# IPM ENERGY TRADING LIMITED

Company No: 2462479

ANNUAL REPORT AND FINANCIAL STATEMENTS

For the year ended 31 December 2019

# IPM Energy Trading Limited
**Company Registration No. 2462479**

## Annual report and financial statements 2019

## Contents

# IPM Energy Trading Limited
**Company Registration No. 2462479**

## Company information

### Directors

| | |
|---|---|
| S Bateman | |
| A W Garner | |
| Miya Paolucci | (appointed 6 November 2019) |
| Christophe de Branche | (appointed 6 November 2019) |
| Vincent Verbeke | (appointed 14 February 2020) |
| Alexandre Geoffory | (appointed 16 April 2020) |
| Kenneth Robinson | (appointed 6 November 2019, resigned 16 April 2020) |
| Olivier Bloeyaert | (appointed 6 November 2019, resigned 10 February 2020) |
| C McGuinness | (appointed 1 January 2018, resigned 6 November 2019) |

### Company secretary

| | |
|---|---|
| A J Johnston | (appointed 16 April 2020) |
| S J Gregory | (resigned 16 April 2020) |

### Independent auditor

Ernst & Young LLP
Statutory Auditor
1 More London Place
SE1 2AF
United Kingdom

### Bankers

Barclays Bank PLC
1 Churchill Place
London
E14 5HP
United Kingdom

### Registered Office

Level 20
25 Canada Square
London
E14 5LQ
United Kingdom

# IPM Energy Trading Limited
**Company Registration No. 2462479**

## Strategic report

The Directors present their Strategic report of IPM Energy Trading Limited ("the Company") for the year ended 31 December 2019.

### Principal activities and key performance indicators

The principal activity of the Company is providing access to wholesale energy markets to ENGIE Group's UK based power stations and other subsidiaries (being "Group" companies) including First Hydro Company (power stations owned by International Power Ltd. and Brookfields Renewable UK Hydro Limited), the ENGIE Group's UK energy retail business and Storengy UK Ltd. In addition, the Company provides trading access to wholesale energy markets to third parties under trading service agreements ("Trading Service Clients") in its capacity as Principal, since it is the primary obligor in the revenue arrangements.

Company performance is monitored through the use of KPIs including Gross Profit and Operating Profit. Regular management and operational meetings are held to review performance against these KPIs and any issues are escalated to management as appropriate.

The results of the Company are as follows:

| | 2019<br>£'000 | 2018<br>£'000 |
|---|---|---|
| Gross profit | 4,412 | 3,469 |
| Operating profit | 4,046 | 3,269 |

As shown in the Profit and loss account on page 12, the Gross profit for the financial year ended 31 December 2019 of £4,412,000 (2018: £3,469,000) increased in comparison to the previous year by 27% reflecting favourable market conditions and energy commodity price movements. The Operating profit for the year ended 31st December 2019 increased to £4,046,000 (2018: £3,269,000) compared to the previous year by 24% mainly due to the increase in Gross profit.

| | 2019<br>£'000 | 2018<br>£'000 |
|---|---|---|
| Cost of sales | (7,680) | (7,051) |
| Operating costs | (366) | (200) |
| Total costs | (8,046) | (7,251) |

Cost of Sales and Operating Costs are assessed regularly, including comparatives to the previous year. Total costs increased in 2019 to £8,046,000 (2018: £7,251,000) as the Company is creating the framework for its growth plan, as explained in the Business review and future prospects. The Company shares the resources of other parts of the ENGIE Group (including office space and support functions such as IT) and is recharged a proportion of those costs. The Directors consider the proportion of costs recharged to the Company to be reasonable.

### Business review and future prospects

The Company acts as a trading company for ENGIE Group's UK based power stations, energy retail business, other subsidiaries and third parties with whom it has trading services agreements. The Company provides market access to its customers and receives fees in return for trading services provided. It operates through a series of back-to-back contracts between those entities, itself and the external energy commodities markets including markets for trading electricity, gas and carbon emissions.

# Strategic report (continued)

The Company also enters into transactions that result in a non-net neutral position to manage the electricity and gas positions of the ENGIE Group's UK retail business and other third-party customers which result in trading income for the Company.

Since joining the Global Energy Management division of the ENGIE Group in September 2019, the Company has an ambitious growth plan to become a fully-fledged origination and trading platform focussing on the UK & Ireland power and gas markets. The move to the Global Energy Management division was an internal reorganisation for the Company to promote its origination and trading activity and did not involve any changes to its ownership structure.

In addition to its new origination and trading activity, the Company expects to continue to trade in the UK energy market on behalf of ENGIE Group's UK based subsidiaries and existing third party customers with trading services agreements.

The remaining movements in the Profit and loss account are driven mainly by interest payments, interest receipts and trading costs.

The Company does not generate any of its own electricity.

### Principal risks and uncertainties

The principal risks faced by the Company include competitive pressure within the energy industry, energy price risk, credit risk and regulatory risk.

Competitive pressure in the UK electricity market is a continuing risk for the Company, with the ongoing market volatility impacting future returns. To manage this risk, the Company strives to provide value-added products to its customers by maintaining strong relationships with trading counterparties and other market participants.

Energy price risk is managed by ensuring that all hedging activity is carried out according to the Risk Management Policy approved by the Board, which has risk monitoring metrics and limits which are applied to the trading books. These include Value-at-Risk (VaR), credit limits, volume restrictions, limits on trading horizons as well as pre-approvals on tradeable products and personnel.

The Company's credit risk is attributable to amounts owed by its trading counterparties and accrued income. The risk is mitigated by regular review of the credit worthiness of its trading counterparties and through the use of collateral including cash, letters of credit and parent company guarantees.

The Company operates in an evolving European energy regulatory environment which includes regulations such as Energy Markets Infrastructure Regulation (EMIR) and Regulation on Wholesale Energy Market Integrity and Transparency (REMIT). The Company operates within applicable regulations and works with regulatory advisors within the ENGIE Group and industry to ensure it remains compliant.

Brexit and its potential impacts continue to dominate the economic and political climate in the UK. The Board remains confident that there will be no disruption to the business regardless of the outcome of the negotiations and at this time no significant risk factors have been identified. The Directors continue to monitor risk and prepare for all potential outcomes.

For the principal risks described above, reports are provided regularly to key management personnel for risk monitoring and risk management purposes.

# IPM Energy Trading Limited
**Company Registration No. 2462479**

## Strategic report (continued)

### Employees

The Company has no direct employees (2018: none). Staff are employed by International Power Ltd., IPM Energy Limited and ENGIE S.A. and their costs are re-charged to the Company.

### Future developments

The Company joined the Global Energy Management division of the ENGIE Group to foster the commercial development of the Company in the UK and Ireland gas and power markets. The Company is in the process of updating its governance policies and procedures, business plans and systems to support its growth objectives.

**By order of the Board**

**M. Paolucci**

**Director**

9th September 2020

# IPM Energy Trading Limited
**Company Registration No. 2462479**

## Directors' report

The Directors present their report and audited financial statements of IPM Energy Trading Limited for the year ended 31 December 2019.

The following information has been disclosed in the Strategic report:

- Principal activities and key performance indicators
- Business review and future prospects
- Principal risks and uncertainties
- Employees
- Future developments

### Directors

The following directors, who served during the year and subsequent to the year end, do not have any beneficial interests in the share capital of the Company requiring disclosure under the Companies Act 2006.

### Directors

| | |
|---|---|
| S Bateman | |
| A W Garner | |
| Miya Paolucci | (appointed 6 November 2019) |
| Christophe de Branche | (appointed 6 November 2019) |
| Vincent Verbeke | (appointed 14 February 2020) |
| Alexandre Geoffory | (appointed 16 April 2020) |
| Kenneth Robinson | (appointed 6 November 2019, resigned 16 April 2020) |
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### Company secretary

| | |
|---|---|
| A J Johnston | (appointed 16 April 2020) |
| S J Gregory | (resigned 16 April 2020) |

### Directors' and officers' liability insurance

During the year ended 31 December 2019, the Company's ultimate parent company, ENGIE S.A., maintained insurance for the Directors to indemnify them against certain liabilities which they may incur in their capacity as Directors or officers of the Company, including liabilities in respect of which the Company itself is unable to provide an indemnity (2018: same).

### Political donations

The Company did not make any political donations during the year (2018: £nil).

### Results and dividends

The profit after tax for the year was £2,190,000 (2018: profit of £1,126,000).

The Directors do not recommend the payment of a dividend (2018: £nil).

The profit for the year increased the shareholder's surplus to £2,283,000 for the year ended 31 December 2019 from a surplus of £93,000 for the year ended 31 December 2018.

# IPM Energy Trading Limited
**Company Registration No. 2462479**

## Directors' report (continued)

### Events after the end of the reporting period

COVID-19 has presented the Company with a rapidly changing environment within which to operate. The Company continues to follow new government guidance and regulations as well as ENGIE Group guidance where applicable. Key impacts of COVID-19 on the business include staff switching to working from home and increased cash collateral payments to and from trading counterparties as a result of increased marked price volatility due to COVID-19.

The transition to home working was well managed with staff being provided with the necessary tools and equipment to run operations from home while maintaining internal controls and remaining compliant with relevant laws and regulations.

The Company conducted stress tests on its cash balances to ensure that it had access to sufficient funds to meet its obligations in the event of significant market price movements and is satisfied that it is able to do so.

The Company continues to closely monitor the energy markets, credit exposures and cash balances as well as maintaining close contact with the ENGIE Group, employees and customers to evaluate any risks arising from COVID-19.

### Disclosure of information to the auditor

The Directors who held office at the date of approval of this Directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware, and each Director has taken all the steps that they ought to have taken as a Director to make themselves 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.

### Going concern

The Company's business activities, together with the factors likely to affect its future developments, performance and position are set out in the Strategic report. The Strategic report also considers the principal risks and uncertainties facing the Company and its policies and processes for managing these. The Directors have reviewed the Company's cash flow forecasts, including sensitivities and the impact of COVID-19 on the Company, and have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. The Company is supported by International Power Ltd by way of a Letter of Support as well as a current account agreement with an overdraft facility of £50 million with the ENGIE Group's centralized treasury management entity. Therefore, the Directors believe that it remains appropriate to prepare the financial statements on a going concern basis.

### Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be appointed and is Ernst & Young LLP.

**By order of the Board**

**M. Paolucci**
**Director**
9th September 2020

**IPM Energy Trading Limited**
**Company Registration No. 2462479**

## Statement of Directors' responsibilities

The Directors acknowledge their responsibilities for preparing the Strategic report, Directors' report and the Company's financial statements in accordance with applicable laws 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 Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 101 'Reduced Disclosure Framework' ('FRS 101').

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 apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether United Kingdom Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on a 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.

Signed on behalf of the Board of Directors of IPM Energy Trading Limited on 9th September 2020.

**M. Paolucci**
**Director**

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF IPM ENERGY TRADING LIMITED

## Opinion

We have audited the financial statements of IPM Energy Trading Limited for the year ended 31 December 2019 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of changes in equity and the related notes 1 to 15, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including FRS 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

## 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 below. 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.

## Emphasis of matter

We draw attention to Note 15 of the financial statements, which describes the economic and social disruption the company is facing as a result of COVID-19 which is impacting financial matters. Our opinion is not modified in respect of this matter.

## Conclusions relating to going concern

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

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

## Other information

The other information comprises the information included in the annual report set out on pages 4 to 9, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this 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 the other information, we are required to report that fact.

We have nothing to report in this regard.

## 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 directors' report have been prepared in accordance with applicable legal requirements.

## Matters on which we are required to report by exception

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 material misstatements in the strategic report or directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you 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.

## Responsibilities of directors

As explained more fully in the directors' responsibilities statement on page 9, 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 https://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.

Ernst & Young LLP

Lynne Counsell (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London, United Kingdom
10 September 2020

# IPM Energy Trading Limited
## Company Registration No. 2462479

# Profit and loss account
# For the year ended 31 December 2019

| | Notes | 2019 £'000 | 2018 £'000 |
|---|---|---|---|
| **Turnover** | | 12,092 | 10,520 |
| Cost of sales | | (7,680) | (7,051) |
| **Gross profit** | | 4,412 | 3,469 |
| Net operating costs | | (366) | (200) |
| **Operating profit** | | 4,046 | 3,269 |
| Interest expenses and similar charges | 3 | (1,399) | (1,472) |
| Interest earned and similar income | 4 | 109 | 139 |
| Provisions (IFRS 9) | | (52) | (16) |
| **Profit before taxation** | 2 | 2,704 | 1,920 |
| Tax charge | 6 | (514) | (794) |
| **Profit for the financial year** | | 2,190 | 1,126 |

There was no other comprehensive income attributable to the shareholders of the Company other than the profit for the financial year ended 31 December 2019 of £2,190,000 (2018: £1,126,000). Accordingly, a separate Statement of comprehensive income has not been prepared.

All results arose from continuing operations.

The notes on pages 16 to 28 form an integral part of these financial statements.

# IPM Energy Trading Limited
## Company Registration No. 2462479

# Balance sheet
## As at 31 December 2019

| | Notes | 2019<br>£'000 | 2018<br>£'000 |
|---|---|---|---|
| **Non current assets** | | | |
| Derivative assets – non current | 8 | 10,166 | 18,564 |
| **Total non current assets** | | 10,166 | 18,564 |
| **Current assets** | | | |
| Debtors: amounts falling due within one year | 7 | 58,939 | 72,971 |
| Derivative assets - current | 8 | 85,455 | 66,699 |
| Short term deposits – cash collateral | 9 | 5,300 | - |
| **Total current assets** | | 149,694 | 139,670 |
| Creditors: amounts falling due within one year | 10 | (64,893) | (73,994) |
| Derivative liabilities - current | 8 | (83,748) | (63,787) |
| Borrowings – cash collateral | 11 | - | (3,000) |
| **Total current liabilities** | | (148,641) | (140,781) |
| **Net current assets/(liabilities)** | | 1,053 | (1,111) |
| **Total assets less current liabilities** | | 11,219 | 17,453 |
| **Non current liabilities** | | | |
| Derivative liabilities – non current | 8 | (8,936) | (17,360) |
| **Total non current liabilities** | | (8,936) | (17,360) |
| **Net assets** | | 2,283 | 93 |
| **Capital and reserves** | | | |
| Called up share capital | 12 | 0 | 0 |
| Profit and loss account | | 2,283 | 93 |
| **Equity / Shareholder's surplus** | | 2,283 | 93 |

The notes on pages 16 to 28 form an integral part of these financial statements.

The financial statements were approved and authorised for issue by the Board of Directors on 9th September 2020 and signed on its behalf by

**M. Paolucci**
**Director**

# IPM Energy Trading Limited
**Company Registration No. 2462479**

## Statement of changes in equity
## For the year ended 31 December 2019

| | Share capital £'000 | Profit and loss account £'000 | Total £'000 |
|---|---|---|---|
| At 1 January 2019 | 0 | 93 | 93 |
| Dividends | - | - | - |
| Total comprehensive profit for the year | - | 2,190 | 2,190 |
| At 31 December 2019 | 0 | 2,283 | 2,283 |

| | Share capital £'000 | Profit and loss account £'000 | Total £'000 |
|---|---|---|---|
| At 1 January 2018 | 0 | (1,033) | (1,033) |
| Dividends | - | - | - |
| Total comprehensive profit for the year | - | 1,126 | 1,126 |
| At 31 December 2018 | 0 | 93 | 93 |

The notes on pages 16 to 28 form an integral part of these financial statements.

# Notes to the financial statements
# For the year ended 31 December 2019

## 1. Accounting policies

The following accounting policies have been applied consistently in the current and preceding year, in dealing with items which are considered material in relation to the Company's financial statements.

### a) Basis of preparation

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

The Company has taken advantage of the following disclosure exemptions under FRS 101:

(a) the requirements of paragraphs 45(b) and 46-52 of IFRS 2 Share based Payment, because:
  (i) the share based payment arrangement concerns the instruments of another group entity;
(b) the requirements of IFRS 7 Financial Instruments: Disclosures
(c) the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement;
(d) the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:
  (i) paragraph 79(a)(iv) of IAS 1;
(e) the requirements of paragraphs 10(d), 10(f), 38(C)-38(D), 40(A)-40(D), 111 and 134-136 of IAS 1 Presentation of Financial Statements;
(f) the requirements of IAS 7 Statement of Cash Flows;
(g) the requirements of paragraph 17 of IAS 24 Related Party Disclosures;
(h) 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;
(i) the requirements of paragraphs 134(d)-134(f) and 135(c)-135(e) of IAS 36 Impairment of Assets;
(j) the requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15 Revenue from Contracts with Customers. (Note: these exemptions are included in FRS 101 (July 2016) amendments which provides a qualifying entity these disclosure exemptions in relation to IFRS 15 when IFRS 15 is applied from 1 January 2018 or if IFRS 15 is early adopted);
(k) the requirements of paragraph 30 and 31 of IAS 8;

The financial statements have been prepared on the historical cost basis, except for the revaluation of certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for the assets.

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

These financial statements present information about the Company as an individual undertaking and not about its Group. Consolidated financial statements including the results of the group headed by this Company are prepared by the ultimate parent company, ENGIE S.A., a company registered in France. The group accounts of ENGIE S.A. are available to the public and can be obtained as set out in note 14.

# IPM Energy Trading Limited
## Company Registration No. 2462479

# Notes to the financial statements (continued)
# For the year ended 31 December 2019

### 1. Accounting policies (continued)

### a) basis of preparation (continued)

*Going concern*

The Company's business activities, together with the factors likely to affect its future developments, performance and position are set out in the Strategic report. The Strategic report also considers the principal risks and uncertainties facing the Company and its policies and processes for managing these. The Directors have reviewed the Company's cash flow forecasts, including sensitivities and the impact of COVID-19 on the Company, and have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. The Company is supported by International Power Ltd by way of a Letter of Support as well as a current account agreement with an overdraft facility of £50 million with the ENGIE Group's centralized treasury management entity. Therefore, the Directors believe that it remains appropriate to prepare the financial statements on a going concern basis.

### b) New and revised IFRS applied

During the prior year (2018), the Company applied IFRS 15 and IFRS 9 for the first time. The nature and the effect of the changes as a result of the adoption of these new standards are listed below.

• *IFRS 15 revenue from Contracts with Customers (effective date 1 January 2018)*

IFRS 15 supersedes IAS 18 Revenue and related interpretations and applies, with limited exceptions, to all revenue arising from contracts with customers. The Company has adopted IFRS 15 with the date of initial application being 1 January 2018.

The Company's revenue streams are not considered particularly complex in nature and revenue will continue to be recognised once the control of goods and services are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange of the goods provided. The adoption of this standard has not resulted in any material effect to these financial statements due to there being no differences in performance obligations, timing of recognition or measurement, and there is no restatement of the comparative information.

• *IFRS 9 Financial Instruments recognition and measurement (effective date 1 January 2018)*

IFRS 9 Financial Instruments replaces IAS 39 Financial instruments: Recognition and Measurement. The Company has applied IFRS 9 with and initial application date of 1 January 2018. The adoption of this standard has not resulted in material effect to these financial statements due to there being no difference in the timing of recognition or measurement, and there is no restatement of the comparative information.

### c) Judgements and key sources of estimation uncertainty

**Critical judgements in applying the Company's accounting policies**

There are no critical judgements that have been made in the process of applying the Company's accounting policies and that have a significant effect on the amount recognised in the financial statements.

**Key sources of estimation uncertainty**

There is some degree of estimation involved in the areas explained below:

*Fair value of Derivative Financial instruments*

Derivative financial instruments are recognised and measured in accordance with IFRS 9 Financial Instruments. The fair value of Derivative Financial instruments is calculated based on prices quoted on active markets. There is some degree of estimation in deriving these prices as explained in note 8.

# IPM Energy Trading Limited
**Company Registration No. 2462479**

# Notes to the financial statements (continued)
# For the year ended 31 December 2019

**1. Accounting policies (continued)**

**c) Judgements and key sources of estimation uncertainly (continued)**

**Key sources of estimation uncertainly (continued)**

*Provisions – IFRS 9*

The IFRS 9 provision is calculated using the Expected Credit Loss model in accordance with IFRS 9 Financial Instruments. The calculation takes into account counterparty credit ratings published by rating agencies and estimated probabilities of default giving rise to some estimation uncertainty.

**d) Turnover**

The Company buys and sells electricity, gas and carbon emissions from the market on behalf of ENGIE Group entities and Trading Service Clients. For the trades entered into on behalf of Group entities and Trading Service Clients, a back-to-back trade is entered into, resulting in the Company being in a net neutral position for those trades. The Company also enters into transactions to manage the electricity and gas positions of the ENGIE Group's UK retail business as well as third party customers which result in a non-net neutral position which is recognised on the basis of completed contracts and the mark-to-market value of outstanding contracts at the year end. These transactions result in trading income for the Company.

In addition to trading income from non-net neutral trades, the Company also earns income from trading service fees charged to Trading Service Clients and other Group entities which are recognised in accordance with IFRS 15.

Trading services fee is recognised in the accounting period when services have been performed, at an amount that reflects the consideration to which the Company expects to be entitled in exchange for fulfilling its performance obligations to its customers. Turnover is measured at the fair value of the consideration received or receivable net of value added tax and other sales taxes.

Under IFRS 9, unrealised gains and losses (changes in fair value) on energy commodity derivatives are presented on a net basis within Turnover.

**e) Foreign currencies**

Transactions in foreign currencies are translated into sterling at the exchange rate ruling at the date of the transaction unless related or matching forward foreign exchange contracts have been entered into, when the rate specified in the contract is used. At the year end, monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the Balance sheet date or, where appropriate, at the hedged contracted rate. Any gain or loss arising on the retranslation of such balances is taken to the Profit and loss account.

**f) Sales tax**

Turnover, expenses and assets are recognised net of the amount of sales tax except:

- Where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as appropriate.
- Debtors and creditors are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of debtors or creditors in the Balance sheet.

# Notes to the financial statements (continued)
# For the year ended 31 December 2019

**1. Accounting policies (continued)**

**g) Cash and cash equivalents**

Cash and cash equivalents in the Balance sheet comprise cash at bank which is subject to an insignificant risk of changes in value. The Company is part of a daily cash sweep arrangement operated under a current account agreement with ENGIE Treasury Management SARL and therefore the cash balance is nil at the Balance sheet date (2018: £nil).

**h) Interest earned and similar income**

Interest earned and similar income is related to interest earned on cash collateral paid to trading counterparties and on cash balances held by the Company with ENGIE Treasury Management SARL under the intra-group current account agreement. Interest income is accrued on a time-proportion basis, by reference to the cash balances outstanding and at the interest rate applicable according to contractual terms.

**i) Interest expenses and similar charges**

Interest expenses and similar charges is related to fees charged for Letters of Credit and Parent Company Guarantees issued on behalf of the Company and interest paid for collateral received from trading counterparties. Interest expense is accrued on a time-proportion basis, by reference to the amounts of the relevant form of cash collateral (i.e. the size of the Letters of Credit, Parent Company Guarantee issued or amount of cash collateral received from the trading counterparty), and at the interest rate applicable according to contractual terms.

**j) Taxation**

UK Corporation tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the Balance sheet date.

**k) Credit support**

The Company may place cash with its trading counterparties for collateral purposes (sometimes referred to as cash margin). If the cash collateral can be replaced by other forms of credit support such as a letter of credit, then it is classed as Short term deposits – cash collateral. If the deposit cannot be replaced by other forms of credit support, then it is classed within debtors.

The Company may receive cash from its trading counterparties for collateral purposes and is classed as Borrowings – collateral.

In addition to cash collateral, the Company also utilises Letters of Credit and Parent Company Guarantees, issued by ENGIE II, ENGIE S.A. and International Power S.A, to provide credit support to its trading counterparties.

# Notes to the financial statements (continued)
# For the year ended 31 December 2019

## 1. Accounting policies (continued)

### l) Current versus non-current classification

The Company presents assets and liabilities in the Balance sheet based on current/non-current classification.

An asset is current when it is either:

- Expected to be realised or intended to be sold in the normal operating cycle.
- Held primarily for the purpose of trading.
- Expected to be realised within 12 months after the reporting period.
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

All other assets are classified as non-current.

A liability is current when it is either:

- Expected to be settled in the normal operating cycle.
- Held primarily for the purpose of trading.
- It is due to be settled within 12 months after the reporting period.
- There is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period.

The Company classifies all other liabilities as non-current.

### m) Financial instruments

Financial instruments are recognised and measured in accordance with IAS 32 Financial Instruments: Presentation and IFRS 9: Financial Instruments.

**Financial assets**

Financial assets of the Company comprise of receivables carried at amortised cost including trade and other debtors, and financial assets measured at fair value through profit or loss, including derivative financial instruments.

Financial assets are classified at initial recognition and subsequently measured at amortised cost, fair value through other comprehensive income (FVOCI) or fair value through profit or loss (FVTPL). The classification of financial assets is determined by the contractual cash flows and where applicable the business model for managing the financial assets.

**Financial liabilities**

Financial liabilities of the Company include amounts owed to Group undertakings, trade and other creditors, borrowings and derivative financial instruments and other financial liabilities.

Financial liabilities are measured at amortised cost, unless they are required to be measured at FVTPL, such as instruments held for trading, or the Company has opted to measure them at FVTPL. Debt and trade creditors are recognised initially at fair value based on amounts exchanged, net of transaction costs, and subsequently at amortised cost. Interest expense on debt is accounted for using the effective interest method and is recognised in income.

**Financial assets at fair value through profit or loss ("FVTPL")**

The financial assets at FVTPL meet the qualification or designation criteria set out in IFRS 9. They mainly include forward commodity contracts and other derivative instruments entered into by the Company for hedging purposes. Financial assets at FVTPL are stated at fair value, with any gains or losses arising on re-measurement recognised in profit or loss. Fair value is determined in the manner described below.

## 1. Accounting policies (continued)

### m) Financial instruments (continued)

**Derivatives**

Derivative contracts are financial instruments, such as forwards and futures, utilised in connection with the Company's hedging activities. The Company uses derivative financial instruments to manage and reduce its exposure to market risks arising from fluctuations in energy prices. The use of derivative financial instruments is governed by various Group risk policies.

**Fair value measurement**

The derivative contracts are recognised at fair value on the date on which a contract is entered into and are subsequently re-measured to their fair value at each Balance sheet date. The gain or loss on subsequent fair value measurement is recognised within the Profit and loss account.

The fair value of Financial instruments is calculated based on prices quoted on active markets. If the market for a financial instrument is not active, its fair value is established using valuation techniques which include comparison with similar instruments where market observable prices exist, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants.

Gains or losses arising from changes in fair value are recognised in the Profit and loss account within Turnover in the period in which they arise.

**Offsetting**

Financial instruments measured at FVTPL are offset and the net amount reported in the Balance sheet if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis under IAS 32. This includes Financial instruments, Income accruals, Accruals for purchases and trade debtors and creditors to the extent that there is a contractual right to offset.

## 2. Profit before taxation

| | 2019<br>£'000 | 2018<br>£'000 |
|---|---|---|
| *Profit before taxation is stated after charging:* | | |
| *Auditor's remuneration* | | |
| - Audit of these financial statements | (96) | (81) |

There were no other payments made to the auditors other than for the audit of these financial statements.

## 3. Interest expenses and similar charges

| | 2019<br>£'000 | 2018<br>£'000 |
|---|---|---|
| Interest expense on loans and amounts owed to Group companies | (1,399) | (1,472) |
| | (1,399) | (1,472) |

Interest payable on loans and amounts owed to Group companies is related to fees for credit support received from other Group companies.

# IPM Energy Trading Limited
**Company Registration No. 2462479**

# Notes to the financial statements (continued)
# For the year ended 31 December 2019

## 4. Interest earned and similar income

| | 2019 £'000 | 2018 £'000 |
|---|---|---|
| Foreign exchange gain | 18 | 26 |
| Interest earned on short term deposits | 36 | 3 |
| Interest earned on amounts owed from Group undertakings | 55 | 110 |
| | 109 | 139 |

## 5. Directors' and employees' remuneration

The Directors did not receive any remuneration from the Company for their services (2018: £nil).

The Company has no direct employees (2018: none). Staff are employed by International Power Ltd., IPM Energy Limited and ENGIE S.A. and their costs are re-charged to the Company.

## 6. Taxation

### a) Analysis of tax credit / (charge)

| | 2019 £'000 | 2018 £'000 |
|---|---|---|
| UK corporation tax charge current year | (514) | (365) |
| UK corporation tax charge prior year | 0 | (429) |
| Total tax charge | (514) | (794) |

The prior year tax charge of £429,000 (in 2018) relates to additional tax charges of £449,000 arising from disallowed expenses in historical tax returns offset by a tax credit of £20,000 arising from the tax rate change from 19.25% to 19%. Both amounts have been expensed in the Profit and loss account during the year to 31 December 2018.

### b) Reconciliation of total tax charge for the year

| | 2019 £'000 | 2018 £'000 |
|---|---|---|
| The total tax charge for the year on ordinary activities varied from the standard rate of UK corporation tax as follows: | | |
| Profit before taxation | 2,704 | 1,920 |
| Corporation tax (charge) / credit at 19.00% | (514) | (365) |
| UK corporation tax – prior period | 0 | (429) |
| Total tax (charge) at 19.00% | (514) | (794) |

The standard rate of UK corporation tax for the period was 19.00% (2018: 19.00%).

# IPM Energy Trading Limited
## Company Registration No. 2462479

# Notes to the financial statements (continued)
# For the year ended 31 December 2019

### 7. Debtors: amounts falling due within one year

| | 2019 £'000 | 2018 £'000 |
|---|---|---|
| Amounts due from Group undertakings | 16,985 | 24,558 |
| Amounts due from Group – current account | 8,098 | 13,543 |
| Credit support lodged – not replaceable with cash | 559 | 1,450 |
| Income accruals – for realised external commodity trades | 33,352 | 33,437 |
| Provisions (IFRS 9 – amortisation of financial assets) | (68) | (17) |
| Interest receivable from Group undertakings | 10 | - |
| Interest receivable from external counterparties | 3 | - |
| | 58,939 | 72,971 |

The Directors consider that the carrying amount of debtors approximate their fair value.

### 8. Financial instruments

**Financial instruments held at fair value**

The year end position of the Company comprises the following classes of derivative financial asset and liabilities. The Directors consider that the carrying values (shown below) are equal to the fair values.

| | 2019 £'000 | 2018 £'000 |
|---|---|---|
| **Financial assets at fair value** | | |
| Derivative assets – current | 85,455 | 66,699 |
| Derivative assets – non current | 10,166 | 18,564 |
| | 95,621 | 85,263 |
| **Financial liabilities at fair value** | | |
| Derivative liabilities – current | (83,748) | (63,787) |
| Derivative liabilities – non current | (8,936) | (17,360) |
| | (92,684) | (81,147) |
| Net derivative financial position held at fair value through profit or loss | 2,937 | 4,116 |

**Changes in value of Financial instruments at fair value**

Profit for the year has been arrived at after (charging):

| | As at 1 January 2019 £'000 | Net (charge) £'000 | As at 31 December 2019 £'000 |
|---|---|---|---|
| Net Derivative financial position held at fair value through profit or loss | 4,116 | (1,179) | 2,937 |

| | As at 1 January 2018 £'000 | Net (charge) £'000 | As at 31 December 2018 £'000 |
|---|---|---|---|
| Net Derivative financial position held at fair value through profit or loss | 7,650 | (3,534) | 4,116 |

# Notes to the financial statements (continued)
# For the year ended 31 December 2019

## 8. Financial instruments (continued)

Financial instruments by commodity:

| | 2019 £'000 | 2018 £'000 |
|---|---|---|
| ***Financial assets at fair value – current:*** | | |
| - UK power | 56,415 | 49,049 |
| - UK gas | 27,804 | 12,876 |
| - EU allowances (carbon) | 1,236 | 4,774 |
| Financial assets at fair value - current | 85,455 | 66,699 |
| ***Financial assets at fair value – non current:*** | | |
| - UK power | 9,483 | 16,234 |
| - UK gas | 374 | 1,572 |
| - EU allowances (carbon) | 309 | 758 |
| Financial assets at fair value - non current | 10,166 | 18,564 |
| Total financial assets at fair value | 95,621 | 85,263 |
| ***Financial liabilities at fair value – current:*** | | |
| - UK power | (55,094) | (46,238) |
| - UK gas | (27,418) | (12,775) |
| - EU allowances (carbon) | (1,236) | (4,774) |
| Financial liabilities at fair value - current | (83,748) | (63,787) |
| ***Financial liabilities at fair value – non current:*** | | |
| - UK power | (8,194) | (15,086) |
| - UK gas | (433) | (1,516) |
| - EU allowances (carbon) | (309) | (758) |
| Financial liabilities at fair value - non current | (8,936) | (17,360) |
| Total financial liabilities at fair value | (92,684) | (81,147) |
| Net Derivative financial position held at fair value through profit or loss | 2,937 | 4,116 |

Financial instruments are entered into under industry standard master agreements including ISDA, EFET, GTMA and NBP type master agreements. Timing and certainty of future cash flows of the financial instruments are governed by the settlement terms and credit support provisions in the relevant master agreements.

# Notes to the financial statements (continued)
# For the year ended 31 December 2019

## 8. Financial instruments (continued)

### Hedging activities

The Company enters into a variety of derivative financial instruments to manage its exposure to market price fluctuations.

The Group's Risk Management policy has metrics and limits which are applied to the trading books such as Value-at-Risk (VaR), credit limits, volume restrictions, limits on trading horizons as well as pre-approvals on tradeable products and personnel. Reports on such risks are provided regularly to key management personnel for risk monitoring and risk management purposes.

At the Balance sheet date, the Company was a 100% indirect subsidiary of ENGIE S.A. and operates using the ENGIE Group's risk policy which is disclosed fully at its registered office at 1 Place Samuel de Champlain, 92400 Courbevoie, Paris, France.

## 9. Short term deposits – cash collateral

| | 2019<br>£'000 | 2018<br>£'000 |
|---|---|---|
| Short term deposits - credit support cash | 5,300 | - |

## 10. Creditors: amounts falling due within one year

| | 2019<br>£'000 | 2018<br>£'000 |
|---|---|---|
| Trade creditors | 3,946 | 3,593 |
| Amounts due to Group undertakings – for realised commodity trades | 7,022 | 4,791 |
| Amounts due to Group undertakings for interest | 370 | 338 |
| Accruals for purchases – for realised external commodity trades | 52,191 | 64,402 |
| Intercompany value added tax balance | 448 | 78 |
| Intercompany corporation tax balance | 916 | 792 |
| | 64,893 | 73,994 |

The Directors consider that the carrying amount of creditors approximate their fair value.

## 11. Borrowings - collateral

| | 2019<br>£'000 | 2018<br>£'000 |
|---|---|---|
| Short term deposits received for credit support | - | (3,000) |

# IPM Energy Trading Limited
## Company Registration No. 2462479

# Notes to the financial statements (continued)
## For the year ended 31 December 2019

### 12. Called up share capital

| | 2019 £ | 2018 £ |
|---|---|---|
| **Authorised** | | |
| 2,001 (2018: 2,001) Ordinary Shares of £0.0004998 each (2018: £0.0004998 each) | 1 | 1 |
| **Called up, allotted and fully paid** | | |
| 2,001 (2018: 2,001) Ordinary Shares of £0.0004998 each (2018: £0.0004998 each) | 1 | 1 |

### 13. Related party transactions

**Trading transactions**

During the year, the Company entered into the following trading transactions with related parties:

| | Amounts sold to related parties | | Amounts purchased from related parties | |
|---|---|---|---|---|
| | 2019 £'000 | 2018 £'000 | 2019 £'000 | 2018 £'000 |
| First Hydro Company | 139,927 | 227,808 | 133,749 | 219,895 |

The following amounts were outstanding at the Balance sheet date:

| | Amounts owed by related parties | | Amounts owed to related parties | |
|---|---|---|---|---|
| | 2019 £'000 | 2018 £'000 | 2019 £'000 | 2018 £'000 |
| International Power Ltd. | - | - | 1,763 | 1,951 |
| Electrabel S.A. | 2 | 206 | - | - |
| ENGIE Power Ltd | 15,338 | 20,622 | - | - |
| Storengy UK Limited | 40 | 2,345 | 1,166 | - |
| ENGIE Global Markets | 11 | - | 1,226 | 2,481 |
| First Hydro Company | 1,608 | 1,590 | 2,816 | 346 |
| ENGIE Treasury Management Sarl | 8,098 | 13,543 | - | - |
| International Power S.A. | - | - | 1 | 3 |
| ENGIE S.A. | - | - | 157 | 205 |
| ENGIE Invest International SA | - | - | 216 | 125 |

# Notes to the financial statements (continued)
# For the year ended 31 December 2019

### 13. Related party transactions (continued)

The following are the fair value of energy commodity contracts outstanding at Balance sheet date:

| | Financial instruments | |
|---|---|---|
| | **2019** | **2018** |
| | **£'000** | **£'000** |
| ENGIE Power Ltd | 44,343 | (39,797) |
| Storengy UK Limited | (6,639) | 567 |
| ENGIE Global Markets | (2,388) | 4,313 |
| First Hydro Company | (1,853) | 325 |

The company has taken advantage of the exemption granted by paragraph 8(k) of FRS 101 not to disclose transactions within the ENGIE S.A. Group of companies.

International Power Ltd. owns (indirectly) 100% of the Company and charges the company trading recharges.

Storengy UK Limited, ENGIE Global Markets, Electrabel S.A. and ENGIE Power Ltd are owned by the same ultimate parent, ENGIE S.A. and are related parties. The Company provides dispatching services relating to gas purchases and sales to Storengy UK Limited. The Company procures electricity and gas on behalf of ENGIE Power Ltd from the UK wholesale energy market. The Company trades various energy commodities with ENGIE Global Markets and Electrabel S.A. for hedging purposes.

First Hydro Company is part of a joint venture between International Power Ltd (an ENGIE Group company) who indirectly owns 75% of shares and Brookfields Renewable UK Hydro Limited who owns the remaining 25% of shares. The Company continues to trade on behalf of First Hydro Company under a trading services agreement.

The Company is provided Credit Support in the form of Parent Guarantees and Letters of Credit by ENGIE II, ENGIE S.A. and International Power S.A and pays a fee for this support.

The Company has an intra-group current account agreement and an overdraft facility with ENGIE Treasury Management Sarl for day to day cash management.

All transactions with related parties were made during the normal course of business on arm's length terms.

### 14. Controlling party and ultimate parent undertaking

The Directors consider the Company's ultimate parent undertaking and controlling party to be ENGIE S.A. which is incorporated in France and is headquartered in Paris, France, which is the parent undertaking of the largest group in which the results of the Company are consolidated for the year ended 31 December 2019 and the year ended 31 December 2018. 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. ENGIE S.A. has an indirect 100% interest in IPM Energy Trading Limited.

The immediate parent company of IPM Energy Trading Limited is IP Karugamo Holdings (UK) Limited which owns 100% of the ordinary share capital.

### 15. Subsequent events

COVID-19 has presented the Company with a rapidly changing environment within which to operate. The Company continues to follow new government guidance and regulations as well as ENGIE Group guidance where applicable. Key impacts of COVID-19 on the business include staff switching to working from home and increased cash collateral payments to and from trading counterparties as a result of increased marked price volatility due to COVID-19.

The transition to home working was well managed with staff being provided with the necessary tools and equipment to run operations from home while maintaining internal controls and remaining compliant with relevant laws and regulations.

The Company conducted stress tests on its cash balances to ensure that it had access to sufficient funds to meet its obligations in the event of significant market price movements and is satisfied that it is able to do so.

The Company continues to closely monitor the energy markets, credit exposures and cash balances as well as maintaining close contact with the ENGIE Group, employees and customers to evaluate any risks arising from COVID-19.

There were no other events subsequent to 31 December 2019 that would materially affect these financial statements.