# IPM Holdings (UK) Limited
**Company Number: 09022986**

## Annual Report and Financial Statements

For the year ended 31 December 2017

# Officers and professional advisers

## Directors

J S Sandhu
W J Petrie
H Kayamori
I Kajimura
D G Alcock
S D Pinnell

## Secretary

S J Gregory

## Independent auditor

Deloitte LLP
Statutory Auditor
Hill House
1 Little New Street
London
EC4A 3TR

## Bankers

Barclays Bank PLC
1 Churchill Place
London
E14 5HP

## Registered Office

Level 20
25 Canada Square
London
E14 5LQ

# Strategic report

The Directors present their Strategic report for IPM Holdings (UK) Limited (the Company) for the year ended 31 December 2017.

## Principal activity

The Company was incorporated on 2 May 2014 in England and Wales. The principal activity of the Company is that of an investment holding company. The Company previously owned a portfolio of UK power generating companies but these were sold during the year as discussed in the business review below. The Company's immediate parent company is IP Karugamo Holdings (UK) Limited. The directors consider the Company's ultimate holding company to be ENGIE S.A. which is incorporated in France and is headquartered in Paris, France.

## Business review

As shown in the income statement on page 10, the Company made a loss after tax of £320,725,000 (2016: profit of £43,513,000) which was predominately due to the impairment of investments totalling £1,147,154,000 (2016: £nil) partially offset by the receipt of dividends totalling £795,257,000. Note 9 shows that during the year the Company disposed of all of its investments with the exception of Normantrail (UK Co 3) Limited.

The statement of financial position on page 11 shows the Company's financial position at the year-end. The net assets are £158,311,000 which is a decrease of £709,001,000 from the 2016 net asset position. This is predominately due to the loss for the financial year and dividends paid.

On 27th June 2017, the Company acquired 100% of the ordinary share capital of Deeside Power (UK) Limited for £1 and 100% of the ordinary share capital of Saltend Cogeneration Limited and Saltend Operations Company Limited for a total consideration of £15,235,000.

On 31st October 2017, the Company entered into a share purchase agreement to sell Deeside Power (UK) Limited, Saltend Operations Company Limited, Saltend Cogeneration Company Limited and International Power IQ Limited to a third party.

On 20 December 2017, the Company sold 100% of the ordinary share capital of IPM Energy Trading Limited. The consideration was £5,000,000 and a working capital adjustment of £7,874,000 was paid by the Company on 24 January 2018.

On 20 December 2017, the Company sold 100% of the ordinary share capital of International Power Fuel Limited. The consideration was £nil and a working capital adjustment of £1,446,000 was received by the Company on 24 January 2018.

On 20 December 2017, the Company sold 100% of the ordinary share capital of Rugeley Power Limited. The consideration was £28,700,000 and a further payment of £3,689,000 was made by the Company on 17 January 2018.

### Impairments

On 27th June 2017, the Company received dividends from IPM Energy Trading Limited and International Power IQ Limited. Immediately following receipt of the dividends an impairment test was performed and the carrying value of the investments was impaired by £77,371,000 and £6,513,000 respectively.

On 20th September 2017 the Company received a dividend from Normantrail (UK Co 3) Limited. Immediately following receipt of the dividend an impairment test was performed and the carrying value of the investment was impaired by £1,062,818,000. A further dividend was received from Normantrail (UK Co 3) Limited on 13th November 2017. The carrying value of the investment was impaired by a further £452,000.

# Strategic report (continued)

### Impairments (continued)

The Directors do not monitor the performance of the Company through the use of key performance indicators (KPIs). The ENGIE group manages its business and measures the delivery of its strategic objective through the application of KPIs at both an ENGIE division and group level.

## Principal risks and uncertainties

*Credit risk*

The largest receivables relate to amounts lent to undertakings within the ENGIE group for which the Company can demand repayment at any time. The Company continually reviews its receivable position and the credit risk associated with this position. The Directors believe that payment default remains a low risk and have assessed this exposure as acceptable.

With respect to treasury activities, the Company's financial counterparty credit exposure is principally limited to cash pooling arrangements with ENGIE Treasury Management S.a.r.l., also included within 'Amounts owed by group undertakings'. This results in a concentration of risk to the ENGIE group, but the risk of default remains low given ENGIE's strong credit rating.

## Events after the end of the reporting period

A £150,000,000 interim dividend was paid on 27th February 2018.

## Future developments

The Company has no significant future developments to report.

By order of the Board

J Sandhu
Director
Date: 28 September 2018

# Directors' report

The Directors present their annual report and the Company's audited financial statements for the year ended 31 December 2017.

## Matters included in the Strategic Report

In accordance with s414(C) (11) of the Companies Act, included in the Strategic Report is information relating to events after the end of the reporting period, financial risks and future developments which would otherwise be required by Schedule 7 of the 'large and medium sized companies and groups (accounts and reports) regulation 2008' to be contained in a Director's Report.

## Results and dividends

| The results of the Company are as follows: | 2017 £'000 | 2016 £'000 |
|---|---|---|
| (Loss) / profit for the financial year | (320,725) | 43,513 |

A dividend of £388,276,000 was paid in relation to 31 December 2017 (2016: £nil).

During the year the Share capital was reduced by £999 and the Share premium account was reduced by £200,264,000.

## Directors

The Directors of the Company who served during the year ended 31 December 2017 and up to the date of this report were:

| | |
|---|---|
| J S Sandhu | |
| W J Petrie | |
| H Kayamori | (appointed 16 November 2017) |
| I Kajimura | (appointed 5 January 2018) |
| D G Alcock | (appointed 11 May 2018) |
| S D Pinnell | (appointed 8 May 2018) |
| G M N J G Richelle | (resigned 1 March 2017) |
| R Okaniwa | (resigned 15 November 2017) |
| Y Fukumori | (resigned 5 January 2018) |
| P J Tavares Almirante | (resigned 1 February 2018) |

## 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.

## Financial risk management

The Company finances its activities with a combination of loans from its parent company, cash and short-term deposits. The Company also enters into derivative transactions, including principally forward exchange rate contracts, the purpose of which is to manage the exchange rate risks arising from its subsidiaries' foreign currency operating risk.

The Company's financial instruments give rise to credit risk. Information on how these risks arise is set out in the Strategic report, as are the objectives, policies and processes for their management and the methods used to measure the risk.

The Company uses foreign exchange rate contracts to avoid adverse movements in exchange rates.

# Directors' report (continued)

### Going concern

The Company's activities, together with the factors likely to affect its future development and position, are set out in the Strategic Report. The Company's Directors have a reasonable expectation that the Company will be able to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis of accounting in preparing the financial statements.

### Independent auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and Deloitte LLP will therefore continue in office.

### Directors' statement as to disclosure of information to the auditor

The Directors who were members of the board at the time of approving the Directors' report are listed above on page 4.

Each of the persons who is a Director at the date of approval of this report confirms that:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the Director has taken all the steps that he/she ought to have taken as a Director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

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

By order of the Board,

J Sandhu
Director
Date: 28 September 2018

# Directors' responsibilities statement

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 101 (Financial Reporting Standard 101) 'Reduced Disclosure Framework'. Under Company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. 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 IPM Holdings (UK) Limited**

## Report on the audit of the financial statements

### Opinion

In our opinion the financial statements of IPM Holdings (UK) Limited (the "company"):

- give a true and fair view of the state of the Company's affairs as at 31 December 2017 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the Income statement;
- the Statement of financial position;
- the Statement of changes in equity;
- the related notes 1 to 16.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

### 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 Financial Reporting Council's (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.

# Independent auditor's report (continued)

**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.

## Independent auditor's report (continued)

### 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 have 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 or the 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.

**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.

Makhan Chahal

Makhan Chahal ACA (Senior Statutory Auditor)
for and on behalf of Deloitte LLP,
Statutory Auditor
London, UK
Date: 28th September 2018

# Income statement
**for the year ended 31 December 2017**

| | Note | 2017 £'000 | 2016 £'000 |
|---|---|---|---|
| Administration expenses | | (7,470) | (5,823) |
| **Operating loss** | | **(7,470)** | **(5,823)** |
| Gain on disposal of investments | | 42,782 | - |
| Restructuring costs | | (5,252) | - |
| Reversal of provisions against amounts due from group undertakings | | 5,282 | - |
| Impairment loss on investments | 9 | (1,147,154) | - |
| Interest receivable and similar income | 6 | 4,872 | 8,809 |
| Interest payable and similar expenses | 7 | (13,012) | (24,193) |
| Other gains and losses | 13 | (57) | 598 |
| Dividend received | | 795,257 | 60,000 |
| **(Loss) / profit before taxation** | | **(324,752)** | **39,391** |
| Tax credit on (loss) / profit | 8 | 4,027 | 4,122 |
| **(Loss) / profit for the financial year** | | **(320,725)** | **43,513** |

All realised profits and losses arise as a result of continuing operations.

There was no other comprehensive income or expense attributable to the shareholders of the Company. Consequently, no separate statement of comprehensive income has been presented.

The notes on pages 13 to 29 form an integral part of these financial statements.

# Statement of financial position

**at 31 December 2017**

| | Note | 2017 £'000 | 2016 £'000 |
|---|---|---|---|
| **Fixed assets** | | | |
| Fixed asset investments | 9 | - | 1,192,642 |
| **Current assets** | | | |
| Debtors falling due within one year | 10 | 173,415 | 106,345 |
| Debtors falling due after one year | 11 | - | 77,964 |
| Derivative financial instruments | 13 | - | 57 |
| **Total current assets** | | **173,415** | **184,366** |
| **Total assets** | | **173,415** | **1,377,008** |
| **Current liabilities** | | | |
| Creditors: amounts falling due within one year | 12 | (15,104) | (509,696) |
| **Net current assets / (liabilities)** | | **158,311** | **(325,329)** |
| **Total assets less current liabilities** | | **158,311** | **867,312** |
| **Net assets** | | **158,311** | **867,312** |
| **Capital and reserves** | | | |
| Called up share capital | 14 | - | 1 |
| Share premium account | 14 | - | 200,264 |
| Retained earnings | 14 | 158,311 | 667,047 |
| **EQUITY SHAREHOLDERS' FUNDS** | | **158,311** | **867,312** |

The notes on pages 13 to 29 form an integral part of these financial statements.

The financial statements of IPM Holdings (UK) Limited, registered number 09022986, were approved and authorised for issue by the Board of Directors on 28 September 2018 and signed on its behalf by:

S Pinnell
Director

J Sandhu
Director

# Statement of changes in equity

**for the year ended 31 December 2017**

| | Share Capital £'000 | Share Premium £'000 | Retained Earnings £'000 | Total Equity £'000 |
|---|---|---|---|---|
| **At 1 January 2016** | **1** | **200,264** | **623,534** | **823,799** |
| Profit for the financial year | - | - | 43,513 | 43,513 |
| **At 31 December 2016** | **1** | **200,264** | **667,047** | **867,312** |
| **At 1 January 2017** | **1** | **200,264** | **667,047** | **867,312** |
| Loss for the financial year | - | - | (320,725) | (320,725) |
| Capital reduction | (1) | (200,264) | 200,265 | - |
| Dividends paid | - | - | (388,276) | (388,276) |
| **At 31 December 2017** | **-** | **-** | **158,311** | **158,311** |

The notes on pages 13 to 29 form an integral part of these financial statements.

# Notes to the Financial Statements

**for the year ended 31 December 2017**

## 1. Authorisation of financial statements and statement of compliance with FRS 101

IPM Holdings (UK) Limited is a company incorporated in the United Kingdom under the Companies Act. The Company is a private company limited by shares and is registered in England and Wales. The address of the registered office is given on page 1. The nature of the Company's operations and its principal activities are set out in the Strategic report on pages 2 and 3.

The Company is a 75% owned subsidiary of IP Karugamo Holdings (UK) Limited, a wholly owned subsidiary of its ultimate parent, ENGIE S.A.. It is included in the consolidated financial statements of ENGIE S.A. which are publicly available. Therefore, under Section 400 of the Companies Act 2006, the Company is exempt from the requirement to prepare consolidated financial statements. Consequently, these financial statements present information about the Company as an individual undertaking and not its group. The consolidated financial statements of ENGIE S.A. can be obtained as set out in note 16.

The principal accounting policies adopted by the Company are set out in note 2.

## 2. Accounting policies

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

### 2.1 Basis of Preparation

The Company meets the definition of a qualifying entity under FRS 100 (Financial Reporting Standard 100), as issued by the Financial Reporting Council. These financial statements (including prior year comparatives) have been prepared in accordance with FRS 101 (Financial Reporting Standard 101) 'Reduced Disclosure Framework', as issued by the Financial Reporting Council and in accordance with applicable accounting standards.

As permitted by FRS 101, the Company has taken advantage of disclosure exemptions from applying the following requirements under the standard in relation to:

i. IAS 1 'Presentation of Financial Statements' paragraphs 10(d), 10(f), 39(c) and 134-136;
ii. IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' paragraphs 30 and 31;
iii. IFRS 7 'Financial Instruments: Disclosures';
iv. IAS 7 'Statement of Cash Flows'; and
v. IAS 24 'Related Party Disclosures' paragraph 17 and 18A.
vi. The requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member.

# Notes to the Financial Statements

**for the year ended 31 December 2017**

## 2. Accounting policies (continued)

### 2.1 Basis of Preparation (continued)

Where required, equivalent disclosures are given in the consolidated financial statements of ENGIE S.A., which are available to the public and can be obtained as set out in note 16.

The financial statements have been prepared on the historical cost basis, except for amounts in relation to derivative financial instruments. Historical cost is generally based on the fair value of the consideration given in exchange for the assets.

The Company's financial statements are presented in Pounds Sterling, because that is the currency of the primary economic environment in which the Company operates. All values are rounded to the nearest thousand Pounds Sterling (£'000) except when otherwise indicated.

The Company's activities, together with the factors likely to affect its future development and position, are set out in the Strategic Report. The Company's Directors have a reasonable expectation that the Company will be able to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis of accounting in preparing the financial statements.

### 2.2 Critical accounting judgements and key sources of estimation uncertainty

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the Statement of financial position date and the amounts reported for revenue and expenses during the year. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant, including expectations of future events that are believed to be reasonable under the circumstances. However, the nature of estimation means that actual outcomes could differ from those estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

There are no key accounting judgements used in preparing the Company's financial statements.

### 2.3 Significant accounting policies

#### (a) Finance income

Interest income is recognised on a time-proportion basis using the effective interest method. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to its net carrying amount.

#### (b) Finance expense

Interest expense is accrued on a time-proportion basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability to that liability's net carrying amount. Interest on loan amounts used for capital expenditure are capitalised according to the nature of the capital expenditure.

# Notes to the Financial Statements

**for the year ended 31 December 2017**

## 2. Accounting policies (continued)

### 2.3 Significant accounting policies (continued)

#### (c) Taxation

Tax is recognised in the Income statement, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the Company operates and generates positive income.

#### (d) Fixed asset investments

Fixed asset investments are stated at cost less provision for any impairment. At each reporting date, the Company assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, the Company makes a formal estimate of the asset's recoverable amount (greater of fair value less costs to sell and value in use). Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. An impairment provision is reversed to the extent that the asset's recoverable amount is greater than the carrying value of the fixed asset investment.

#### (e) Loans and loan costs

All loans are initially recognised at the fair value of the consideration received net of issue costs associated with the loan. Loans are subsequently stated at amortised cost; whereby the carrying amount of the loan is increased by the finance cost incurred in respect of the accounting period and reduced by any cash payments made in the period.

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

Loan costs incurred for the construction of any qualifying assets are capitalised during the period of time that is required to complete and prepare the asset for its intended use, whereas other loan costs are expensed.

Loans are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months from the Statement of financial position date.

#### (f) Cash at bank and in hand

Cash at bank and in hand and short-term deposits in the Statement of financial position comprises cash on hand, deposits held at call with banks and short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

#### (g) 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.

# Notes to the Financial Statements

**for the year ended 31 December 2017**

## 2. Accounting policies (continued)

### 2.3 Significant accounting policies (continued)

#### (h) Financial instruments and derivatives

Financial assets and financial liabilities are recognised in the Company's Statement of financial position when the Company becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

*Financial assets*

All financial assets are recognised and derecognised on a trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL), 'held-to-maturity' investments, 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

*Effective interest method*

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL.

*Financial assets at FVTPL*

Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Company manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

# Notes to the Financial Statements

**for the year ended 31 December 2017**

## 2. Accounting policies (continued)

### 2.3 Significant accounting policies (continued)

#### (h) Financial instruments and derivatives (continued)

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed, and its performance is evaluated on a fair value basis, in accordance with the Company's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 Financial Instruments: Recognition and Measurement permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the 'other gains and losses' line item in the Income statement. Fair value is determined in the manner described in note 13.

*Impairment of financial assets*

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each Statement of financial position date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For listed and unlisted equity investments classified as AFS, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, including redeemable notes classified as AFS and finance lease receivables, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- becoming probable that the borrower will enter bankruptcy or financial re-organisation.

*Impairment of financial assets (continued)*

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the

# Notes to the Financial Statements

**for the year ended 31 December 2017**

## 2. Accounting policies (continued)

### 2.3 Significant accounting policies (continued)

#### (h) Financial instruments and derivatives (continued)

allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

*Derecognition of financial assets*

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

On derecognition of a financial asset other than in its entirety (e.g. when the Company retains an option to repurchase part of a transferred asset), the Company allocates the previous carrying amount of the financial asset between the part it continues to recognise under continuing involvement, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

*Financial liabilities*

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'.

*Financial liabilities at FVTPL*

Financial liabilities are classified as at FVTPL when the financial liability is either held for trading or it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- it has been incurred principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Company manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

# Notes to the Financial Statements

**for the year ended 31 December 2017**

## 2. Accounting policies (continued)

### 2.3 Significant accounting policies (continued)

#### (h) Financial instruments and derivatives (continued)

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed, and its performance is evaluated on a fair value basis, in accordance with the Company's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 Financial Instruments: Recognition and Measurement permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the 'other gains and losses' line item in the Income statement. Fair value is determined in the manner described in note 13.

*Other financial liabilities*

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

*Derecognition of financial liabilities*

The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire.

*Derivative financial instruments*

The Company enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risk, including foreign exchange forward contracts, interest rate swaps and cross currency swaps. Further details of derivative financial instruments are disclosed in note 13. Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each Statement of financial position date.

A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability. A derivative is presented as a current asset due after one year or a creditor due after more than one year if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

# Notes to the Financial Statements

**for the year ended 31 December 2017**

## 2.3 Significant accounting policies (continued)

### (i) Dividend income

Dividend income is recognised in the Income statement when the Company's right to receive payment is established.

### (j) Foreign currency translation

**Functional and presentation currency**

The Company's functional and presentation currency is sterling.

**Transactions and balances**

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions. At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and nonmonetary items measured at fair value are measured using the exchange rate when fair value was determined. Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Income statement except when deferred in other comprehensive income as qualifying cash flow hedges. Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Income statement within 'finance income or costs'. All other foreign exchange gains and losses are presented in the Income statement within 'other operating income'.

**Adoption of new standards**

The Company has not early adopted any standard, interpretation or amendment that has been issued but is not for an accounting period that begins on or after 1 January 2017. In the current year, the Company has applied the amendments issued by the International Accounting Standards Board that are mandatorily effective for an accounting period that begins on or after 1 January 2017. These comprise Amendments to IAS 7 Disclosure Initiative and IAS 12: Recognition of Deferred Tax assets for unrealised losses. The Company has also applied Annual Improvements to IFRSs 2014-2016 Cycle. The application of these amendments have had no material effect on the Company's financial statements.

## 3. Auditor's remuneration

| | 2017<br>£'000 | 2016<br>£'000 |
|---|---|---|
| Fees paid to the Company's auditor for the audit of the financial statements | 8 | 10 |

# Notes to the Financial Statements

**for the year ended 31 December 2017**

## 3. Auditor's remuneration (continued)

Fees payable to Deloitte LLP and their associates for the statutory audit of the Company's annual accounts amounted to £8,000 (2016: £10,000).

There were no fees payable by the Company to Deloitte LLP for non-audit services (2016: £nil).

## 4. Directors' remuneration

The Directors did not receive any fees or emoluments from the Company during the year (2016: £nil) directly attributable to their position within the Company. There exist no qualifying services from Directors attributable to the Company and Director fees are paid by other entities in their management of the group as a whole (of which £nil is applicable to this entity).

## 5. Staff costs

The Company had no employees during the current or prior year. A fellow group undertaking employs administrative and operational staff for the Company and appropriate recharges are made to the Company in accordance with the service level agreement between the parties.

## 6. Interest receivable and similar income

| | **2017** | **2016** |
|---|---|---|
| | **£'000** | **£'000** |
| Interest receivable from group undertakings | 4,872 | 8,809 |
| **Total interest income** | 4,872 | 8,809 |

## 7. Interest payable and similar expenses

| | **2017** | **2016** |
|---|---|---|
| | **£'000** | **£'000** |
| Interest paid to group undertakings | 10,544 | 19,017 |
| Other interest expense | 2,468 | 5,176 |
| **Total interest expense** | 13,012 | 24,193 |

# Notes to the Financial Statements

**for the year ended 31 December 2017**

## 8. Tax on profit

The tax credit comprises:

| | 2017 £'000 | 2016 £'000 |
|---|---|---|
| **Tax:** | | |
| UK corporation tax on (loss) / profit for the year | 4,016 | 4,083 |
| Total current income tax | 4,016 | 4,083 |
| **Deferred tax:** | | |
| Deferred tax relating to the origination and reversal of temporary differences | 11 | 39 |
| **Tax credit on (loss) / profit** | 4,027 | 4,122 |

The Company earns its profits primarily in the UK. Therefore, the tax rate used is the average standard rate for UK corporation tax, currently 19.25% (2016: 20.00%).

The tax credit for the year can be reconciled to the (loss) / profit in the Income statement as follows:

| | 2017 £'000 | 2016 £'000 |
|---|---|---|
| **(Loss) / profit before tax** | (324,752) | 39,391 |
| Multiplied by rate of corporation tax of 19.25% (2016: 20.00%) | 62,515 | (7,878) |
| Tax effect of non-deductible or non-taxable items | (58,488) | 12,000 |
| **Tax credit on (loss) / profit** | 4,027 | 4,122 |

**Factors that may affect future tax expenses**

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

Changes to the UK corporation tax rates were substantively enacted as part of the Finance Bill 2015 (on 26 October 2015) and the Finance Bill 2016 (on 7 September 2016). These include reductions to the main rate to reduce the rate to 19% from 1 April 2017 and to 17% from 1 April 2020. This will reduce the Company's tax expenses accordingly.

# Notes to the Financial Statements

**for the year ended 31 December 2017**

## 9. Fixed asset investments

The Company held the following investments in subsidiary undertakings at the Statement of financial position date:

| | Investment (at cost) £'000 | Impairment £'000 | Total NBV £'000 |
|---|---|---|---|
| **At 1 January 2017** | 1,243,708 | (51,066) | 1,192,642 |
| Acquisition | 15,235 | - | 15,235 |
| Impairment for the period | - | (1,147,154) | (1,147,154) |
| Disposals | (195,673) | | (195,673) |
| Reversal of impairment | - | 134,950 | 134,950 |
| **At 31 December 2017** | 1,063,270 | (1,063,270) | - |

On 27th June 2017, the Company acquired 100% of the ordinary share capital of Deeside Power (UK) Limited for £1 and 100% of the ordinary share capital of Saltend Cogeneration Limited and Saltend Operations Company Limited for a total consideration of £15,235,000.

On 31st October 2017, the Company entered into a share purchase agreement to sell Deeside Power (UK) Limited, Saltend Operations Company Limited, Saltend Cogeneration Company Limited and International Power IQ Limited to a third party.

On 20 December 2017, the Company sold 100% of the ordinary share capital of IPM Energy Trading Limited. The consideration was £5,000,000 and a working capital adjustment of £7,874,000 was paid by the Company on 24 January 2018.

On 20 December 2017, the Company sold 100% of the ordinary share capital of International Power Fuel Limited. The consideration was £nil and a working capital adjustment of £1,446,000 was received by the Company on 24 January 2018.

On 20 December 2017, the Company sold 100% of the ordinary share capital of Rugeley Power Limited. The consideration was £28,700,000 and a further payment of £3,689,000 was made by the Company on 17 January 2018.

**Impairments**

On 27th June 2017 the Company received dividends from IPM Energy Trading Limited and International Power IQ Limited. Immediately following receipt of the dividends an impairment test was performed and the carrying value of the investments was impaired by £77,371,000 and £6,513,000 respectively.

On 20th September 2017, the Company received a dividend from Normantrail (UK Co 3) Limited. Immediately following receipt of the dividend an impairment test was performed and the carrying value of the investment was impaired by £1,062,818,000. A further dividend was received from Normantrail (UK Co 3) Limited on 13th November 2017. The carrying value of the investment was impaired by a further £452,000.

At the 31 December 2017 the Company had the following directly held investments:

| Name of business | Nature of business | Company Number |
|---|---|---|
| Normantrail (UK Co 3) Limited (i) | Investment holding company | 05234591 |

# Notes to the Financial Statements

**for the year ended 31 December 2017**

## 9. Fixed asset investments (continued)

(i) The company was put into liquidation on 9 May 2018.

At the 31 December 2017 the Company had the following indirectly held investments:

| **Name of business** | **Nature of business** | **Company Number** |
|---|---|---|
| IPM (Borelli) Limited (i) | Research and development | 05309008 |

(i) The company was put into liquidation on 9 May 2018.

During the year the Company acquired 100% ownership and disposed of 100% ownership of the following companies, which were previously held as indirectly held subsidiaries:

| **Name of business** | **Nature of business** | **Company Number** |
|---|---|---|
| Deeside Power (UK) Limited | Electricity generating company | 08887001 |
| Saltend Operations Company Limited | Provision of payroll services | 04241615 |
| Saltend Cogeneration Company Limited | Electricity generating company | 03274929 |

At the 31 December 2016 the Company had the following directly held investments, which were all disposed of during 2017.

| **Name of business** | **Nature of business** | **Company Number** |
|---|---|---|
| International Power Fuel Company Ltd | Fuel supplies | 03867156 |
| International Power IQ Limited | Investment holding company | 05889069 |
| IPM Energy Trading Limited | Energy trading and investment holding | 02462479 |
| Rugeley Power Limited | Power generation | 04212554 |

All the above companies are incorporated and registered in England & Wales. 100% of the ordinary share capital was owned by the Company. They are all registered at Level 20, 25 Canada Square, London, E14 5LQ.

At 31 December 2017, the Directors are of the opinion that the book value of the investments are not in excess of their fair values.

# Notes to the Financial Statements

**for the year ended 31 December 2017**

## 9. Fixed asset investments (continued)

As at the 31 December 2016, the Company had investments in the following indirectly held subsidiaries. These were all disposed of during 2017 with the exception of IPM (Borelli) Limited:

| Subsidiary undertakings | Principal activity |
|---|---|
| Indian Queens Power Limited | Electricity generating company |
| Indian Queens Operations Limited | Provision of group finance |
| Rugeley Power Generation Limited | Dormant |
| Deeside Power (UK) Limited | Electricity generating company |
| FHH (Guernsey) Limited | Investment holding company |
| FHH No. 1 Limited | Investment holding company |
| IPM Marketing and Services Limited | Provision of group finance |
| First Hydro Holdings Company | Investment holding company |
| IPM Operations and Maintenance Limited | Provision of group finance |
| First Hydro Finance PLC | Provision of group finance |
| First Hydro Company | Electricity generating company |
| Saltend Operations Company Limited | Provision of payroll services |
| Saltend Cogeneration Company Limited | Electricity generating company |
| IPM Energy Limited | Investment holding company |
| IPM (Borelli) Limited | Investment holding company |

| Subsidiary undertakings | Registered office |
|---|---|
| Indian Queens Power Limited | Saltend Power Station Saltend Chemicals Park, Hedon Road, Hull, East Riding Of Yorkshire, England, HU12 8GA |
| Indian Queens Operations Limited | Saltend Power Station Saltend Chemicals Park, Hedon Road, Hull, East Riding Of Yorkshire, England, HU12 8GA |
| Rugeley Power Generation Limited | Level 20 25 Canada Square, London, United Kingdom, E14 5LQ |
| Deeside Power (UK) Limited | Saltend Power Station Saltend Chemicals Park, Hedon Road, Hull, East Riding Of Yorkshire, England, HU12 8GA |
| FHH (Guernsey) Limited | Glategney Court, PO Box 140, Glategney Esplanade, St Peter Port, GY1 1WR, Guernsey |
| FHH No. 1 Limited | Level 20 25 Canada Square, London, E14 5LQ |
| IPM Marketing and Services Limited | 30 Finsbury Square, London, EC2P 2YU |

# Notes to the Financial Statements

**for the year ended 31 December 2017**

## 9. Fixed asset investments (continued)

| Subsidiary undertakings | Address |
|---|---|
| First Hydro Holdings Company | Level 20 25 Canada Square, London, E14 5LQ |
| IPM Operations and Maintenance Limited | 30 Finsbury Square, London, EC2P 2YU |
| First Hydro Finance PLC | Level 20 25 Canada Square, London, E14 5LQ |
| First Hydro Company | Level 20 25 Canada Square, London, E14 5LQ |
| Saltend Operations Company Limited | Saltend Power Station Saltend Chemicals Park, Hedon Road, Hull, East Riding Of Yorkshire, England, HU12 8GA |
| Saltend Cogeneration Company Limited | Saltend Power Station Saltend Chemicals Park, Hedon Road, Hull, East Riding Of Yorkshire, England, HU12 8GA |
| IPM Energy Limited | Level 20 25 Canada Square, London, E14 5LQ |
| IPM (Borelli) Limited | 30 Finsbury Square, London, EC2P 2YU |

All these companies were 100% indirectly owned by IPM Holdings (UK) Limited via ordinary shares and the above companies are incorporated in England & Wales.

## 10. Debtors due within one year

| | 2017 £'000 | 2016 £'000 |
|---|---|---|
| Amounts owed by parent | 170,582 | 37,865 |
| Amounts owed by subsidiaries | - | 63,927 |
| Interest owed by group undertakings | - | 1,399 |
| Corporation tax recoverable | 2,545 | 2,813 |
| Other debtors | 288 | 341 |
| | 173,415 | 106,345 |

The ultimate controlling party is ENGIE S.A.. ENGIE S.A operates a central cash management treasury function. The Company has a £164,715,000 cash balance held within the ENGIE S.A. central treasury function (2016: £37,865,000), which is included above in amounts owed by parent. Amounts owed by group undertakings are unsecured, subject to floating rates of interest plus a margin, and repayable on demand.

## 11. Debtors due after one year

| | 2017 £'000 | 2016 £'000 |
|---|---|---|
| Amounts owed by subsidiaries | - | 77,964 |
| | - | 77,964 |

All the group undertaking debtors were repaid in full during the year.

# Notes to the Financial Statements

**for the year ended 31 December 2017**

## 12. Creditors due within one year

| | 2017 £'000 | 2016 £'000 |
|---|---|---|
| Amounts owed to parent | 9,797 | 365,562 |
| Amounts owed to subsidiaries | - | 21,766 |
| Amounts owed to related parties | 50 | 122,221 |
| Accruals | 5,257 | 136 |
| Deferred taxation | - | 11 |
| | 15,104 | 509,696 |

Loans are unsecured, subject to floating rates of interest plus a margin and repayable on demand.

## 13. Financial instruments

**Derivative financial instruments carried at fair value through profit and loss (FVTPL)**

| **Income statement** | 2017 £'000 | 2016 £'000 |
|---|---|---|
| Derivatives – foreign exchange contracts – income | - | 598 |
| Derivatives – foreign exchange contracts – expense | (57) | - |
| | (57) | 598 |

| **Statement of financial position** | 2017 £'000 | 2016 £'000 |
|---|---|---|
| Derivatives – foreign exchange contracts – assets | - | 57 |
| | - | 57 |

The Company enters into forward exchange rate contracts. The purpose of which is to manage the exchange rate risks arising from its subsidiaries' foreign currency operating risk.

Foreign currency forward contracts are measured using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts. Interest rate swaps are measured at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates.

The Company has taken advantage of the exemption under FRS 101 not to fully disclose in detail its financial derivatives because the ultimate controlling party ENGIE S.A. has disclosed all its financial instruments.

# Notes to the Financial Statements

**for the year ended 31 December 2017**

## 14. Reserves

### Share capital

| | 2017 £ | 2016 £ |
|---|---|---|
| *Called up, allotted and fully paid* | | |
| 950 ordinary class A shares of £0.001 each (2016: £1 each) | 1 | 950 |
| 50 ordinary class B shares of £0.001 each (2016: £1 each) | - | 50 |
| | 1 | 1,000 |

Both the class A and class B shares have attached to them full dividend and capital distribution rights, but the class B shares have no voting rights. On 20 September 2017 the company undertook a share capital reduction, decreasing the par value of shares to £0.001 each. During the year the Share capital was reduced by £999 and the Share premium account was reduced by £200,264,000.

### Share premium account

The share premium account represents the difference between the issue price and the nominal value of the shares issued. On 20 September 2017 the company undertook a share premium reduction of £200,264,000.

### Retained earnings

Retained earnings includes all current and prior period retained profits and losses.

### Dividends

A dividend of £388,276,000 was proposed and paid in relation to 31 December 2017 (2016: £nil).

## 15. Related party transactions

As at 31 December 2017, the Company was 75% owned by IP Karugamo Holdings (UK) Limited, a wholly owned subsidiary of International Power Ltd., and 25% owned by Mitsui Power Ventures Limited, a wholly owned subsidiary of Mitsui & Co. Limited.

During the year, the Company entered into transactions, in the ordinary course of business, with other related parties. The Company has taken advantage of the exemption under paragraph 8(k) of FRS 101 not to disclose transactions with fellow wholly owned subsidiaries

On 20 December 2017, the Company sold 100% of the ordinary share capital of IPM Energy Trading Limited to IP Karugamo Holdings (UK) Limited. The consideration was £5,000,000 and a working capital adjustment of £7,874,000 was paid by the Company on 24 January 2018.

On 20 December 2017, the Company sold 100% of the ordinary share capital of International Power Fuel Limited to IP Karugamo Holdings (UK) Limited. The consideration was £nil and a working capital adjustment of £1,446,000 was received by the Company on 24 January 2018.

# Notes to the Financial Statements

**for the year ended 31 December 2017**

### 15. Related party transactions (continued)

On 20 December 2017, the Company sold 100% of the ordinary share capital of Rugeley Power Limited to IP Karugamo Holdings (UK) Limited. The consideration was £28,700,000 and a further payment of £3,689,000 was made by the Company on 17 January 2018.

| **Interest income** | **2017** | **2016** |
|---|---|---|
| | **£'000** | **£'000** |
| Parent | 1,634 | 368 |
| Subsidiary | 2,939 | 8,441 |
| Other | 299 | - |
| | 4,872 | 8,809 |

| **Interest expense** | **2017** | **2016** |
|---|---|---|
| | **£'000** | **£'000** |
| Parent | 8,590 | 15,464 |
| Subsidiary | 1,122 | 3,364 |
| Other | 832 | 189 |
| | 10,544 | 19,017 |

Amounts owed to and from related parties are detailed in notes 10, 11 and 12.

### 16. Controlling party

The Company's immediate parent undertaking is IP Karugamo Holdings (UK) Limited, a Company registered in England and Wales, the registered address of which Level 20, 25 Canada Square, London E14 5LQ, United Kingdom.

The Directors consider the Company's ultimate parent undertaking and ultimate controlling party to be ENGIE S.A., which was incorporated in France and is headquartered in Paris, France and which is the parent undertaking of the largest and smallest group in which the results of the Company are consolidated for the year ended 31 December 2017 and the year ended 31 December 2016. The consolidated financial statements of ENGIE S.A. may be obtained from its registered office at 1 Place Samuel de Champlain, 92400 Courbevoie, Paris, France.