Company Registered No. 6311795

Storengy UK Limited

Annual Report and Financial Statements

Year to 31 December 2017

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Company information

Ultimate Parent Company
ENGIE S.A.
Faubourg de l'arche
92930 Paris La Defense cedex
France

Parent Company
Storengy International S.À R.L.
65, avenue de la Gare
L1611 LUXEMBOURG
Luxembourg

Directors

Ms C Previeu
Ms C Gras
Ms N Nicoli
Mr B Watts (appointed 8 March 2018)
Ms R Castillon (appointed 8 March 2018)

Auditors
Constantin
25 Hosier Lane
London
EC1A 9LQ

Bankers
Barclays Bank PLC
50 Pall Mall
London
SW1A 1QF

Registered Office
Stublach Gas Plant
King Street
Northwich
Cheshire
CW9 7SE

Strategic report

The Strategic report has been prepared in accordance with The Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013.

Principal activities of the Company

The principal activity of the Company is to develop and operate gas storage facilities within the United Kingdom, with the current emphasis on the construction and operation of the Stublach Gas Storage facility situated in Cheshire. This facility becomes operational in phases between 2014 and 2019, providing storage capacity in 20 salt caverns. Trading commenced on 1 September 2014 with 10 caverns operationally available as at 31 December 2016.

The main characteristics of the completed facility will be:

Production wells	20
Working gas	approximatively 420 Mm3

The land on which the Stublach site is being developed is leased from a third party. Under the lease agreement the facility will be handed over to the land owner, un-decommissioned, in 2042.

The principal place of business is situated at the Stublach Gas Plant, King Street, Northwich, Cheshire.

Principal risks and uncertainties facing the Company

The Directors review the operational risks to the business periodically throughout the year. The significant risks are summarised below and in all cases could impact upon the project return:

- The Company's trading activities is subject to fluctuations in demand for gas storage and market prices for storage products, both of which link to the conditions of the gas market which is inherently unpredictable. To reduce the risk the Commercial Department actively manage the commercial strategy of the company in terms of securing the best portfolio of customer contracts given the market conditions.
- The Company recorded an impairment in 2014 as a result of changes in Business Rates following a reassessment of the Rateable Value. Business Rates represent a significant cost to the Company and future decisions over the Rateable Value, the frequency of valuations, and the associated Transitional Relief schemes will have a significant impact over the Company's future profitability.
- The Company is currently undertaking Phase 2 of the development of the Stublach site. The Company's future performance will be impacted if the major construction activities of Phase 2 are not delivered on time and to budget. In addition the project depends upon an external supply of water and off-take of brine as part of the creation of caverns; delays / decreases of supply would result in a development delay which will impact future revenue streams. To mitigate these development risks project controls have been implemented over the programme, performance and budget of Phase 2, with a number of provisions in place in regards to liquidated damages with major suppliers, in order to minimise the risk to the Company.
- The UK has launched a complete review of the gas charging regime. The final outcome of this review is not yet known but may have an impact on the future profitability of the Company as resulting costs charged by National Grid to flow gas in and out of the site may change. The Company has been heavily involved during all the process and will go on until the new charging regime is finally approved in 2019.
- The ongoing negotiations between the UK and the EU in the Brexit context may have implications on Storengy UK. The company will monitor the outcome of the negotiations over 2018.

The treasury risks to the Company fall into the following categories; credit risk, liquidity risk and foreign currency risk. There are no significant concentrations of credit risk within the Company. The maximum credit risk exposure relating to financial assets is represented by carrying value as at the balance sheet date. The Company's treasury policies seek to reduce and minimise financial risk and ensure sufficient liquidity for foreseeable needs. The majority of operational transactions are in £ sterling but some development costs are denominated in both £ sterling and Euros.

A significant recapitalisation took place at the end of 2017 to fund the ongoing project development. The Company has a close working relationship with the Group on the progress of the project in order to ensure that future funding remains available to continue the development.

Business review

Development and performance of the Company's business during the year

The results for the year ended 31 December 2017 are shown in the Statement of comprehensive income on page 12. The loss for the period after taxation was £4,683,000

The Company's operating loss was £1,951,000 (2016: £5,104,000).

The Company continued to develop the site during the year, with construction activities linked to phase 2 and the first milestone payments being made for key items of equipment. The investment in property, plant and equipment made in 2017 was £26,970,000 (2016: £15,278,000).

Whilst market conditions remain challenging, all capacity was sold during the year and the Company continues to develop opportunities to maximise the value of capacity. However the gross profit position remains significantly impacted by business rates, for which the annual charge in 2017 was £5,184,000 *(2016: £5,252,000)*. Whilst the Rateable Value set for business rates from 1 April 2017 has been reduced by circa 59%, this is still seen to not reflect current market conditions. Furthermore the transitional relief scheme implemented in 2017 restricted this decrease to minimal reductions each year. The Company continues to engage with the Government and the Valuation Office Agency to try to address this tax which is currently significantly disproportionate to the profitability of the business.

Position at the end of the year

The Company's assets were £258,441,000 as at 31 December 2017. Given the Company's development status the Company will continue to be supported by Storengy SA, its intermediate parent company, to meet its liabilities during the development phase.

Total equity as at 31 December 2017 is £166,839,000.

Key Performance Indicators

The Company's key financial and other performance indicators during the year are set out below and are monitored against approved annual budgets. It should be noted that the capital expenditure measure is not calculated on a basis consistent with the information provided within these financial statements, primarily as a result of the calculation of capitalised interest in the key performance indicator being based on overall group borrowing to fund the project.

	2017	2016	Variance	%
Capital Expenditure (£'000)	28,728	17,471	11,257	64.44%
EBITDA (£'000)	1,802	(1,865)	3,667	197%
Caverns commercialised	10	10	-	-
Capacity commercialised	100%	100%	-	-

There are 8 financial reporting periods during a year in which the financial performance is reviewed and submitted to both local and Group management. In addition at every Board meeting the summary figures are presented and reviewed.

Capital Expenditure was in line with the Board's expectations based on the planned work on the project in 2017. The Directors consider the result of the year as acceptable given the market conditions and disproportionate level of business rates. The Directors are confident that the prospects of the Company remain good.

By order of the Board

Catherine Gras

Managing Director

26 April 2018

Directors' report

The Directors present their report and the Company financial statements for the year ended 31 December 2017. These financial statements, for the year ended 31 December 2017 are presented in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU).

Proposed dividend

The Directors do not recommend payment of a dividend.

Directors and their interests

The Directors of the Company at the date of this report and those who served during the year are as follows:

Ms C Previeu

Ms V Limpens (resigned 1 July 2017)

Mr O Machet (resigned 1 April 2017)

Ms C Gras

Mr A Geoffroy (resigned 7 March 2018)

Ms N Nicoli

Mr B Watts (appointed 8 March 2018)

Ms R Castillon (appointed 8 March 2018)

There are no Directors' interests requiring disclosure under the Companies Act 2006.

Supplier payment policy

The Company's policy is to settle terms of payment with suppliers when agreeing the terms of each transaction, ensure that suppliers are made aware of the terms of payment and then abide by them.

Disabled employees

Applications for employment by disabled persons are always fully considered, bearing in mind the respective aptitudes and abilities of the applicants concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the Group continues and that appropriate training is arranged. It is the policy of the Company that the training, career development and promotion of disabled persons should, as far as possible, be identical with that of other employees.

Employees

The Company places considerable value on the involvement of its employees and has adopted a practice of ensuring effective two-way communication on matters affecting them as employees, and on various factors affecting the performance of the Group. This is achieved through both formal and informal meetings, together with a regular newsletter and information on the company intranet.

Directors' report (continued)

Environmental policy

The Company is committed to reducing its impact on the environment. As part of this commitment the company actively promotes and encourages energy efficiency and recycling wherever possible. A Community fund was launched in April 2008 to demonstrate our commitment to the environment and local communities. It has been strengthened in 2017 with the phase 2 construction activities.

Political contributions

The Company made no political donations nor incurred any political expenditure during the year.

Director's statements to disclosure of information to the auditors

As at the date of this report, as far as each director is aware, there is no relevant audit information (information needed by the company's auditors in connection with preparing their report) of which the Company's auditors are unaware, and each director has taken such steps as he should 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.

This confirmation is given and should be interpreted in accordance with Section 418 of the Companies Act 2006.

Auditors

The auditors, Constantin, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

By order of the Board:

C Gras

Managing Director

26 April 2018

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 United Kingdom law and those International Financial Reporting Standards as adopted by the European Union.

The Directors are required to prepare financial statements for each financial period which present fairly the financial position of the Company and the financial performance and cash flows of the Company for that period. In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- make judgement and accounting estimates that are reasonable and prudent;
- provide additional disclosures when compliance with the specific requirements in IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and

The Directors are responsible for keeping proper accounting records which 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. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditor's report to the members of Storengy UK Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31.12.2017 and of its loss for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Storengy UK Limited (the 'company') which comprise:

- the statement of comprehensive income;
- the statement of financial position;
- the statement of changes in equity;
- the statement of cash flow;
- the statement of accounting policies; and
- the related notes 1 to 19.

The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs(UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

- the Directors' use of the going concern basis of accounting in 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.

We have nothing to report in respect of these matters.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's 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 auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the Directors' report has been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report and Directors' report.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

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

We have nothing to report in respect of these matters.

Alex Legon FCA (Senior Statutory Auditor)

for and on behalf of Constantin, Chartered Accountants and Statutory Auditor

25 Hosier Lane
London
EC1A 9LQ

Date: 26 April 2018

Statement of comprehensive income

for the year ended 31 December 2017

	Notes	**2017 £000s**	2016 £000s
Revenue		**173,722**	44,962
Cost of sales		**(172,393)**	(47,023)
Gross profit / (loss)		**1,328**	(2,061)
Administrative expenses		**(3,279)**	(3,043)
Loss from operations	(4)	**(1,951)**	(5,104)
Finance costs	(6)	**(2,732)**	(3,483)
Loss before taxation		**(4,683)**	(8,587)
Tax credit	(7)	**0**	4,741
Loss for the year attributable to equity holders of the parent company		**(4,683)**	(3,846)
Total comprehensive income for the year		**(4,683)**	(3,846)

All operations are continuing.

The accompanying notes form an integral part of the financial statements.

Statement of financial position

at 31 December 2017

Company Registered No. 6311795

ASSETS	**Notes**	**2017 £000s**	**2016 £000s**
Non-current assets			
Property, plant and equipment	(8)	**120,990**	**97,466**
Intangible assets	(9)	**7,161**	**7,441**
Total non-current assets		**128,151**	**104,932**
Current assets			
Inventories	(10)	**13,963**	**7,301**
Trade and other receivables	(11)	**35,875**	**14,753**
Cash and cash equivalent		**80,453**	
Total current assets		**130,290**	**22,054**
Total assets		**258,441**	**126,986**
EQUITY AND LIABILITIES			
Equity attributable to owners of the parent			
Share capital	(16)	**139,269**	**232,116**
Share premium		**0**	**200,000**
Retained earnings		**27,570**	**(390,526)**
Total equity		**166,839**	**41,590**
Non-current liabilities			
Provisions	(14)	**1,134**	**37,915**
Finance lease	(15)	**4,904**	**4,898**
Total non-current liabilities		**6,038**	**42,813**
Current liabilities			
Trade and other payables	(12)	**46,785**	**9,438**
Finance lease	(15)	**147**	**136**
Financial liabilities	(13)	**38,631**	**33,009**
Total current liabilities		**85,564**	**42,583**
Total liabilities		**91,602**	**85,396**
Total equity and liabilities		**258,441**	**126,986**

The ~~financial statements~~ents were approved by the Board of Directors and 26 April 2018 signed on its behalf by:

C Gras
Managing Director
The accompanying notes form an integral part of the financial statements.

Statement of changes in equity

for the year ended 31 December 2017

2017

	Share capital £000s	*Share premium £'000s*	*Retained earnings £000s*	*Total £000s*
Balance at 1 January 2017	232,116	200,000	(390,526)	41,590
Changes in equity for 2017				
Other			(68)	(68)
Total comprehensive income for the year	-	-	(4,683)	(4,683)
Issue of share capital		130,000		130,000
Capital reduction	(92,847)	(330,000)	422,847	0
Balance at 31 December 2017	139,269	0	27,570	166,839

2016

	Share capital £000s	*Share premium £'000s*	*Retained earnings £000s*	*Total £000s*
Balance at 1 January 2016	232,116	200,000	(386,680)	45,436
Changes in equity for 2016				
Total comprehensive income for the year	-	-	(3,846)	(3,846)
Balance at 31 December 2016	232,116	200,000	(390,526)	41,590

The accompanying notes form an integral part of the financial statements.

Statement of cash flows

for the year ended 31 December 2017

	2017 £000s	2016 £000s
Cash flows from operating activities		
Operating loss	**(1,951)**	(5,104)
Adjustments for:		
Depreciation and amortisation	**3,753**	3,299
	1,802	(1,805)
Adjustments to reconcile operating loss to net cash flows from operating activities		
(Increase)/Decrease in trade and other receivables	**(25,115)**	(6,821)
Increase/(Decrease) in trade and other payables	**37,347**	6,029
Decrease/(Increase) in inventories	**(6,662)**	2,226
Provision creation	**(591)**	1,725
	6,782	1,354
Cash generated by operations		
Corporation tax (paid)/repaid	**3,994**	-
Interest paid	**(791)**	(1,033)
Interest received	**-**	-
Net cash flows from operating activities	**9,986**	321
Cash flows from investing activities		
Purchase of property, plant and equipment	**(26,970)**	(16,407)
Rent payment in respect of intangible rights	**-**	-
Net cash flows used in investing activities	**(26,970)**	(16,407)
Financing activities		
Equity investment	**130,000**	-
Short term loans/(repayments) from other group companies	**(28,009)**	16,205
Finance lease payments	**(183)**	(119)
Loan Repayments	**(5,000)**	-
Net cash flows from financing activities	**96,808**	16,086
Net increase in cash and cash Equivalents	**79,822**	-
Cash and cash equivalents at 1 January	**-**	-
Cash and cash equivalents at 31 December	**79,822**	-

Since 2012 the Company has been included in a Group cash pooling arrangement. The amounts due to/from Group companies as a result of these arrangements are included within receivables/payables in these financial statements.

The accompanying notes form an integral part of the financial statements.

Notes to the Accounts

1. Authorisation of financial statements and statement of compliance with IFRS

The financial statements of Storengy UK Limited (the 'Company'), prepared for the year to 31 December 2017, were authorised for issue by the board of the Directors on 26 April 2018 and the statement of financial position was signed on the Board's behalf by Ms Catherine Gras. Storengy UK Limited is a private limited company incorporated and domiciled in England & Wales.

The Company's financial statements have been prepared and approved by the Directors in accordance with International Financial Reporting Standards as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006. The principal accounting policies adopted by the Company are set out in notes 2 and 3.

2. Accounting policies

Basis of preparation

These financial statements have been prepared under the historical cost convention (except for derivative financial instruments which have been measured at fair value). The accounting policies which follow set out the policies which apply in preparing the financial statements for the year ended 31 December 2017.

The financial statements are presented in pounds sterling, the currency in which the majority of the Company's transactions are denominated, and all values are rounded to the nearest thousand (£000).

Going concern

The Company remains dependent on financial support being made available by Group companies to enable it to continue in operational existence and to meet its debts as they fall due. The Company's equity position remains positive, standing at £166,839,000 at the end of 2017. The Group is presented regular financial information on the development of the Stublach site as well as the medium term business plan, and has indicated its continued support for the Company. The Directors have considered the forecasts of the Company included in its medium term business plan and the indication of financial support received from the Group, and believe it is therefore appropriate to prepare financial statements on a going concern basis.

Significant accounting judgement and estimates

In the process of applying the Company's accounting policies, management has made the following judgements apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Impairment of tangible and intangible assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses of continuing operations are recognised in the income statement in those expense categories consistent with the function of the impaired asset.

2. Accounting policies *(continued)*

Provisions

A provision is recognised when the Company has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, expected future cash flows are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability.

Where the Company expects some or all of a provision to be reimbursed, for example under an insurance policy, the reimbursement is recognised as a separate asset but only when recovery is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement. Where discounting is used, the increase in the provision due to unwinding the discount is recognised as a finance cost.

Revenue

Revenue comprises the fair value of the consideration received or receivable for the rendering of services for storage or the sale of gas in the ordinary course of the Company's activities. Revenue is presented net of Value Added Tax, rebates and discounts.

Taxation

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax and laws that are enacted or substantively enacted by the year end date.

The Company is part of the ENGIE tax group in the United Kingdom, under which tax losses may be surrendered between companies under UK tax legislation. It is the policy of the Group that the company surrendering the losses is paid for the use of the losses based on the prevailing tax rate of the applicable year.

Deferred income tax is recognised on all material temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements, with the following exceptions:

- where the temporary difference arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss;
- deferred income tax assets are recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carried forward tax credits or tax losses can be utilised:

Deferred income tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply when the related asset is realised or liability is settled, based on tax rates and laws enacted or substantively enacted at the year-end date.

Income tax is charged or credited directly to equity if it relates to items that are credited or charged to equity. Otherwise income tax is recognised in the income statement.

3. Summary of significant accounting policies

Property, plant and equipment

Property, plant and equipment are shown at cost less accumulated depreciation and any provision for impairment. Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. The estimated useful lives are as follows:

Plant & machinery	-	over the shorter of the individual asset life and the estimated remaining life of the storage plant (3 – 25 years)
IT software & equipment	-	3 years to 5 years

No depreciation is provided on assets under construction.

3. Summary of significant accounting policies *(continued)*

Intangible assets

Intangible assets, being the acquisition of intangible rights are recognised at cost less amortisation. Cost comprises payments made to date plus the net present value of deferred consideration due under the agreement. Amortisation of the intangible asset commenced when the first cavern became operational in September 2014 and will continue until the end of the contract in 2042.

Inventories

Inventories are stated at the lower of cost and net realisable value after making due allowance for obsolete and slow moving items. Cost is calculated as the cost of materials. Net realisable value is based on estimated selling price, less further costs expected to be incurred to completion and disposal.

Foreign currencies

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing on the dates of the transactions. At each reporting date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the reporting date.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in profit or loss for the period except for exchange differences arising on non-monetary assets and liabilities where the changes in fair value are recognised directly in equity.

In order to hedge its exposure to foreign exchange risks, the Company enters into forward contracts (see below for details of the Company's accounting policies in respect of such derivative financial instruments).

Financial instruments

Financial Assets and Financial Liabilities are recognised on the Company Statement of Financial Position when the Company becomes a party to the contractual provisions of the instrument.

Trade and other receivables

Trade receivables are carried at fair value. Bad debts are written off when identified. Long term receivables are discounted where necessary.

Cash and cash equivalents

Cash and short-term deposits in the balance sheet comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less. For the purpose of the cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

Financial liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability. The accounting policies adopted for specific financial liabilities are set out below.

Trade payables

Trade payables are measured at fair value.

3. Summary of significant accounting policies *(continued)*

New standards and interpretations not applied

The IASB and IFRC have issued the following standards and interpretations which are not effective at the balance sheet date or have an effective date after the date of these financial statements:

International Accounting Standards (IAS/IFRSs)		Effective Date*
IFRS 9	Financial Instruments	1 January 2018
IFRS 15	Revenue from Contracts with Customers	1 January 2018
IFRS 16	Leases	1 January 2019

*The effective dates stated here are those given in the original IASB/IFRIC standards and interpretations. As the Company has elected to prepare their financial statements in accordance with IFRS as adopted by the European Union, the application of new standards and interpretations will be subject to their having been endorsed for use in the EU via the EU Endorsement mechanism. In the majority of cases this will result in an effective date consistent with that given in the original standard or interpretation but the need for endorsement restricts the Company's discretion to early adopt standards.

The Directors do not anticipate that the adoption of these standards and interpretations will have a material impact on the Company's financial statements, other than additional disclosures, in the period of initial application. IFRS 16 will result in further leases requiring to be included in the Statement of Financial Position, however as can be seen in Note 18 this would not have a significant impact to the Financial Statements.

Operating lease payments

Leases where the lessor retains a significant portion of the risks and benefits of ownership of the asset are classified as operating leases and rentals payable are charged to income in equal annual amounts over the lease term.

Financing income and expenses

Financing expenses comprise interest payable, unwinding of the discount on provisions, and net foreign exchange losses that are recognised in the statement of comprehensive income. Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that takes a substantial time to be prepared for use, are capitalised as part of the cost of that asset. Financing income comprise interest receivable on funds invested and net foreign exchange gains.

Interest income and interest payable is recognised in profit or loss as it accrues, using the effective interest method. Foreign currency gains and losses are reported on a net basis.

4. Loss from operations

The loss for the year is stated after charging:

	2017	*2016*
	£000s	*£000s*
Depreciation of property, plant and equipment	**3,473**	3,010
Amortisation of intangibles	**280**	289
Auditors' remuneration in respect of - audit services	**22**	22

5. Employee costs

	2017	*2016*
	£000s	*£000s*
Wages and salaries	**2,727**	3,018
Social security costs	**231**	238
Pension costs	**99**	82
	3,057	**3,338**
Capitalised as project cost	**403**	426
Wages costs charged to the Statement of Comprehensive Income	**2,647**	2,912

Employees	***2017***	***2016***
Operational	**32**	**29**
Commercial and support	**11**	**15**
	43	**44**

In addition to the employees the Company had 4 *(2016: 4)* individuals on assignment from other companies within the Group for which the costs are included in wages and salaries.

1 Director was remunerated through the company (2016: two). Certain Directors of the Company are also executives of other group companies and are remunerated by these companies. During the period an amount of £208,548 (2016: £325,000) was paid by the Company in respect of remuneration paid to all Directors and executives, of which no amounts related to pension contributions. The remuneration of the highest paid director was £208,548 (2016: £190,000), the increase is due to exchange rates impact.

6. Finance costs

	2017 £000s	2016 £000s
Bank interest and similar charges	**0**	2
Loan guarantee costs	**520**	520
Loan interest	**0**	17
Finance lease interest	**286**	264
Unwinding of discount on provisions	**1,810**	1,723
Foreign exchange losses	**117**	957
	2,732	3,483

7. Taxation

	2017 £000s	2016 £000s
(a) Tax (credit)/charge		
Current income tax		
UK corporation tax on loss of the period	-	-
Group losses surrendered		
Total current income tax	-	(4,741)
Deferred tax		
Origination and reversal of temporary differences		
- current year	**(229)**	(921)
- previous period		(2,688)
Adjustment as a result of change in tax rate		1,576
Reversal of deferred tax not recognised	**229**	2,033
Deferred tax for the year	-	-
Total tax (credit)/charge on loss on ordinary activities	-	(4,741)

7. Taxation *(continued)*

(b) Reconciliation of tax credit

Loss on ordinary activities before tax	**(4,683)**	(8,587)
Loss multiplied by standard rate 19.25% (2016: 20%)	**(901)**	(1,717)
Adjustments		
Tax effect of non-deductible or non-taxable items	**4**	58
Change in recognised temporary deductible differences	**668**	489
Adjustments in respect of prior periods		(2,688)
Impact of change in tax rate on deferred tax		1,825
Group losses surrendered		(4,741)
Reversal of deferred tax not recognised	**229**	2,033
Total tax charge/(credit)	-	(4,741)

	2017	*2016*
	£000s	***£000s***
(c) Deferred tax		
Analysis of the movements in deferred tax is as follows:		
Deferred tax brought forward	-	-
Deferred tax charge /(credit) reported in comprehensive income	-	-
Deferred tax asset at 31 December	-	-

As at 31 December 2017 the Company has an unrecognised deferred tax asset relating to losses forward and fixed asset timing differences of £43,168,000 (2016: £43,351,000). The deferred tax asset has not been recognised on the basis that there is not sufficient certainty at this time that it will be utilised, there is no expiry date on these timing differences.

Reductions in the UK corporation tax rate from 20% to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were enacted on 26 October 2015. A further reduction to 17% (effective from 1 April 2020) was substantively enacted on 6 September 2016. The unrecognised deferred tax asset has been calculated based on 17%.

8. Property, plant and equipment

	Assets under construction *£000s*	*IT software & equipment* *£000s*	*Plant & machinery* *£000s*	*Total* *£000s*
Cost				
At 1 January 2016	65,858	1,060	301,813	368,731
Additions	26,678	16	276	26,970
Transfers	(476)	-	476	-
Plant spares acquired	-	-	-	-
Total cost	**92,060**	**1,076**	**302,565**	**395,701**
Depreciation				
At 1 January 2016	49,251	695	221,294	271,240
Charge for the period	-	181	3,292	3,472
Transfers	-18	-	18	-
Total depreciation	**49,233**	**876**	**224,604**	**274,711**
Net book value				
At 31 December 2016	16,607	365	80,519	97,466
At 31 December 2017	**42,828**	**199**	**77,963**	**120,990**

Leased plant and machinery

The Company holds £5,186,000 *(2016 :£5,186,000)* of assets under finance lease arrangements. As at the year end the net book value of such assets is £4,741,000.

Property, plant and equipment under construction

During the year £26,678,000 of capital expenditure has been made on assets in the course of construction relating to the Stublach project. The amount of borrowing costs capitalised and included in the current year additions was £188,744 *(2016: £51,307)* with a capitalisation rate of 0.6%. No depreciation has been charged against the assets under construction in the financial year.

9. Intangible assets

	Intangible Rights	
	2017	*2016*
	£000s	*£000s*
Cost		
At 1 January and 31 December	**83,423**	83,423
Amortisation		
At 1 January	**75,982**	75,693
Charge for the period	**280**	289
At 31 December	**76,262**	75,982
Net book value at 31 December	**7,161**	7,441

Amortisation

Amortisation of the intangible asset commenced on 1 September 2014 and will continue until the end of the project agreement in 2042.

10. Inventories

	2017	*2016*
	£000s	*£000s*
Stock of gas	**13,963**	**7,301**
	13,963	**7,301**

11. Trade and other receivables

	2017	*2016*
	£000s	*£000s*
Trade receivables	**9**	48
Prepayments	**1,152**	1,120
Accrued income	**32,601**	7,250
Other taxes	**1,366**	1,594
Corporation Tax		4,741
Other receivables	**747**	-
	35,875	14,753

12. Trade and other payables

	2017 £000s	2016 £000s
Trade payable	**2,455**	653
Accruals	**44,149**	8,453
Social security and other taxes	**181**	332
	46,785	9,438

13. Financial liabilities

Current

	2017 £000s	2016 £000s
Amount due to immediate parent undertaking	**0**	5,000
Amounts due to other group companies	**631**	28,009
Amounts due to other companies	**38,000**	0
	38,631	33,009

The £28,009,000 debtor owed to the Parent has been reimbursed on 13th December 2017.

14. Provisions

The deferred consideration provision relates to the future payments to be made in relation to the acquisition of intangible rights. The provision will unwind by 2018 due to the payment of the provision in 2018.

The onerous contract provision relates to the purchase and sale of gas where an average stock valuation is applied, with the provision required to ensure that the appropriate level of profit is recognised in a financial period. £300,000 provision linked to the planned shutdown occurred in May 2017 has been reversed as at 31.12.2017.

2017	**Deferred consideration** *£'000s*	**Onerous contracts** *£'000s*	**Other provisions** *£'000s*	**Total** *£'000s*
As at 1 January	**36,190**	**1,425**	**300**	**37,915**
Payment	**-**	**-**	**-**	**-**
Unwinding of discount	**1,810**	**-**	**-**	**1,810**
Reclassification to current financial liabilities	**(38,000)**			**(38,000)**
Creation	**-**	**(291)**	**(300)**	**(591)**
As at 31 December	**-**	**1,134**	**-**	**1,134**

2016	Deferred consideration *£'000s*	Onerous contracts *£'000s*	Other provisions *£'000s*	Total *£'000s*
As at 1 January	34,467	-	-	34,467
Payment		-	-	1,723
Unwinding of discount	1,723	-	-	1,725
Creation	-	1,425	300	-
As at 31 December	36,190	1,425	300	37,915

Provisions have been analysed between current and non-current as follows:

	2017 ***£000s***	***2016*** ***£000s***
Current	**1,134**	**1,725**
Non-current		**36,190**
	1,134	**37,915**

15. Finance leases

	2017	*2016*
	£000s	*£000s*
Current	**147**	**136**
Non-current	**4,904**	**4,898**
	5,052	**5,034**

The finance lease is in relation to a lease of cushion gas for the first 2 operational caverns from Storengy SA, the Company's intermediate parent company. This is due to be repaid in instalments between 2014 and 2037, including the associated interest charges. The interest charges and capital repayments are denominated in Euros.

16. Equity share capital

	2017	*2016*
	£000s	*£000s*
Called up, allotted and fully paid		
232,115,558 ordinary shares reduced from £1 to £0.6	**139,269**	232,116

Share Premium		
2 ordinary shares at a premium of £199,999,999	**200,000**	200,000
Addition: 1 ordinary share at a premium of £129,999,999	**130,000**	
Cancellation: 2 ordinary shares at a premium of £329,999,999	**(330,000)**	

On December 13, 2017, a further £130,000,000 of equity was invested into the Company by its immediate parent Storengy International by way of the issue of 1 ordinary share at a premium of £129,999,999.
On the same day, the Company completed a reduction of share capital by way of

(1) the cancellation of the entire amount standing to the credit of the Company's share premium, being £329,999,999

(2) a reduction of the issued 232,115,560 ordinary shares of £1 each by 40p into 60p each.

Following the capital reduction, as at 13 December 2017, the issued share capital of the Company consists of 232,115,558 ordinary shares of £0.6 each.

17. Financial instruments

a) Fair value of financial instruments

Trade and other receivables
The fair value of trade and other receivables is estimated at the present value of future cash flows, discounted at the market rate of interest at the Statement of financial position date if the effect is material.

Trade and other payables
The fair value of trade and other payables is estimated as the present value of future cash flows, discounted at the market rate of interest at the Statement of financial position date if the effect is material.

Interest-bearing borrowings
Fair value, which after initial recognition is determined for disclosure purposes only, is calculated based on the present value of future principal and interest cash flows, discounted at a market rate of interest at the Statement of financial position date.

Fair values
The fair values for each class of financial assets and financial liabilities together with their carrying amounts shown in the Statement of financial position are as follows:

	Carrying amount	
	2017	***2016***
	£000s	***£000s***
Other receivables	**-**	-
Trade receivables	**9**	48
Trade payables	**(2,455)**	(653)
Finance Lease	**(5,052)**	(5,034)
Amount due to immediate parent company		(5,000)
Amounts due to other group companies	**(38,631)**	(28,009)
Total financial instruments	**(46,129)**	(38,648)

There are no differences between the carrying value and fair value of all financial instruments held at the Statement of financial position date.

b) Credit risk

Credit risk is considered to be that associated with amounts due from other group companies and the recovery of recharged costs / refunds from third parties, as well as the amounts due from customers. The carrying amount of financial assets represents the maximum credit exposure and therefore is equal to the total carrying amount of the financial assets shown in the table above, being £9,000 *(2016: £48,000)*. The amounts due from other group companies are not considered to represent a significant credit risk by the Directors.

c) Liquidity risk

The Company at all times maintains adequate credit facilities in order to meet all its commitments as and when they fall due. These facilities are currently provided through the group's treasury function. The following are the contractual maturities of financial liabilities, excluding estimated interest payments:

2017	***Carrying amount £000s***	***Contractual cash flows £000s***	***1 year or less £000s***	***1 to 2 years £000s***	***2 to 5 years £000s***	***More than 5 years £000s***
Trade payables	**2,455**	**2,455**	**2,455**	**-**	**-**	**-**
Finance lease	**5,052**	**5,052**	**147**	**156**	**715**	**4,034**
Amounts due to immediate parent company	**631**	**631**	**631**	**-**	**-**	**-**
Amounts due to other companies	**38,000**	**38,000**	**38,000**	**-**	**-**	**-**
	46,138	**46,138**	**41,233**	**156**	**715**	**4,034**

2016	*Carrying amount £000s*	*Contractual cash flows £000s*	*1 year or less £000s*	*1 to 2 years £000s*	*2 to 5 years £000s*	*More than 5 years £000s*
Trade payables	653	653	653	-	-	-
Finance lease	5,034	5,034	136	136	408	4,354
Amounts due to immediate parent company	5,000	5,000	5,000	-	-	-
Amounts due to other group companies	28,009	28,009	28,009	-	-	-
	38,696	38,696	33,798	136	408	4,354

17. Financial instruments *(continued)*

d) Market risk

Foreign currency risk

The Company operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily in respect of the Euro.

Analysis of financial assets and liabilities by currency:

2017	***Sterling £000s***	***Euro £000s***	***USD £000s***	***Total £000s***
Other receivables	-	-	-	-
Trade receivables	**9**	-	-	**9**
Trade payables	**(739)**	**(1,716)**		**(2,455)**
Finance lease	-	**(5,052)**	-	**(5,052)**
Amounts due to immediate parent company	-	**(625)**	**(6)**	**(631)**
Amounts due to other companies	**(38,000)**	-	-	**(38,000)**
	(38,730)	**(7,393)**	**(6)**	**(46,138)**

2016	*Sterling £000s*	*Euro £000s*	*USD £000s*	*Total £000s*
Other receivables	-	-	-	-
Trade receivables	48	-	-	48
Trade payables	(625)	(28)	-	(653)
Finance lease	-	(5,034)	-	(5,034)
Amounts due to immediate parent company	(5,000)	-	-	(5,000)
Amounts due to other group companies	(23,354)	(3,328)	(1,327)	(28,009)
	(28,931)	(8,390)	(1,327)	(38,648)

17. Financial instruments *(continued)*

Sensitivity analysis

A 10% weakening of the following currencies against the pound sterling at 31 December would have increased equity and profit for the year by the amounts shown below. This calculation assumes that the change occurred at the Statement of financial position date and had been applied to risk exposures existing at that date. This analysis assumes that all other variables, in particular other exchange rates and interest rates, remain constant.

	Equity		*Profit or loss*	
	2017	*2016*	***2017***	*2016*
	£000s	*£000s*	***£000s***	*£000s*
Change in €	**672**	762	**672**	762
Change in $	**1**	303	**1**	303

A 10% strengthening of the following currencies against the pound sterling at 31 December would have decreased equity and profit for the year by the amounts shown below. This calculation assumes that the change occurred at the Statement of financial position date and had been applied to risk exposures existing at that date. This analysis assumes that all other variables, in particular other exchange rates and interest rates, remain constant.

	Equity		*Profit or loss*	
	2017	*2016*	***2017***	*2016*
	£000s	*£000s*	***£000s***	*£000s*
Change in €	**(739)**	(838)	**(739)**	(838)
Change in $	**(1)**	(333)	**(1)**	(333)

e) Capital management

The primary objective of the Company's capital management is to ensure that it maintains healthy capital ratios in order to support its business, working in conjunction with the Group who continue to provide support to the Company during its current development phase. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2017 and 31 December 2016. In December 2017 the capital position was revised and a further £130m of equity was injected into the company.

18. Financial commitments

a) Capital expenditure commitments

At 31 December 2017 the Company was committed to certain future capital expenditure. These contracts are due to be settled as follows.

	2017	*2016*
	£000s	*£000s*
Within 1 year	**25,054**	3,469

b) Obligations under operating leases

The current period charge for rentals under operating leases was £93,500 *(2016: £137,000).*

The Company has entered into commercial operating leases on certain motor vehicles. These leases have an average duration of three years; none of the leases contain an option for renewal.

Total commitments under non-cancellable operating leases

		2017			*2016*	
	Vehicles £000s	***Property £000s***	***Total £000s***	*Vehicles £000s*	*Property £000s*	*Total £000s*
Within 1 year	**62**	**50**	**112**	50	50	100
2 – 5 years	**59**	**0**	**59**	39	0	39
	121	**50**	**171**	89	50	139

19. Related party transactions

The Company's immediate parent undertaking is Storengy International S.A.R.L, a company registered in Luxembourg.

The ultimate parent undertaking of the company is ENGIE S.A. (formerly GDF SUEZ S.A.), a company registered in France. Copies of ENGIE's group financial statements can be obtained from ENGIE S.A., 1 place Samuel de Champlain, 92400 Courbevoie, France. The ENGIE group is listed on the Paris stock exchange and is both the smallest and largest group in which Storengy UK Limited is included within the consolidated financial information.

Engie C.C. and Engie Treasury Management S.À R.L., registered in Belgium and Luxembourg respectively, are subsidiaries of the ENGIE group with their ultimate parent undertaking being ENGIE S.A.

Engie Power Limited, Fabricom Oil, Gas and Power Limited, Engie E&P UK Ltd and IPM Energy Trading Limited are all companies registered in England and Wales and are subsidiaries of the ENGIE group, their ultimate parent undertaking being ENGIE S.A.

Storengy S.A is a company registered in France and is a subsidiary of the ENGIE group, its ultimate parent undertaking is ENGIE S.A.

2017

	Services £'000	***Sales £'000***	***Purchases £'000***	***Recharges £'000***	***Interest payable £'000***	***Amount owed from £'000***	***Amount owed to £'000***
Engie Power Limited	-	-	(2,730)	-	-	-	(533)
Storengy International S.À R.L.	-	-	-	(173)	-	-	-
Storengy S.A	(520)	-	-	(67)	(286)	-	(5,301)
Engie Treasury Management S.À R.L.	-	-	-	-	(188)	79,822	-
IPM Energy Trading Limited	(322)	19,959	(22,458)	-	-	31,436	(39,342)

2016

	Services **£'000**	*Sales* **£'000**	*Purchases* **£'000**	*Recharges* **£'000**	*Interest payable* **£'000**	*Amount owed from* **£'000**	*Amount owed to* **£'000**
Engie Power Limited	-	-	(2,393)	-	-	-	(391)
Storengy International S.À R.L.	-	-	-	-	-	-	(5,000)
Storengy S.A	(520)	-	(968)	-	(264)	-	(5,954)
Engie E&P UK Limited	(11)	-	-	-	-	-	(5)
Engie Treasury Management S.À R.L.	-	-	-	-	(68)	48	(28,009)
IPM Energy Trading Limited	-	36,516	(29,389)	(13)	-	6,439	(6,311)

Scope of transactions

The cost of purchases from Storengy S.A. relate to services for technical support and employee benefits, with the services costs being finance charges for providing guarantees in respect of the Stublach site lease and the interest being that paid on the finance leases as described in note 15. Purchases from Engie Power Limited represents electricity purchases. IPM Energy Trading Limited provide dispatching services relating to gas purchases and sales. Engie E&P UK Ltd provided office accommodation. Engie Treasury Management and Storengy International S.À R.L. provide short term funding to the company.

Terms and conditions of related party balances

Trading balances with related parties do not incur interest charges whilst the balance is within the standard credit terms of the selling company.