effects are not included in these financial statements.

At the reporting date, PS Energy UK Limited has unused tax losses of £47,632,981 (2019: £3,439,486) available for offset against future profits, which may be carried forward indefinitely. PS Energy UK Limited also had gross unrecognised temporary differences of £656,847 (2019:£70,014). No deferred tax asset has been recognised in respect of the full amount as it is not considered probable that there will be future taxable profits available.

11 Tax on loss (continued)

Deferred tax

Deferred tax movement during the year:

	At 1 January 2020 £ 000	At 31 December 2020 £ 000
Other items	-	-

Deferred tax movement during the prior year:

	At 1 January 2019 £ 000	Recognised in profit and loss £ 000	At 31 December 2019 £ 000
Other items	5	(5)	-

Other items represent short term timing differences.

12 Intangible assets

	Computer software	Intangible assets under construction	Total
	£000	£000	£000
Cost			
At 1 January 2020	16,599	4,171	20,770
Additions	3,351	1,088	4,439
Transfers	4,061	(4,061)	-
At 31 December 2020	24,011	1,198	25,209
Accumulated amortisation			
At 1 January 2020	4,341	-	4,341
Amortisation charge for the year	1,998	-	1,998
Impairment	17,672	1,198	18,870
At 31 December 2020	24,011	1,198	25,209
Carrying amount			
At 31 December 2020	-	-	-
At 31 December 2019	12,258	4,171	16,429

The Company performs an annual assessment of separately identifiable non-current assets as to whether there is any indication of impairment. During 2020, E.ON made the decision to cease PS Energy's trading activity. This resulted in an impairment charge of £18.9m (2019: £nil). Full disclosure has been made in note 5.

13 Property, plant and equipment

	Furniture, fittings and equipment	Assets under construction	Total
	£000	£000	£000
Cost or valuation			
At 1 January 2020	168	28	196
Additions	460	-	460
Transfers	28	(28)	-
At 31 December 2020	656	-	656
Accumulated depreciation			
At 1 January 2020	69	-	69
Charge for the year	89	-	89
Impairment	498	-	498
At 31 December 2020	656	-	656
Carrying amount			
At 31 December 2020	-	-	-
At 31 December 2019	99	28	127

The decision to terminate the Powershop brand indicated the carrying amount of specific items of property, plant and equipment within the Company were in excess of their recoverable amount. An impairment charge of £0.5m (2019: £nil) was recognised in the year. Further disclosure has been made in note 5.

14 Debtors: amounts falling due within one year

	2020 £ 000	2019 £ 000
Trade receivables	14,102	8,465
Amounts owed by group undertakings	420	3,093
Prepayments	388	262
Value added tax	-	171
Other receivables	154	14
	15,064	12,005

Trade receivables are stated after provisions for impairments of £577k (2019: £798k).

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

Amounts owed by group undertakings includes £nil of group relief receivable (2019: £2,946k).

15 Creditors: amounts falling due within one year

	2020 £ 000	2019 £ 000
Loans owed to group undertakings	31,191	-
Trade payables	1,665	2,320
Amounts owed to group undertakings	10,284	6,505
Social security and other taxes	56	40
Accrued expenses	29,970	11,347
Deferred income	1,446	1,997
Other payables	8,220	3,623
	82,832	25,832

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

Loans owed to group undertakings are unsecured and at 31 December 2020 bore interest at a rate of 0.544% (2019: 1.125%). Loans owed by group undertakings also include accrued interest payable on the loan agreement. Loans can be repaid early subject to the consent of both parties.

Cash surpluses and deficits in each Group company are swept on a daily basis and recognised as loans owed to/by group undertakings. All loans within this financing arrangement mature on 30 December 2021.

16 Creditors: amounts falling due after more than one year

	2020 £ 000	2019 £ 000
Loans owed to group undertakings	-	23,449

Loans owed to group undertakings outstanding at the end of the financial period are due to mature on 30 December 2021 and are shown in note 15.

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 £43k (2019: £28k).

There were no prepaid or accrued contributions at 31 December 2020 or 31 December 2019.

18 Provision for liabilities

	Restructuring £000	Total £000
At 1 January 2020	-	-
Additions	2,327	2,327
At 31 December 2020	2,327	2,327

The restructuring provision represents the provision for redundancy and related costs in respect of business re-organisation which was announced publicly in October 2020. It also includes an element of costs relating to an onerous contract.

Provisions have not been discounted by the directors as the impact is not material.

19 Called up share capital

Allotted, called up and fully paid shares

	2020		2019	
	No.	£	No.	£
Ordinary shares of £1 each	1	1	1	1

20 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 ultimate parent company and controlling party is E.ON SE, a company incorporated in Germany, which is the parent undertaking of the largest group to consolidate these financial statements. Copies of E.ON SE consolidated financial statements can be obtained from E.ON SE, Brüsseler Platz 1, 45131 Essen, Germany.