Registered number: 07489042

# HUDSON ENERGY SUPPLY UK LIMITED

## DIRECTORS' REPORT AND FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 MARCH 2016

27/8/16

## HUDSON ENERGY SUPPLY UK LIMITED

## COMPANY INFORMATION

| | |
|---|---|
| **Directors** | Ms D D Merril<br>Mr J W Lewis (appointed 25 June 2015)<br>Ms J E Thornton (appointed 25 June 2015)<br>Mr H D Segal (resigned 25 June 2015) |
| **Registered number** | 07489042 |
| **Registered office** | One America Square<br>Crosswall<br>London<br>EC3N 2SG |
| **Independent auditors** | Larking Gowen<br>Chartered Accountants & Statutory Auditors<br>1 Claydon Business Park<br>Great Blakenham<br>Ipswich<br>Suffolk<br>IP6 0NL |

HUDSON ENERGY SUPPLY UK LIMITED

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## STRATEGIC REPORT
## FOR THE YEAR ENDED 31 MARCH 2016

The directors present their Strategic report for the year ended 31 March 2016

**Business review**

The Company's principal activity during the year continued to be that of the supply of electricity to the commercial market and of electricity and gas to the residential market

For the financial year ended 31 March 2016, the Company reported strong growth with gross profit increasing by 95% to £23 697m In addition, operating profit before movements in fair value of derivative instruments for the financial year was £6 089m compared with a profit of £2 803m reported for the financial year ended 31 March 2015 The results of operations for the financial year ended 31 March 2016 were in line with the expectations of the directors

**Principal risks and uncertainties**

Described below are the principal risks and uncertainties that the Company can foresee It is not an exhaustive list, as some future risks may be as yet unknown and other risks, currently regarded as immaterial, could turn out to be material

Commodity price risk

The Company's cost to serve its retail energy customers is exposed to fluctuations in commodity prices Although the Company enters into commodity derivative instruments with its suppliers to manage the commodity price risks, it is exposed to commodity price risk where estimated customer requirements do not match actual customer requirements or where it is not able to exactly purchase the estimated customer requirements In such cases, the Company may suffer a loss if it is required to sell excess supply in the spot market (compared to its weighted average cost of supply) or to purchase additional supply in the spot market Such losses could have a material adverse impact on the Company's operating results, cash flow and liquidity

A key risk to the Company's business model is a sudden and significant drop in the commodity market price resulting in increase in customer churn, regulatory pressure and resistance on enforcement of liquidation damages and enactment of provisions to reset the customer price to current market price levels which could have significant impact on the Company's business

Earnings seasonality and volatility

The Company's business is seasonal in nature The earnings volatility associated with seasonality may affect the ability of the Company to access capital needed to support its working capital requirements

Supply counterparty risk

Supply counterparty risk is a loss that the Company would incur if a counterparty fails to perform under its contractual obligations

Legal and regulatory risk

Legal and regulatory risk is a potential loss that may be incurred as a result of changes in regulations or legislation affecting the Company's business model, costs or operations, as well as it is a risk of potential litigation against the Company resulting in impact to the Company's cash flow The Company may receive complaints from consumers which may involve sanctions from regulatory and legal authorities The most significant potential sanction is the suspension or revocation of a licence which would prevent the Company from selling

## STRATEGIC REPORT (continued)
## FOR THE YEAR ENDED 31 MARCH 2016

**Principal risks and uncertainties (continued)**

Retail customer risk

Retail customer risk is a potential loss that may be incurred as a result of change in customer behaviour and from an increase in competition in the retail energy industry.

Business operations risk

Business operations risk is a potential loss occurring from an unplanned interruption or cyber-attack, manual or system errors, and business earnings risk unique to the retail energy sales industry.

**Financial key performance indicators**

The Company's key performance indicators include gross profit, profit for the year as well as EBITDA.

**Other key performance indicators**

The Company's other performance indicators include growth in customer base.

This report was approved by the board and signed on its behalf.

JW Lewis

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Mr J W Lewis
Director

Date. 26 JULY 2016

legal approved M Mumully
signed by permission

# DIRECTORS' REPORT
# FOR THE YEAR ENDED 31 MARCH 2016

The directors present their report and the financial statements for the year ended 31 March 2016

**Directors' responsibilities statement**

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 applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 'Reduced Disclosure Framework' Under Company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period In preparing these financial statements, the directors are required to

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006 They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

**Results and dividends**

The loss for the year, after taxation, amounted to £2,469 thousand *(2015 - profit £2,389 thousand)*

The directors do not recommend the payment of a dividend *(2015 - £NIL)*

**Directors**

The directors who served during the year were

Ms D D Merril
Mr J W Lewis (appointed 25 June 2015)
Ms J E Thornton (appointed 25 June 2015)
Mr H D Segal (resigned 25 June 2015)

No director during the year had an interest in the Company's shares, share options or in the shares of any other UK group Company

**Future developments**

The Company will continue to offer a fresh approach through innovative products to support the energy needs of residential and commercial customers in the UK The Company will continue to look for product growth and diversification as well as geographical expansion opportunities

The Company's ultimate parent expects to expand into two new European markets in the 2017 financial year The ultimate parent remains committed to evaluating further potential expansion in continental Europe and beyond over the longer term, and the Company will support this process where appropriate

**Financial instruments**

The Company has entered into a variety of derivative financial instruments as part of the business of purchasing and selling gas and electricity The risks associated with the Company's financial instruments are as follows

Price risk

Components of price risk to which the Company is exposed are discussed below

*Interest rate risk*

Whilst the Company is exposed to interest rate fluctuations, the associated risk is considered relatively immaterial and temporary in nature The Company's current exposure to interest rates does not economically warrant the use of derivative instruments

*Commodity price risk*

The Company is exposed to market risks associated with commodity prices and market volatility where estimated customer requirements do not match actual customer requirements Management actively monitors these positions on a daily basis in accordance with its Risk Management Policy This policy sets out a variety of limits, most importantly, thresholds for open positions in the gas and electricity portfolios which also feed a Value at Risk limit Should any of the limits be exceeded, they are closed expeditiously or express approval to continue to hold is obtained The Company's exposure to price risk is affected by a number of factors, including accuracy of estimation of customer commodity requirements, commodity prices, and volatility and liquidity of markets The Company enters into derivative instruments in order to manage exposures to changes in commodity prices The derivative instruments that are used are designed to fix the price of supply for estimated customer commodity demand and thereby fix margins such that shareholder dividends can be appropriately established Derivative instruments are generally transacted over the counter The inability or failure of the Company to manage and monitor the above market risks could have a material adverse effect on the operations and cash flows of the Company The Company prices a risk premium in its customer contract to account for weather related risk and it may enter into purchase of options including weather derivatives to mitigate the impact of weather on earnings and cash flow

Credit risk

The Company is exposed to credit risk in two specific areas customer credit risk and counterparty credit risk

*Customer credit risk*

Credit review processes have been implemented to perform credit evaluations of customers and manage customer default If a significant number of customers were to default on their payments, it could have a material adverse effect on the operations and cash flows of the Company Management factors default from credit risk in its margin expectations

**Financial Instruments (continued)**

*Counterparty credit risk*

Counterparty credit risk represents the loss that the Company would incur if a counterparty fails to perform under its contractual obligations. This risk would manifest itself in the Company replacing contracted supply at prevailing market rates, thus impacting the related customer margin. Counterparty limits are established within the Risk Management Policy. Any exceptions to these limits require approval from the Board of Directors. The Risk Department and Risk Committee monitor current and potential credit exposure to individual counterparties and also monitor overall aggregate counterparty exposure. However, the failure of a counterparty to meet its contractual obligations could have a material adverse effect on the operations and cash flows of the Company.

Liquidity risk

The potential inability to meet financial obligations as they fall due is reviewed as part of the overall Group governance procedures The risk is managed by monitoring detailed cash flow forecasts on a bi-monthly basis to ensure adequate and efficient use of cash resources and credit facilities.

Supplier risk

The Company purchases the vast majority of its commodity supply through one supplier. To the extent that this supplier was to default on the contract, the Company would have to find new suppliers and there would be no assurance that the terms and profitability under the new arrangements would be comparable to those established.

**Disclosure of information to auditors**

Each of the persons who are directors at the time when this Directors' report is approved has confirmed that.

- so far as that director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- that director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

**Post balance sheet events**

The Company continues to support its growth targets by offering unique and value added products. In April 2016, Hudson Energy launched in the commercial gas market as well as partnering with new sales channels to support the growth of both the Commercial and Residential portfolios

**Auditors**

Under section 487(2) of the Companies Act 2006, Larking Gowen will be deemed to have been reappointed as auditors 28 days after these financial statements were sent to members or 28 days after the latest date prescribed for filing the accounts with the registrar, whichever is earlier.

This report was approved by the board and signed on its behalf.

J W Lewis

Mr J W Lewis
Director

legal approved M Mumley
signed by permission

Date 26 JULY 2016

## INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OFHUDSON ENERGY SUPPLY UK LIMITED

We have audited the financial statements of Hudson Energy Supply UK Limited for the year ended 31 March 2016, which comprise the Statement of comprehensive income, the Statement of financial position, the Statement of changes in equity and the related notes The financial reporting framework that has been applied in their preparation is applicable law including Financial Reporting Standard 101 'Reduced Disclosure Framework'

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 Auditors' 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

**Respective responsibilities of Directors and Auditors**

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 Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Financial Reporting Council's Ethical Standards for Auditors

**Scope of the audit of the financial statements**

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www frc org uk/auditscopeukprivate

**Opinion on financial statements**

In our opinion the financial statements

- give a true and fair view of the state of the Company's affairs as at 31 March 2016 and of its loss for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

**Opinion on other matter prescribed by the Companies Act 2006**

In our opinion 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 directors' report has been prepared in accordance with applicable legal requirements

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

We have nothing to report in respect of the following matters where 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

## INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OFHUDSON ENERGY SUPPLY UK LIMITED

Larking Gowen

Luke Morris FCA (Senior statutory auditor)
for and on behalf of
**Larking Gowen**
Chartered Accountants
Statutory Auditors
Ipswich

29 July 2016

## STATEMENT OF COMPREHENSIVE INCOME
## FOR THE YEAR ENDED 31 MARCH 2016

| | Note | 2016 £000 | *2015 £000* |
|---|---|---|---|
| Turnover | 4 | **228,047** | *126,947* |
| Cost of sales | | **(204,350)** | *(114,769)* |
| **Gross profit** | | **23,697** | *12,178* |
| Selling expenses | | **(8,710)** | *(4,670)* |
| Administrative expenses | | **(8,898)** | *(4,705)* |
| Change in fair value of derivative instruments | 16 | **(9,378)** | *(1,878)* |
| **Operating (loss)/profit** | 5 | **(3,289)** | *925* |
| Tax on profit | 9 | **820** | *1,464* |
| **(Loss)/Profit for the year** | | **(2,469)** | *2,389* |
| **Total comprehensive (expenditure)/income for the year** | | **(2,469)** | *2,389* |

There were no recognised gains and losses for 2016 or 2015 other than those included in the income statement

The notes on pages 12 to 30 form part of these financial statements

# STATEMENT OF FINANCIAL POSITION
## AS AT 31 MARCH 2016

| | Note | | 2016 £000 | | 2015 £000 |
|---|---|---|---|---|---|
| **Fixed assets** | | | | | |
| Intangible assets | 10 | | - | | 172 |
| Tangible assets | 11 | | 495 | | 174 |
| | | | 495 | | 346 |
| **Current assets** | | | | | |
| Debtors | 12 | 53,220 | | 25,497 | |
| Cash at bank and in hand | 13 | 34,968 | | 7,388 | |
| | | 88,188 | | 32,885 | |
| Creditors. amounts falling due within one year | 14 | (89,259) | | (32,464) | |
| **Net current (liabilities)/assets** | | | (1,071) | | 421 |
| **Total assets less current liabilities** | | | (576) | | 767 |
| Creditors: amounts falling due after more than one year | 15 | | (2,533) | | (1,407) |
| **Net liabilities** | | | (3,109) | | (640) |
| **Capital and reserves** | | | | | |
| Called up share capital | 18 | | 5,200 | | 5,200 |
| Profit and loss account | 19 | | (8,309) | | (5,840) |
| | | | (3,109) | | (640) |

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:

Mr J W Lewis
Director

Ms J E Thornton
Director

Date. 26 JULY 2016

legal approved M Munnelly
signed by permission

The notes on pages 12 to 30 form part of these financial statements.

## STATEMENT OF CHANGES IN EQUITY
## FOR THE YEAR ENDED 31 MARCH 2016

| | Share capital £000 | Retained earnings £000 | Total equity £000 |
|---|---|---|---|
| At 1 April 2015 | 5,200 | (5,840) | (640) |
| Loss for the year | - | (2,469) | (2,469) |
| **Total comprehensive expenditure for the year** | - | (2,469) | (2,469) |
| **At 31 March 2016** | 5,200 | (8,309) | (3,109) |

## STATEMENT OF CHANGES IN EQUITY
## FOR THE YEAR ENDED 31 MARCH 2015

| | Share capital | Retained earnings | Total equity |
|---|---|---|---|
| | £000 | £000 | £000 |
| At 1 April 2014 | 5,200 | (8,229) | (3,029) |
| Profit for the year | - | 2,389 | 2,389 |
| **Total comprehensive income for the year** | - | 2,389 | 2,389 |
| **At 31 March 2015** | 5,200 | (5,840) | (640) |

The notes on pages 12 to 30 form part of these financial statements

## 1. Company information

Hudson Energy Supply UK Limited is a company incorporated in England and Wales, registration number 01569200 The registered office is One America Square, Crosswall, London EC3N 2SG

The Company's principal activity is that of the supply of electricity to the commercial market and of electricity and gas to the residential market under long-term fixed-price, price-protected or variable-priced contracts The Company markets its gas and electricity contracts under the following trade names Hudson Energy and Green Star Energy

By fixing the price of natural gas or electricity under its fixed-price or price-protected program contracts, the Company's customers offset their exposure to changes in the price of these essential commodities Variable rate products allow customers to maintain competitive rates while retaining the ability to lock into a fixed price at their discretion The Company derives its margin or gross profit from the difference between the price at which it is able to sell the commodities to its customers and the related price at which it purchases the associated volumes from its suppliers

## 2 Significant accounting policies

### 2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention and in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' and the Companies Act 2006

Information on the impact of first-time adoption of FRS 101 is given in note 25

The financial statements are presented in Sterling (£) and all values are rounded to the nearest thousand, except where indicated

The preparation of financial statements in compliance with FRS 101 requires the use of certain critical accounting estimates It also requires management to exercise judgment in applying the Company's accounting policies (see note 3)

### First time application of FRS 100 and FRS 101

In the current year the Company has adopted FRS 100 and FRS 101 In previous years the financial statements were prepared in accordance with applicable UK accounting standards

This change in the basis of preparation has materially altered the recognition and measurement requirements previously applied in accordance with UK GAAP An explanation of the impact of the adoption of FRS 100 and FRS 101 for the first time is included in the note 25

There have been no other material amendments to the disclosure requirements previously applied in accordance with UK GAAP

The following principal accounting policies have been applied

## 2. Significant accounting policies (continued)

### 2.2 Financial reporting standard 101 - reduced disclosure exemptions

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

- the requirements of paragraphs 45(b) and 46-52 of IFRS 2 Share based payment
- the requirements of IFRS 7 Financial Instruments Disclosures
- the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement
- the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of
  - paragraph 73(e) of IAS 16 Property, Plant and Equipment,
  - paragraph 118(e) of IAS 38 Intangible Assets,
- the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134-136 of IAS 1 Presentation of Financial Statements
- the requirements of IAS 7 Statement of Cash Flows
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors
- the requirements of paragraph 17 of IAS 24 Related Party Disclosures
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member
- the requirements of paragraphs 134(d)-134(f) and 135(c)-135(e) of IAS 36 Impairment of Assets

This information is included in the consolidated financial statements of Just Energy Group Inc as at 31 March 2016, which have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB") and these financial statements may be obtained from that Company's website at http //www justenergygroup com/

### 2.3 Going concern

After making enquiries and reviewing cash flow forecasts and available facilities for a period of at least 12 months from the date of these financial statements, the directors have a reasonable expectation at the time of approving the financial statements that the Company has adequate resources to continue in operational existence for the foreseeable future

Furthermore, it has been resolved that the amounts owed to group undertakings totalling £10,347,000 *(2014 - £703,000)* will not be recalled within 12 months from the date of approval of the financial statements should this render the Company unable to meet its liabilities as they fall due The ultimate parent company, Just Energy Group Inc, is also committed to providing sufficient continued financial support

The directors therefore continue to adopt the going concern basis of accounting in preparing the financial statements

## 2. Significant accounting policies (continued)

### 2.4 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes

For energy supply, turnover is recognised on the basis of electricity and gas supplied during the year For those customers awaiting a bill an estimate is made of the sales value of units and terms supplied between the last bill period date and the year end date Any unbilled amounts are included in debtors to the extent they are considered recoverable

### 2.5 Intangible assets

Intangible assets are initially recognised at cost After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses

The estimated useful lives range as follows

| | | |
|---|---|---|
| Software | - | 1 year straight line |

The amortisation expense related to intangible assets with finite lives is recognised within administrative expenses in the Statement of comprehensive income

### 2.6 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management

The Company adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred, if the replacement part is expected to provide incremental future benefits to the Company The carrying amount of the replaced part is derecognised Repairs and maintenance are charged to profit or loss during the period in which they are incurred

**2. Significant accounting policies (continued)**

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, on a reducing balance basis

Depreciation is provided on the following basis

| | |
|---|---|
| Leasehold improvements | - Term of lease |
| Fixtures & fittings | - 20% reducing balance |
| Office equipment | - 20% reducing balance |
| Computer equipment | - 30% reducing balance |

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'other operating income' in the Statement of comprehensive income

**2.7 Operating leases: Lessee**

Rentals paid under operating leases are charged to the profit or loss on a straight line basis over the period of the lease

**2 8 Debtors**

Short term debtors are measured at transaction price, less any impairment Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment

**2.9 Cash and cash equivalents**

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value

**2.10 Financial instruments**

The Company recognises financial instruments when it becomes a party to the contractual arrangements of the instrument Financial instruments are de-recognised when they are discharged or when the contractual terms expire The Company's accounting policies in respect of financial instruments transactions are explained below

**Financial assets**
The Company recognises its financial assets into one of the categories discussed below, depending on the purpose for which the asset was acquired

The Company's accounting policy for each category is as follows

**Fair value through profit or loss**
This category comprises only in-the-money derivatives These are carried in the Statement of financial position at fair value with changes in fair value recognised in the Income statement

## 2. Significant accounting policies (continued)

### 2 10 Financial instruments (continued)

**Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market They arise principally through the provision of goods and services to customers (e g trade receivables), but also incorporate other types of contractual monetary asset They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment

Impairment provisions are recognised when there is objective evidence (such as significant financial difficulties on the part of the counterparty or default or significant delay in payment) that the Company will be unable to collect all of the amounts due under the terms receivable, the amount of such a provision being the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable For trade receivables, which are reported net, such provisions are recorded in a separate allowance account with the loss being recognised within administrative expenses in the Income statement On confirmation that the trade receivable will not be collected, the gross carrying value of the asset is written off against the associated provision

**Financial liabilities**

The Company classifies its financial liabilities into one of the categories discussed below, depending on the purpose for which the liability was acquired

**Fair value through profit or loss**

The Company comprises only out-of-the-money derivatives They are carried in the Statement of financial position at fair value recognised in the Income statement

**At amortised cost**

Financial liabilities at amortised cost including bank borrowings are initially recognised at fair value net of any transaction costs directly attributable to the issue of the instrument Such interest bearing liabilities are subsequently measured at amortised cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried into the Statement of financial position

### 2.11 Creditors

Creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers

Creditors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method

## 2 Significant accounting policies (continued)

### 2.12 Foreign currency translation

**Functional and presentation currency**

The company's functional and presentational currency is GBP

**Transactions and balances**

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions

At each period end foreign currency monetary items are translated using the closing rate Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined

### 2.13 Pensions

**Defined contribution pension plan**

The Company operates a defined contribution plan for its employees A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity Once the contributions have been paid the Company has no further payments obligations

The contributions are recognised as an expense in the Income statement when they fall due Amounts not paid are shown in accruals as a liability in the Statement of financial position The assets of the plan are held separately from the Company in independently administered funds

### 2.14 Current and deferred taxation

The tax expense for the year comprises current and deferred tax Tax is recognised in the Income statement, except that a change attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively

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

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Statement of financial position date, except that

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits, and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date

## 3. Judgments in applying accounting policies and key sources of estimation uncertainty

Preparation of the financial statements requires the directors to make significant judgments and estimates that affect the reported amounts of assets, liabilities, income, expenses, and the disclosure of contingent liabilities The judgments and estimates are based on previous experience and other factors considered reasonable under the circumstances, the results of which form the basis for making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources

The judgments and estimates are reviewed on an ongoing basis Revisions to accounting estimates are recognised in the period in which the estimate is revised Judgments made by the directors that have a significant impact on the financial statements relate to the following

*Deferred taxes*

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised Significant judgment is required to determine the amount of deferred tax assets and liabilities that can be recognised, based upon the likely timing and the level of future taxable income realised

*Useful life of key tangible and intangible fixed assets*

The amortisation method and useful lives reflect the pattern in which management expects the assets' future economic benefits to be consumed by the Company

*Trade receivables*

The Company reviews its individually significant receivables at each reporting date to assess whether an impairment loss should be recorded in the Income statement In particular, judgment by the directors is required in the estimation of the amount and timing of future cash flows when determining the impairment loss In estimating these cash flows, the Company makes judgments about the borrower's financial situation and the fair value of collateral These estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance

*Unbilled receivables*

It is the aim of the Company to generate a bill every month for all electricity and gas customers Revenue is recognised on the basis of electricity and gas supplied during the accounting period using the monthly customer billed data where available Unbilled amounts are recognised based on actual customer tariff rates and industry expected settlement data per customer for each customer from their last bill date to the period end date The industry expected settlement data is the estimated quantity the industry system deems the individual suppliers, including the Company, to have supplied

*Fair value of financial instruments*

Where the fair values of financial assets and financial liabilities recorded in the consolidated statements of financial position cannot be derived from active markets, they are determined using valuation techniques including discounted cash flow models The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values The judgment includes consideration of inputs such as liquidity risk, credit risk and volatility Changes in assumptions about these factors could affect the reported fair value of financial instruments

## 4. Analysis of turnover

All turnover arose within the United Kingdom

## 5. Operating (loss)/profit

The operating (loss)/profit is stated after charging

| | 2016 £000 | 2015 £000 |
|---|---|---|
| Depreciation of tangible fixed assets | 50 | 48 |
| Amortisation of intangible assets | 172 | 284 |
| Defined contribution pension cost | 61 | 37 |
| Operating lease payments | 142 | 101 |

## 6. Auditors' remuneration

The company paid the following amounts to its auditors in respect of the audit of the financial statements and for other services provided to the Company

| | 2016 £000 | 2015 £000 |
|---|---|---|
| Fees for the audit of the Company | 23 | 18 |
| | 23 | 18 |

## 7. Employees

Staff costs, including directors' remuneration, were as follows

| | 2016 £000 | 2015 £000 |
|---|---|---|
| Wages and salaries | 1,876 | 1,384 |
| Social security costs | 203 | 135 |
| Cost of defined contribution scheme | 61 | 37 |
| | 2,140 | 1,556 |

The average monthly number of employees, including the directors, during the year was as follows

| | 2016 No | 2015 No |
|---|---|---|
| Operations | 54 | 34 |

## 8. Directors' remuneration

| | 2016 £000 | *2015 £000* |
|---|---|---|
| Directors' emoluments | 95 | - |
| Company contributions to defined contribution pension schemes | 6 | - |
| | 101 | - |

During the year retirement benefits were accruing to 1 director *(2015 - NIL)* in respect of defined contribution pension schemes

## 9. Taxation

| | 2016 £000 | *2015 £000* |
|---|---|---|
| **Corporation tax** | | |
| Current tax on profits for the year | 1,321 | *110* |
| Adjustments in respect of previous periods | (36) | - |
| **Total current tax** | 1,285 | *110* |
| **Deferred tax** | | |
| Origination and reversal of timing differences | (2,105) | *(1,574)* |
| **Total deferred tax** | (2,105) | *(1,574)* |
| **Taxation on loss on ordinary activities** | (820) | *(1,464)* |

## 9. Taxation (continued)

### Factors affecting tax charge for the year

The tax assessed for the year is lower than *(2015 - lower than)* the standard rate of corporation tax in the UK of 20% *(2015 - 21%)* The differences are explained below

| | 2016 £000 | *2015 £000* |
|---|---|---|
| Profit on ordinary activities before tax | **(3,289)** | *925* |
| Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 20% (2015 - 21%) | **(658)** | *194* |
| **Effects of:** | | |
| Expenses not deductible for tax purposes | - | *3* |
| Corporation tax overprovided in previous years | **(36)** | - |
| Deferred tax asset underprovided in previous years | **(18)** | - |
| Deferred tax asset not recognised in previous year | - | *(1,880)* |
| Reduction in the standard rate of corporation tax | **76** | *163* |
| Other differences leading to an increase (decrease) in the tax charge | **(184)** | *56* |
| **Total tax charge for the year** | **(820)** | *(1,464)* |

Finance Act 2013, substantially enacted on 26 June 2013, reduced the main rate of UK corporation tax from 23% to 21% from 1 April 2014, and to 20% from 1 April 2015 Finance (No 2) Act 2015, substantially enacted on 26 October 2015, will further reduce the rate to 19% from 1 April 2017 and to 18% from 1 April 2020

## 10. Intangible assets

| | Software |
|---|---|
| | **£000** |
| **Cost** | |
| At 1 April 2015 | **1,810** |
| **At 31 March 2016** | **1,810** |
| **Amortisation** | |
| At 1 April 2015 | **1,638** |
| Charge for the year | **172** |
| At 31 March 2016 | **1,810** |
| **Net book value** | |
| At 31 March 2016 | **-** |
| *At 31 March 2015* | *172* |

## 11. Tangible fixed assets

| | Leasehold improvements £000 | Plant & machinery £000 | Total £000 |
|---|---|---|---|
| **Cost or valuation** | | | |
| At 1 April 2015 | 9 | 282 | 291 |
| Additions | 72 | 299 | 371 |
| At 31 March 2016 | 81 | 581 | 662 |
| **Depreciation** | | | |
| At 1 April 2015 | 2 | 115 | 117 |
| Charge owned for the period | 3 | 47 | 50 |
| At 31 March 2016 | 5 | 162 | 167 |
| **Net book value** | | | |
| At 31 March 2016 | 76 | 419 | 495 |
| *At 31 March 2015* | *7* | *167* | *174* |

## 12. Debtors

| | 2016 £000 | *2015 £000* |
|---|---|---|
| Trade debtors | 4,062 | *2,269* |
| Amounts owed by group undertakings | 1,920 | *979* |
| Other debtors | 1,197 | *523* |
| Prepayments and accrued income | 42,362 | *20,152* |
| Deferred taxation | 3,679 | *1,574* |
| | 53,220 | *25,497* |

## 13. Cash and cash equivalents

| | 2016 £000 | 2015 £000 |
|---|---|---|
| Cash at bank and in hand | **34,968** | *7,388* |
| | **34,968** | *7,388* |

## 14. Creditors: Amounts falling due within one year

| | 2016 £000 | 2015 £000 |
|---|---|---|
| Trade creditors | **15,184** | *1,363* |
| Amounts owed to group undertakings | **10,347** | *703* |
| Corporation tax | **1,321** | *110* |
| Taxation and social security | **2,842** | *1,378* |
| Other creditors | **14,091** | *5,835* |
| Accruals and deferred income | **45,474** | *23,075* |
| | **89,259** | *32,464* |

## 15. Creditors: Amounts falling due after more than one year

| | 2016 £000 | 2015 £000 |
|---|---|---|
| Other creditors | **2,533** | *1,407* |
| | **2,533** | *1,407* |

## 16. Financial instruments

| | 2016<br>£000 | 2015<br>£000 |
|---|---|---|
| **Financial assets** | | |
| Financial assets that are debt instruments measured at amortised cost | **7,179** | *3,771* |
| | **7,179** | *3,771* |
| **Financial liabilities** | | |
| Financial liabilities measured at fair value through profit or loss | **(16,079)** | *(6,701)* |
| Financial liabilities measured at amortised cost | **(30,238)** | *(4,094)* |
| | **(46,317)** | *(10,795)* |

Financial assets that are debt instruments measured at amortised cost comprise debtors, excluding deferred taxation and prepayments and accrued income

Financial liabilities measured at fair value through profit or loss comprise derivative financial instruments

Financial liabilities measured at amortised cost comprise creditors, excluding derivative financial instruments and accruals and deferred income

**Fair values of assets and liabilities**

The fair value of derivative financial instruments represents the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation Where market values are not available, fair values have been calculated by discounting cash flows at prevailing rates at the year end Significant differences can arise between the fair value and the carrying amount of financial instruments that are recognised at historical cost amounts

The following table illustrates gains/(losses) related to the Company's derivative financial instruments classified as fair value through profit or loss and recorded on the Company's Statement of financial position as other liabilities, with their offsetting values recorded in change in fair value of derivative instruments

| | 2016 £000 | *2015 £000* |
|---|---|---|
| **Change in fair value of derivative instruments** | | |
| Physical forward contracts and options | **(9,378)** | *(1,878)* |
| Other derivative options | - | - |
| | **(9,378)** | *(1,878)* |

The physical forward contracts and options are entered into by the Company to mitigate the price risk originating from the sale of long term fixed and variable priced natural gas and electricity retail contracts to commercial and residential customers The physical forward agreements are commitments to purchase a predetermined quantity of natural gas, power, levy exemption certificates or guarantee of origin of renewable power certificates at either a predetermined fixed price or by reference to a predetermined price index formula

Other derivative options includes a warrant for the subscription in cash for 9 5% of the Company at prevailing book value of the Company at time of execution, held in favour of one of the Company's suppliers As at 31 March 2016, the directors consider the possibility of the warrant being exercised to be remote, and therefore it did not carry any material fair value *(2015 - £NIL)*

The discussion of the Company's objectives with regards to derivatives and other financial instruments is included within the Directors' report

## 17. Deferred taxation

| | Deferred tax £000 |
|---|---|
| At 1 April 2015 | **1,574** |
| Charged to the profit or loss | **2,105** |
| **At 31 March 2016** | **3,679** |

In respect of prior year

| | Deferred tax £000 |
|---|---|
| Charged to the profit or loss | **1,574** |
| **At 31 March 2015** | **1,574** |

The deferred tax asset is made up as follows

| | 2016 £000 | *2015 £000* |
|---|---|---|
| Accelerated capital allowances | **231** | *221* |
| Tax losses carried forward | **-** | *(5)* |
| Change in fair value of derivative instruments | **3,448** | *1,358* |
| | **3,679** | *1,574* |

## 18. Share capital

| | 2016 £000 | *2015 £000* |
|---|---|---|
| **Allotted, called up and fully paid** | | |
| 5,200,001 Ordinary shares of £1 each | **5,200** | *5,200* |

## 19. Reserves

**Profit & loss account**

The profit and loss account includes all current and prior period retained profits and losses

## 20. Pension commitments

The Company operates a defined contributions pension scheme The assets of the scheme are held separately from those of the Company in an independently administered fund The pension cost charge represents contributions payable by the Company to the fund and amounted to £61,000 *(2015 - £37,000)* Contributions totalling £NIL *(2015 - £4,000)* were payable to the fund at the balance sheet date and are included in creditors

## 21 Commitments under operating leases

At 31 March 2016 the Company had future minimum lease payments under non-cancellable operating leases as follows

| | 2016 £000 | *2015 £000* |
|---|---|---|
| Not later than 1 year | **345** | *125* |
| Later than 1 year and not later than 5 years | **1,019** | *244* |
| Later than 5 years | **1,045** | *-* |
| **Total** | **2,409** | *369* |

## 22. Capital disclosure

The Company defines capital as shareholders' equity The company's objectives when managing capital are to maintain flexibility by
(i) enabling it to operate efficiently,
(ii) providing liquidity and access to capital for growth opportunities, and
(iii) providing returns and generating predictable cash flow for dividend payments to shareholders

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets The Board of Directors does not establish quantitative return on capital criteria for management, but rather promotes year over year sustainable and profitable growth The Company's capital management objectives have remained unchanged from the prior year

## 23. Related party transactions

The Company has taken advantage of the exemption contained in FRS 101 and has not disclosed transactions with any member of the Just Energy Group Inc group that is wholly owned

## 24. Controlling party

The Company is a wholly owned subsidiary of Hudson Energy Holdings UK Limited, a company incorporated in England and Wales

The Company's ultimate controlling party is Just Energy Group Inc , a company incorporated in Canada Copies of that Company's consolidated financial statements may be obtained from its website at http //www justenergygroup com/

## 25. First time adoption of FRS 101

| | Note | *As previously stated 1 April 2014 £000* | *Effect of transition 1 April 2014 £000* | **FRS 101 (as restated) 1 April 2014 £000** | *As previously stated 31 March 2015 £000* | *Effect of transition 31 March 2015 £000* | **FRS 101 (as restated) 31 March 2015 £000** |
|---|---|---|---|---|---|---|---|
| Fixed assets | | *402* | - | **402** | *346* | - | **346** |
| Current assets | 1 | *13,091* | - | **13,091** | *31,532* | *1,353* | **32,885** |
| Creditors amounts falling due within one year | 1 | *(11,698)* | *(4,130)* | **(15,828)** | *(27,169)* | *(5,295)* | **(32,464)** |
| **Net current (liabilities)/assets** | | *1,393* | *(4,130)* | **(2,737)** | *4,363* | *(3,942)* | **421** |
| **Total assets less current liabilities** | | *1,795* | *(4,130)* | **(2,335)** | *4,709* | *(3,942)* | **767** |
| Creditors amounts falling due after more than one year | 1 | - | *(694)* | **(694)** | - | *(1,407)* | **(1,407)** |
| **Net liabilities** | | *1,795* | *(4,824)* | **(3,029)** | *4,709* | *(5,349)* | **(640)** |
| Capital and reserves | | *1,795* | *(4,824)* | **(3,029)** | *4,709* | *(5,349)* | **(640)** |

## 25. First time adoption of FRS 101 (continued)

| | Note | *As previously stated 31 March 2015 £000* | *Effect of transition 31 March 2015 £000* | **FRS 101 (as restated) 31 March 2015 £000** |
|---|---|---|---|---|
| Turnover | | *126,947* | - | **126,947** |
| Cost of sales | | *(114,769)* | - | **(114,769)** |
| | | *12,178* | - | **12,178** |
| Selling expenses | | *(4,670)* | - | **(4,670)** |
| Administrative expenses | | *(4,705)* | - | **(4,705)** |
| Change in fair value of derivative instruments | 1 | - | *(1,878)* | **(1,878)** |
| **Operating profit** | | *2,803* | *(1,878)* | **925** |
| Taxation | 1 | *111* | *1,353* | **1,464** |
| **Profit on ordinary activities after taxation and for the financial year** | | *2,914* | *(525)* | **2,389** |

Explanation of changes to previously reported profit and equity

1 Under UK GAAP the Company did not recognise derivative financial instruments on its Statement of financial position The company has on transition to FRS 101, in accordance with IFRS 7, 'Financial Instruments Recognition and Measurement' recognised the liability at that date (and the related deferred taxation asset thereon) Changes in the fair values of these derivative instruments have now been recognised in the Statement of comprehensive income for the years ended 31 March 2016 and 31 March 2015

Companies House

**COMPANY NAME:** HUDSON ENERGY SUPPLY UK LIMITED

**COMPANY NUMBER:** 07489042

**Pages containing unnecessary material in the accounts were administratively removed from the public register on 05/09/2016**