Strategic Report, Directors' Report and

Financial Statements

for the Year Ended 31 December 2019

for

Storengy UK Limited

Contents of the Financial Statements
for the year ended 31 December 2019

Storengy UK Limited

Company Information
for the year ended 31 December 2019

DIRECTORS:	Ms R Castillon Ms C M Gras Mr B Watts Mr A J G Berthet Mr M T Gibson
SECRETARY:	Ms Z Zhao
REGISTERED OFFICE:	Stublach Site King Street Northwich Cheshire CW9 7SE
REGISTERED NUMBER:	06311795 (England and Wales)
AUDITORS:	CONSTANTIN 25 Hosier Lane London EC1A 9LQ

Storengy UK Limited

Strategic Report
for the year ended 31 December 2019

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

PRINCIPAL ACTIVITIES OF THE COMPANY

The principal activity of the Company is to develop and operate gas storage facilities within the United Kingdom, with the current emphasis on the construction and operation of the Stublach Gas Storage facility situated in Cheshire. This facility becomes operational in phases between 2014 and 2019, providing storage capacity in 20 salt caverns. Trading commenced on 1 September 2014 with 20 caverns operationally available as at 31 December 2019. On 1st May 2018, the Company successfully began the de-brining campaign, injecting the first gas into 5 new caverns, with all caverns being brought into service early 2019.

The main characteristics of the facility will be:

Production wells	20
Working gas	Approximately 400 Mm3

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

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

PRINCIPAL RISKS AND UNCERTAINTIES FACING THE COMPANY

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

- The Company's trading activities are subject to fluctuations in demand for gas storage and market prices for storage products, both of which link to the conditions of the gas market which is inherently unpredictable. To reduce the risk the Commercial Department actively manage the commercial strategy of the company in terms of securing the best portfolio of customer contracts given the market conditions.

- The Company recorded an impairment in 2014 as a result of changes in Business Rates following a reassessment of the Rateable Value. Business Rates represent a significant cost to the Company and future decisions over the Rateable Value, the frequency of valuations, and the associated Transitional Relief schemes will have a significant impact over the Company's future profitability.

- The ongoing negotiations between the UK and the EU in the Brexit context may have implications on Storengy UK. The company will monitor the outcome of the negotiations during 2020.

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

- In July 2018, for the purpose of a group reorganisation, the shares of the Company have been transferred from its parent company Storengy International to Storengy SAS. The ultimate parent company remains Engie SA.

- In September 2018, the Company entered into a 5-year loan facility arrangement with the Group to fund the remaining project development. The Company has a close working relationship with the Group on the progress of the project in order to ensure that future funding remains available to continue the development.

- In April 2020 the Company carried out a Covid-19 risk assessment review. There was no material commercial and financial impact identified. Annual equipment maintenance is delayed by 3 months to be carried out in September 2020, which has minimum impact to safe operation and meeting customers' nominations.

Strategic Report
for the year ended 31 December 2019

BUSINESS REVIEW

Development and performance of the Company's business during the year
The results for the year ended 31 December 2019 are shown in the Statement of comprehensive income on page 9.

The profit for the period after taxation was £10,689,000 (2018: £7,432,000).

The Company's operating profit was £8,891,000 (2018: £6,699,000).

The Company continued to develop the site during the year, with construction activities linked to phase 2. The investment in property, plant and equipment made in 2019 was £25,627,000 (2018: £45,905,000).

The business experienced continuous growth in 2019 with additional 5 caverns became operationally available. The gross profit position remains significantly impacted by business rates, for which the annual charge in 2019 was £5,268,000 (2018: £5,069,000). Whilst the Rateable Value set for business rates from 1 April 2018 has been reduced by circa 59%, this is still seen to not reflect current market conditions. Furthermore the transitional relief scheme implemented in 2017 restricted this decrease to minimal reductions each year. The Company continues to engage with the Government and the Valuation Office Agency to try to address this tax which is currently significantly disproportionate to the profitability of the business.

Position at the end of the year
The Company's assets were £247,324,000 as at 31 December 2019 (2018: £210,249,000). Given the Company's development status the Company will continue to be supported by Storengy SA, its intermediate parent company, to meet its liabilities during the development phase.

Total equity as at 31 December 2019 is £184,960,000 (2018: £174,271,000).

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

	2019	2018	Variance	%
Capital expenditure (£'000)	27,688	50,160	(22,472)	(44.8.)
EBITDA (£'000)	14,381	10,468	3,913	37.4
Caverns commercialised & de-brined	20	15	-	-
Capacity commercialised	100%	100%	-	-

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

Capital Expenditure was in line with the Board's expectations based on the planned work on the project in 2019. The Directors consider the result of the year as acceptable given the market conditions and disproportionate level of business rates. The Directors are confident that the prospects of the Company remain good.

The directors are aware of their duty under Section 172 of the Companies Act 2006 to act in the way which they consider, in good faith, would be most likely to promote the success of the company for the benefit of its shareholders and other stakeholders. In doing so the directors consider (amongst other matters):

- the likely consequences of any decision in the long term;
- the interests of the company's employees;
- the need to foster the company's business relationships with supplier, customers and others;
- the impact of the company's operations on the community and the environment;
- the desirability of the company maintaining a reputation for high standards of business conduct, and
- the need to act fairly as between members of the company.

BY ORDER OF THE BOARD:

....

Mr M T Gibson - Director

Date: 03/08/2020

Storengy UK Limited

**Directors' Report
for the year ended 31 December 2019**

The directors present their report with the financial statements of the Company for the year ended 31 December 2019.

These financial statements are presented in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU).

DIVIDENDS
The directors would like to declare £10,689,000 dividend payment to its shareholder to Storengy SAS.

DIRECTORS
The directors shown below have held office during the whole of the period from 1 January 2019 to the date of this report.

Ms R Castillon
Ms C M Gras
Mr B Watts

Other changes in directors holding office are as follows:

Ms N Nicoli - resigned 10 September 2019
Ms C Previeu - resigned 30 April 2019
Mr A J G Berthet - appointed 10 September 2019
Mr M T Gibson - appointed 1 May 2019

STRATEGIC DECISION MAKING
All strategic decisions are made in conjunction with Storengy UK Board members to ensure that they are aligned to and in the interest of the organisation, its shareholders, employees and customers of the company.

STAKEHOLDER MANAGEMENT
The company operates with a high degree of integrity in all its dealings with clients, prospective clients, customers and suppliers. This is monitored through various processes that are reported on regularly by the companies Ethics Officer.
The organisation ensures transparent conduct with its employees and stakeholders (including customers, clients and suppliers), and this is one of its governing principles. This is demonstrated through the long length of service by its employees and repeat business from its customers.

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

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

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

RESPONSIBLE BUSINESS
The Company is committed to reducing its impact on the environment. As part of this commitment the company is actively seeking new ways to reduce its carbon footprint, through various activities. The organisation is also focused on supporting its local communities and in 2019 it joined several initiatives aimed at local schools, focused on its charity partner for the year and took on its first apprentice. The Community fund was launched in April 2008 to demonstrate our commitment to the environment and local communities, this has continued through 2019.

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

DIRECTORS' STATEMENTS TO DISCLOSURE OF INFORMATION TO THE AUDITORS
As at the date of this report, as far as each director is aware, there is no relevant audit information (information needed by the company's auditors in connection with preparing their report) of which the Company's auditors are unaware, and each director has taken such steps as he or she should have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

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

AUDITORS
The auditors, CONSTANTIN, will be proposed for re-appointment at the forthcoming Annual General Meeting.

BY ORDER OF THE BOARD:

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Mr M T Gibson - Director

Date: 03/08/2020

Statement of Directors' Responsibilities for the year ended 31 December 2019

The directors are responsible for preparing the Strategic Report, the Directors' 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 International Financial Reporting Standards as adopted by the European Union. 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 that the financial statements comply with IFRS;
- 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.

Report of the Independent Auditors to the Members of Storengy UK Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Storengy UK Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31/12/2019 and of its profit for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the statement of comprehensive income;
- the statement of financial position;
- the statement of changes in equity;
- the statement of cash flow;
- the statement of accounting policies; and
- the related notes 1 to 24.

The financial reporting framework that has been applied in their preparation is applicable law and IFRSs as adopted by the European Union.

Basis for opinion

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

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the 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.

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 FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

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.

P. Smith

Peter Smith (Senior statutory auditor)

For and on behalf of Constantin

25 Hosier Lane
London
EC1A 9LQ

Date: 3 August 2020

Storengy UK Limited

Statement of Comprehensive Income for the year ended 31 December 2019

	Notes	2019 £'000	2018 £'000
CONTINUING OPERATIONS			
Revenue		139,766	233,916
Cost of sales		(129,066)	(224,682)
GROSS PROFIT		10,700	9,234
Other operating income		411	-
Gain/loss on revaluation of assets		(50)	-
Administrative expenses		(2,170)	(2,535)
OPERATING PROFIT		8,891	6,699
Finance costs	5	(483)	(546)
Finance income	5	581	148
PROFIT BEFORE INCOME TAX	6	8,989	6,301
Income tax	7	1,700	1,131
PROFIT FOR THE YEAR		10,689	7,432
Other comprehensive income		-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		10,689	7,432

The notes form part of these financial statements

Storengy UK Limited (Registered number: 06311795)

Statement of Financial Position
31 December 2019

	Notes	2019 £'000	2018 £'000
ASSETS			
NON-CURRENT ASSETS			
Owned			
Property, plant and equipment	9	183,796	163,403
Right-of-use			
Intangible assets	8	6,601	6,881
Property, plant and equipment	9	25	-
Deferred tax	19	1,700	-
		192,122	170,284
CURRENT ASSETS			
Inventories	10	8,839	17,199
Trade and other receivables	11	23,229	15,579
Tax receivable		1,162	1,162
Cash and cash equivalents	12	21,972	8,525
		55,202	42,465
TOTAL ASSETS		247,324	212,749
EQUITY			
SHAREHOLDERS' EQUITY			
Called up share capital	13	139,269	139,269
Retained earnings	14	45,691	35,002
TOTAL EQUITY		184,960	174,271
LIABILITIES			
NON-CURRENT LIABILITIES			
Financial liabilities - borrowings			
Interest bearing loans and borrowings	16	34,176	8,856
CURRENT LIABILITIES			
Trade and other payables	15	23,636	24,676
Financial liabilities - borrowings			
Interest bearing loans and borrowings	16	3,292	2,660
Provisions	18	1,260	2,286
		28,188	29,622
TOTAL LIABILITIES		62,364	38,478
TOTAL EQUITY AND LIABILITIES		247,324	212,749

The financial statements were approved by the Board of Directors and were signed on its behalf by:

....
Mr M T Gibson - Director

Date: 03/08/2020

The notes form part of these financial statements

Storengy UK Limited

Statement of Changes in Equity
for the year ended 31 December 2019

	Called up share capital £'000	Retained earnings £'000	Total equity £'000
Balance at 1 January 2018	139,269	27,570	166,839
Changes in equity			
Profit for the year	-	7,432	7,432
Total comprehensive income	-	7,432	7,432
Total transactions with owners, recognised directly in equity	-	-	-
Balance at 31 December 2018	139,269	35,002	174,271
Changes in equity			
Profit for the year	-	10,689	10,689
Total comprehensive income	-	10,689	10,689
Total transactions with owners, recognised directly in equity	-	-	-
Balance at 31 December 2019	139,269	45,691	184,960

The notes form part of these financial statements

Storengy UK Limited

Statement of Cash Flows
for the year ended 31 December 2019

	Notes	2019 £'000	2018 £'000
Cash flows from operating activities			
Cash generated from operations	1	13,075	5,413
Interest paid net of bank charges and revaluations		(67)	(10)
Tax paid		-	716
Net cash from operating activities		13,008	6,119
Cash flows from investing activities			
Purchase of tangible fixed assets		(25,627)	(45,905)
Rent payment for intangible rights		-	(38,000)
Interest received		104	148
Net cash from investing activities		(25,523)	(83,757)
Cash flows from financing activities			
New loans from other group companies		26,000	4,000
Payment of lease liabilities		(150)	(160)
Net cash from financing activities		25,850	3,840
Increase/(decrease) in cash and cash equivalents		13,335	(73,798)
Cash and cash equivalents at beginning of year	2	6,025	79,822
Cash and cash equivalents net of amounts due to other group companies under cash pooling at end of year	2	19,360	6,025

The notes form part of these financial statements

Notes to the Statement of Cash Flows
for the year ended 31 December 2019

1. RECONCILIATION OF PROFIT BEFORE INCOME TAX TO CASH GENERATED FROM OPERATIONS

	2019 £'000	2018 £'000
Profit before income tax	8,989	6,301
Depreciation charges	5,489	3,773
Loss on revaluation of fixed assets	50	-
Decrease in provision	(1,026)	1,152
Finance costs	483	546
Finance income	(581)	(148)
	13,404	11,624
Decrease/(increase) in inventories	8,360	(3,236)
(Increase)/decrease in trade and other receivables	(7,650)	19,134
Decrease in trade and other payables	(1,039)	(22,109)
Cash generated from operations	13,075	5,413

2. CASH AND CASH EQUIVALENTS

Since 2012 the Company has been included in a Group cash pooling arrangement.

	2019 £'000	2018 £'000
Cash and cash equivalents	21,972	8,525
Amounts due to other group companies under cash pooling	(2,612)	(2,500)
	19,360	6,025

1. AUTHORISATION OF FINANCIAL STATEMENTS AND STATEMENT OF COMPLIANCE WITH IFRS

The financial statements of Storengy UK Limited (the 'Company'), prepared for the year to 31 December 2019, were authorised for issue by the board of the Directors on 23 June 2020 and the statement of financial position was signed on the Board's behalf by Mr Michael Gibson. Storengy UK Limited is a private limited company incorporated and domiciled in England & Wales.

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

2. ACCOUNTING POLICIES

Basis of preparation
These financial statements have been prepared under the historical cost convention (except for derivative financial instruments which have been measured at fair value). The accounting policies which follow set out the policies which apply in preparing the financial statements for the year ended 31 December 2019.

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

Going concern
The Company remains dependent on financial support being made available by Group companies to enable it to continue in operational existence and to meet its debts as they fall due. The Company's equity position remains positive, standing at £184,960,000 at the end of 2019. The Group is presented regular financial information on the development of the Stublach site as well as the medium term business plan, and has indicated its continued support for the Company. The Directors have considered the forecasts of the Company included in its medium term business plan and the indication of financial support received from the Group, and believe it is therefore appropriate to prepare financial statements on a going concern basis.

New and amended standards adopted by the company
IFRS 16 'Leases' replaced IAS 17 'Leases' and sets out the principles for the recognition, measurement, presentation and disclosure of leases and has been applied from 1 January 2019. Under IFRS 16 the main difference for the company was that certain leases that the company holds as a lessee are recognised on the balance sheet, as both a right-of-use asset and a largely offsetting lease liability. Low value and short term leases were excluded from these calculations under the practical expedients allowed in the standard. The right-of-use asset is depreciated in accordance with IAS 16 'Property, Plant and Equipment' and the liability is increased for the accumulation of interest and reduced by cash lease payments. There is no impact on cashflow.

Within the income statement the company recognises a depreciation charge and an interest charge instead of a straight-line operating cost. This changes the timing of cost recognition on the lease, resulting in extra cost in early years of the lease, and reduced cost towards the end of the lease.

The standard has been adopted using the modified retrospective approach, under which a right-of-use asset with a value of £30,000 was recognised together with a corresponding financial liability of the same amount on acquisition. Further details can be found in note 17.

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2019 reporting periods and have not been early adopted by the company. These standards are not expected to have a material impact on the company in the current or future reporting periods and on foreseeable future transactions and hence have not been listed.

Revenue recognition
To determine whether to recognise revenue, the Company follows a 5-step process as follows:

1. Identifying the contract with a customer
2. Identifying the performance obligations
3. Determining the transaction price
4. Allocating the transaction price to the performance obligations
5. Recognising revenue when / as performance obligation(s) are satisfied

Revenue is measured at transaction price, stated net of VAT and other sales related taxes.

Revenue is recognised each month as the Company satisfies performance obligations by transferring the promised services to its customers, based on 1/12 of the annual contract value. The transaction price is set out in the contract and is fixed in p/th. It is recognised as the activity takes place over time.

continued...

2. **ACCOUNTING POLICIES - continued**

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

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

Plant & machinery	-	over the shorter of the individual asset life and the estimated remaining life of the storage plant (3 - 24 years)
Computer equipment	-	3 years to 5 years

No depreciation is provided on assets under construction.

Property, plant and equipment also includes capitalised borrowing costs where these are attributable to assets being constructed until the time of being available for use.

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

Taxation
Current taxes are based on the results shown in the financial statements and are calculated according to local tax rules, using tax rates enacted or substantially enacted by the statement of financial position date.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax and laws that are enacted or substantively enacted by the year end date.
The Company is part of the ENGIE tax group in the United Kingdom, under which tax losses may be surrendered between companies under UK tax legislation. It is the policy of the Group that the company surrendering the losses is paid for the use of the losses based on the prevailing tax rate of the applicable year.

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

- where the temporary difference arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss;

- deferred income tax assets are recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carried forward tax credits or tax losses can be utilised:

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

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

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the statement of financial position date.

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

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

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

2. **ACCOUNTING POLICIES - continued**

Employee benefit costs
The company operates a defined contribution pension scheme. Contributions payable to the company's pension scheme are charged to the income statement in the period to which they relate.

Financial instruments
Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle basis, or to realise the assets and settle the liabilities simultaneously.

Leases

Leases are recognised as finance leases. The lease liability is initially recognised at the present value of the lease payments which have not yet been made and subsequently measured under the amortised cost method. The initial cost of the right-of-use asset comprises the amount of the initial measurement of the lease liability, lease payments made prior to the lease commencement date, initial direct costs and the estimated costs of removing or dismantling the underlying asset per the conditions of the contract.

Where ownership of the right-of-use asset transfers to the lessee at the end of the lease term, the right-of-use asset is depreciated over the asset's remaining useful life. If ownership of the right-of-use asset does not transfer to the lessee at the end of the lease term, depreciation is charged over the shorter of the useful life of the right-of-use asset and the lease term.

3. **SIGNIFICANT ACCOUNTING JUDGEMENT AND ESTIMATES**

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

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

Provisions
A provision is recognised when the Company has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, expected future cash flows are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability.
Where the Company expects some or all of a provision to be reimbursed, for example under an insurance policy, the reimbursement is recognised as a separate asset but only when recovery is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement. Where discounting is used, the increase in the provision due to unwinding the discount is recognised as a finance cost.

4. EMPLOYEES AND DIRECTORS

	2019 £'000	2018 £'000
Wages and salaries	2,385	2,616
Social security costs	267	243
Other pension costs	212	148
	2,864	3,007

The average number of employees during the year was as follows:

	2019	2018
Operational	34	31
Technical and support	13	13
	47	44

Of the above employee costs, £582,000 (2018: £531,000) has been capitalised as project cost with the remaining £2,282,000 (2018: £2,476,000) charged to the Statement of Comprehensive Income.

	2019 £000	2018 £000
Director's remuneration	84	200

5. NET FINANCE INCOME

	2019 £'000	2018 £'000
Finance income:		
Deposit account interest	104	148
Foreign Exchange net gains	477	-
	581	148
Finance costs:		
Bank interest	10	2
Bank loan interest	529	77
Capitalised interest	(323)	(34)
Loan guarantee costs	(1)	2
Finance lease interest	268	276
Foreign exchange net losses	-	223
	483	546
Net finance income / (costs)	98	(398)

6. PROFIT BEFORE INCOME TAX

	2019 £'000	2018 £'000
Operating Lease charges	37	103
Depreciation - owned assets	5,204	3,493
Depreciation of right-of-use asset	5	-
Patents and licences amortisation	280	280
Auditors remuneration	22	22

continued...

7. INCOME TAX

Analysis of tax income

	2019 £'000	2018 £'000
Current tax	-	(1,131)
Deferred tax	(1,700)	-
Total tax income in statement of comprehensive income	(1,700)	(1,131)

Factors affecting the tax expense

The tax assessed for the year is lower (2018 - lower) than the standard rate of corporation tax in the UK. The difference is explained below:

	2019 £000	2018 £000
Profit before income tax	8,989	6,301
Profit/(loss) multiplied by the standard rate of corporation tax in the UK of 19% (2018 - 19%)	1,708	1,197
Effects of:		
Tax effect of non-deductible or non-taxable items	-	-
Change in recognised temporary deductible differences	-	-
Reversal of deferred tax not recognised	(4,398)	(1,861)
Group losses surrendered	-	(1,131)
Depreciation and impairment	990	664
Tax income	(1,700)	(1,131)

Out of a potential deferred tax asset of £37,085,000 (2018: £37,296,000) relating to tax losses carried forward, fixed asset timing differences and other short-term timing differences an amount of £1,700,000 has been recognised after a review of the company's future projected profitability. The remaining asset of £35,385,000 has not been recognised as required by the accounting standard as there is uncertainty about its recoverability.

Changes to the UK corporation tax rates were substantively enacted as part of Finance Bill 2015 (on 26 October 2015) and Finance Bill 2016 (on 7 September 2016). These included reductions to the main rate to reduce the rate to 19% from 1 April 2017.

continued...

8. INTANGIBLE ASSETS

	Patents and licences £'000
COST	
At 1 January 2019	
and 31 December 2019	83,423
AMORTISATION	
At 1 January 2019	76,542
Amortisation for year	280
At 31 December 2019	76,822
NET BOOK VALUE	
At 31 December 2019	6,601

	Patents and licences £'000
COST	
At 1 January 2018	
and 31 December 2018	83,423
AMORTISATION	
At 1 January 2018	76,262
Amortisation for year	280
At 31 December 2018	76,542
NET BOOK VALUE	
At 31 December 2018	6,881

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

9. PROPERTY, PLANT AND EQUIPMENT

	ROU asset £'000	Assets in course of construction £'000	Plant and machinery £'000	Computer equipment £'000	Totals £'000
COST					
At 1 January 2019		70,752	369,546	1,308	441,606
Additions	30	25,472	46	79	25,627
Reclassification/transfer		(63,740)	63,405	335	-
At 31 December 2019	30	32,484	432,997	1,722	467,233
DEPRECIATION					
At 1 January 2019		21,055	256,023	1,125	278,203
Charge for year	5	-	4,903	301	5,209
Reclassification/transfer		(19,459)	19,459	-	-
At 31 December 2019	5	1,596	280,385	1,426	283,412
NET BOOK VALUE					
At 31 December 2019	25	30,888	152,613	296	183,821

continued...

9. **PROPERTY, PLANT AND EQUIPMENT - continued**

	Assets in course of construction £'000	Plant and machinery £'000	Computer equipment £'000	Totals £'000
COST				
At 1 January 2018	92,060	302,565	1,076	395,701
Additions	45,536	137	232	45,905
Reclassification/transfer	(66,844)	66,844	-	-
At 31 December 2018	70,752	369,546	1,308	441,606
DEPRECIATION				
At 1 January 2018	49,230	224,604	876	274,710
Charge for year	-	3,244	249	3,493
Reclassification/transfer	(28,175)	28,175	-	-
At 31 December 2018	21,055	256,023	1,125	278,203
NET BOOK VALUE				
At 31 December 2018	49,697	113,523	183	163,403

Leased plant and machinery
The Company holds £5,186,000 (2018: £5,186,000) of assets under finance lease arrangements. As at the year end the net book value of such assets is £2,509,000 (2018: £2,651,000).

Property, plant and equipment under construction
During the year £25,627,000 of capital expenditure has been made on assets in the course of construction relating to the Stublach project. The amount of borrowing costs capitalised and included in the current year additions was £322,878 (2018: £33,904) with a capitalisation rate of 3.43%. No depreciation has been charged against the assets under construction in the financial year.

10. **INVENTORIES**

	2019 £'000	2018 £'000
Stock of gas	8,839	17,199

11. **TRADE AND OTHER RECEIVABLES**

	2019 £'000	2018 £'000
Current:		
Trade receivables	1,627	47
VAT	-	358
Accrued income	20,075	14,068
Prepayments and other debtors	1,527	1,106
	23,229	15,579

12. **CASH AND CASH EQUIVALENTS**

	2019 £'000	2018 £'000
Bank accounts	19,360	6,025

continued...

13. CALLED UP SHARE CAPITAL

Allotted, issued and fully paid:

Number:	Class:	Nominal value:	2019 £'000	2018 £'000
232,115,558	Ordinary	0.6	139,269	139,269

14. RESERVES

	Retained earnings £'000
At 1 January 2019	35,002
Profit for the year	10,689
At 31 December 2019	45,691

15. TRADE AND OTHER PAYABLES

	2019 £'000	2018 £'000
Current:		
Trade payables	678	998
Social security & other taxes	337	178
Accruals & deferred income	22,457	23,500
VAT	164	-
	23,636	24,676

16. FINANCIAL LIABILITIES - BORROWINGS

	2019 £'000	2018 £'000
Current:		
Amounts due to other group companies	2,869	2,500
Leases (see note 17)	423	160
	3,292	2,660
Non-current:		
Intercompany loans	30,000	4,000
Leases (see note 17)	4,175	4,856
	34,175	8,856

continued...

16. **FINANCIAL LIABILITIES – BORROWINGS - continued**

Terms and debt repayment schedule

	1 year or less £'000	1-2 years £'000	2-5 years £'000	More than 5 years £'000	Totals £'000
Amounts due to other group companies	2,869		30,000		32,869
Leases	423	421	1,232	2,522	4,598
	3,292	421	31,232	2,522	37,467

In September 2018, the Company entered into a 5 year credit facility arrangement with another group company, Engie C.C, with interest accruing at LIBOR +2.54% margin and the principal borrowing and accrued interest to be repaid in full by 31 December 2023.

17. **LEASING**

Lease liabilities

Minimum lease payments fall due as follows:

	2019 £'000	2018 £'000
Gross obligations repayable:		
Within one year	423	160
Between one and five years	1,653	-
In more than five years	2,522	4,856
	4,598	5,016
Net obligations repayable:		
Within one year	423	160
Between one and five years	1,653	-
In more than five years	2,522	4,856
	4,598	5,016

The Company chose the "grandfathering clause" permitted under IFRS 16 Lease which came into effect from January 1, 2019 and did not reassess the lease contract.

continued...

18. PROVISIONS

	2019 £'000	2018 £'000
Other provisions	1,260	
Onerous contracts	-	2,141
	1,260	2,286

Analysed as follows:		
Current	1,260	2,286

	Onerous contracts £'000s	Other provisions £'000s	Total £'000s
As at 1 January 2018	1,134	-	**1,134**
Payments	-	-	**-**
Creation	1,007	145	**1,152**
Reclassification to current financial liabilities	-	-	
Utilisation	-	-	
As at 31 December 2018	2,141	145	**2,286**
Utilisation	(2,141)	(145)	**(2,286)**
Creation		1,260	1,260
As at 31 December 2019	0	**1,260**	**1,260**

The other provisions relate to claims from suppliers to the Company as of the reporting date.

19. DEFERRED TAX

	2019 £'000	2018 £'000
Movement in deferred tax	1,700	-
Balance at 31 December	1,700	-

Out of a potential deferred tax asset of £37,085,000 (2018: £37,296,000) relating to tax losses carried forward, fixed asset timing differences and other short-term timing differences an amount of £1,700,000 has been recognised after a review of the company's future projected profitability. The remaining asset of £35,385,000 has not been recognised as required by the accounting standard as there is uncertainty about its recoverability.

20. NEW ACCOUNTING STANDARDS

The company has adopted IFRS 16, "Leases" with effect from 1 January 2019. The standard has been adopted and, under which a right-of-use asset with a value of £24,734 was recognised together with a corresponding financial liability of the same amount at the dates of acquisition during 2019. Prior year comparative amounts have not been restated.

continued...

21. FINANCIAL INSTRUMENTS

a) Fair value of financial instruments

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

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

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

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

	Carrying amount 2019 £'000s	Carrying amount 2018 £'000s
Trade receivables	1,627	47
Trade payables	(678)	(1,652)
Finance lease	(4,598)	(5,016)
Amounts due to other group companies	(32,870)	(6,500)
Total financial instruments	(36,519)	(13,621)

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

b) Credit risk

Credit risk is considered to be that associated with amounts due from other group companies and the recovery of recharged costs / refunds from third parties, as well as the amounts due from customers. The carrying amount of financial assets represents the maximum credit exposure and therefore is equal to the total carrying amount of the financial assets shown in the table above, being £1,627,000. The amounts due from other group companies are not considered to represent a significant credit risk by the Directors.

c) Liquidity risk

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

2019	Carrying amount £'000s	Contractual cash flows £'000s	1 year or less £'000s	1 to 2 years £'000s	2 to 5 years £'000s	More than 5 years £'000s
Trade payables	678	678	678	-	-	-
Finance lease	4,598	4,598	423	421	1,232	2,522
Amounts due to other companies	32,612	32,612	2,612	-	30,000	-
	37,888	37,888	3,713	421	31,232	2,522

continued...

21. FINANCIAL INSTRUMENTS - continued

2018

	Carrying amount £'000s	Contractual cash flows £'000s	1 year or less £'000s	1 to 2 years £'000s	2 to 5 years £'000s	More than 5 years £'000s
Trade payables	1,652	1,652	1,652	-	-	-
Finance lease	5,016	5,016	160	168	562	4,126
Amounts due to other companies	6,500	6,500	2,500	-	4,000	-
	13,168	13,168	4,312	168	4,562	4,126

d) Market risk

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

Analysis of financial assets and liabilities by currency:

2019	**Sterling £'000s**	**Euro £'000s**	**USD £'000s**	**Total £'000s**
Other receivables	-	-	-	-
Trade receivables	1,627	-	-	1,627
Trade payables	(725)	29	18	(678)
Finance lease	(25)	(4,573)	-	(4,598)
Amounts due to immediate parent company	-	(2,483)	(129)	(2,612)
Amounts due to other companies	(30,258)	-	-	(30,258)
	(29,381)	(7,027)	(111)	(36,519)

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

	Equity		**Profit or loss**	
	2019	2018	**2019**	2018
	£000s	£000s	**£000s**	£000s
Change in €	639	745	639	745
Change in $	10	30	10	30

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

	Equity		**Profit or loss**	
	2019	2018	**2019**	2018
	£000s	£000s	**£000s**	£000s
Change in €	(703)	(819)	(703)	(819)
Change in $	(11)	(33)	(11)	(33)

continued...

e) Capital management

The primary objective of the Company's capital management is to ensure that it maintains healthy capital ratios in order to support its business, working in conjunction with the Group who continue to provide support to the Company during its current development phase. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2019 and 31 December 2018.

22. EXPENDITURE COMMITMENTS

CAPITAL:
At 31 December 2019 the Company was committed to certain future capital expenditure. These contracts are due to be settled as follows.

	2019 £'000
Within 1 year	2,951

23. RELATED PARTY TRANSACTIONS

The Company's immediate parent undertaking is Storengy SAS a company registered in Luxembourg.

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

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

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

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

2019:	Services	Sales	Purchases	MtM	Interest Payable	Amounts owed from	Amounts owed to
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Engie Power Limited	-	-	(3,472)	-	-	-	(295)
Engie CC SCRL	-	-	-	-	(529)	-	(30,258)
Storengy SAS	-	-	-	-	-	-	(726)
Storengy S.A	(510)	-	-	-	-	-	(4,573)
Engie Treasury Management S.À R.L.	-	-	-	-		19,360	-
IPM Energy Trading Limited	(432)	111,538	(103,414)	7,206	-	7,805	

Scope of transactions
The cost of purchases from Storengy S.A. relate to services for technical support and employee benefits, with the services costs being finance charges for providing guarantees in respect of the Stublach site lease and the interest being that paid on the finance leases as described in note 16. Purchases from Engie Power Limited represents electricity purchases. IPM Energy Trading Limited provide dispatching services relating to gas purchases and sales. Engie E&P UK Ltd provided office accommodation. Engie Treasury Management and Storengy International S.À R.L. provide short term funding to the company.

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

24. POST BALANCE SHEET EVENT

COVID-19

In line with the restrictions introduced by the UK government for Covid-19, Storengy UK Ltd put in place measures to ensure safe and continuous site operation. The Company carried out a risk assessment review in April 2020. There was no material commercial and financial impact from Covid-19. Annual equipment maintenance is delayed by 3 months to be carried out in September 2020, which has minimum impact to safe operation and meeting customers' nominations.

Project delay

The 2 spare compressors are expected to be completed by the end of 2020. The delay is not expected to have significant impact on safe operation.

Gas Charging Review

On 29 May 2020 Ofgem announced its decision to implement "Minded to" decision from 1 October 2020. It offers 50% discount of capacity charges to storage sites. Compared to the current policy which exempt storage sites from such charges, Storengy UK Ltd will see a rise in cost. In response to the new tariff regime, the Company submitted a request of modification for a discount of 80% and is waiting for Ofgem's response.