

Registered number: 9688977

ESB Energy Limited

Annual Report and Financial Statements For the year ended 31 December 2019



ESB Energy Limited

Company Information

Directors

Y. Burke (resigned 6 March 2020)
S. Ward (appointed 14 April 2020)
K. McKervey
J. Walsh
C. McAllister
T. Bean

Company secretary

B. Corcoran

Registered number

9688977

Registered office

Tricor Suite
4th Floor
50 Mark Lane
London
England
EC3R 7QR

Independent auditors

PricewaterhouseCoopers
Chartered Accountants and Statutory Audit Firm
One Spencer Dock
North Wall Quay
Dublin 1
Ireland

ESB Energy Limited

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ESB Energy Limited

Strategic Report For the Year Ended 31 December 2019

The directors present their Strategic Report for the year ended 31 December 2019.

Business review

The company is engaged in the supply of electricity and gas in Great Britain to residential customers.

The company recorded a loss for the year after taxation of £24,121 thousand (2018: loss of £8,170 thousand). The results for the year are after an exceptional impairment charge of £7,373 thousand, arising from the impairment of the company's software intangible assets (see note 4).

The company recorded a gross profit of £1,160 thousand in the year (2018: loss £1,625 thousand). The directors note the improved operating performance despite the continued competitive market in Great Britain.

The directors consider it appropriate to prepare the financial statements on a going concern basis (See note 1.4).

Principal risks and uncertainties

The company's risk profile reflects the principal activities of the business and is summarised below. The directors have put in place a series of processes to mitigate major risk.

1. Financial

The main financial risks facing the company are credit risk, cash flow risk and liquidity risk. These risks are dealt with below.

2. Contractual

In the course of its normal trading activities the company has entered into contracts for the purchase of electricity and gas. These contracts have been reviewed and are approved from a legal, insurance and financial perspective to ensure no undue contractual risk exposure is created for the company.

3. Market and Regulation

The company continues to face market and regulatory risk. The directors actively manage these risks through the ongoing review of appropriate sales channels, managing customer churn and ensuring any emerging regulatory developments are closely monitored and managed.

Financial management risks

The company's financial instruments comprise of cash at bank and in hand, debtors and creditors that arise directly from its operations.

The main risks are as follows:

1. Credit risk

The credit risk on electricity and gas customer accounts is managed through the ongoing monitoring of debtor days, the collection of monies in advance by direct debit and a collection policy based on the credit worthiness, size and duration of debt. The concentration of risk in the company is in relation to retail electricity and gas accounts that have closed in arrears. In addition, given an increase in competition, certain customers may switch suppliers before they have settled their outstanding balances. These accounts are managed within the company's debt collection policy.

2. Cash flow risk and liquidity risk

The directors are confident that the company will continue to have sufficient resources given the support of its parent undertaking to meet its ongoing activities for the foreseeable future.

ESB Energy Limited

**Strategic Report (continued)
For the Year Ended 31 December 2019**

Financial key performance indicators

The board has determined the following key performance indicator which addresses financial performance:

1. Gross profit

The gross profit in 2019 is £1,160 thousand (2018: loss £1,625 thousand).

2. Loss before tax

The loss before tax in 2019 is £24,121 thousand (2018: loss £10,067 thousand).

Other key performance indicators

The board has determined the following key performance indicators which address operational performance:

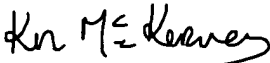
1. Customer numbers

The customer numbers as at 31 December 2019 were 62,000 (2018 - 36,000).

2. Safety

There were no safety incidents reported in 2019 (2018 - Nil).

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



K. McKervy
Director

Date: 17 July 2020

ESB Energy Limited

Directors' Report For the Year Ended 31 December 2019

The directors present their annual report and the audited financial statements for the year ended 31 December 2019.

Statement of directors' responsibilities

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practices (United Kingdom Accounting Standards comprising Financial Reporting Standard 101 'Reduced Disclosure Framework' and applicable law). 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 estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards comprising FRS 101 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 to enable them to ensure that the financial statements comply with the Companies Act 2006. The directors 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.

Principal activities

The principal activity of the company is the supply of electricity and gas in Great Britain to residential customers.

ESB Energy Limited is a 100% subsidiary of ESB Group (UK) Limited which is a fully owned subsidiary of ESB.

Results and dividends

The loss for the year, after taxation, amounted to £24,121 thousand (2018 - loss £8,170 thousand).

No dividend was declared by the directors (2018 - £Nil).

Going concern

The directors have adopted the going concern basis in preparing the financial statements. Further details are set out in note 1.4 to the financial statements.

ESB Energy Limited

Directors' Report (continued) For the Year Ended 31 December 2019

Directors, secretary and their interests

The directors who served during the year and up to the date of approval of these financial statements were:

Y. Burke (resigned 6 March 2020)
K. McKervey
J. Walsh
C. McAllister
T. Bean
S. Ward (appointed 14 April 2020)

On 11 February 2020, J. Healy resigned as company secretary and on the same date, B. Corcoran was appointed as company secretary.

The directors and secretary had no disclosable interests in the shares of the company, or any other group company, as defined in section 177 of the Companies Act 2006, at 31 December 2019 or 31 December 2018.

Political and charitable contributions

The company made no political or charitable contributions during the year (2018 - £Nil).

Future developments

The directors have no plans to change the activities of the company. The directors are committed to continuing to build a sustainable commercial residential supply business of scale in the GB energy supply market. The achievement of market share will be through continual review and introduction of appropriate sales channels while ensuring the sales proposition is suitable to manage customer churn. The directors will continue to monitor and manage operating costs to ensure that they are relevant for the scale of the business.

Research and development activities

The company did not engage in any research or development activities in the current or preceding year.

Branches

The company has no branches outside Great Britain.

Qualifying third party indemnity provisions

A directors' insurance policy is in place for directors acting in ESB Energy Limited.

Statement on relevant audit information

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

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware, and
- the 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 (within the meaning of Section 418 (2) of the Companies Act 2006).

ESB Energy Limited

**Directors' Report (continued)
For the Year Ended 31 December 2019**

Events since the end of the financial year

IAS 10 defines an adjusting event as an event that provides evidence of conditions that existed at the reporting date. A non-adjusting event indicates conditions that arose after the reporting date. The spread of the Covid-19 virus and its identification as a pandemic by the World Health Organisation does not provide additional evidence about a situation that existed at 31 December 2019, and it is therefore a non-adjusting event. The Covid-19 pandemic has created turbulence in financial markets and economic uncertainty, which will impact individuals and businesses. Given the nature of the Company's business, the directors do not believe that Covid-19 will have a material impact on the company.

Auditors

The auditors, PricewaterhouseCoopers, have indicated their willingness to continue in office and a resolution concerning their reappointment will be proposed at the Annual General Meeting.

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



K. McKervy
Director
Date: 17 July 2020

ESB Energy Limited

Independent Auditors' Report to the Members of ESB Energy Limited

Report on the audit of the financial statements

Opinion

In our opinion, ESB Energy Limited's financial statements:

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

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise:

- the Balance Sheet as at 31 December 2019;
- the Profit and Loss Account for the year then ended;
- the Statement of Comprehensive Income for the year then ended;
- the Statement of Changes in Equity for the year then ended; and
- the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

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

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

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

Reporting on other information

The other information comprises all of the information in the Annual Report and Financial Statements other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

ESB Energy Limited

Independent Auditors' Report to the Members of ESB Energy Limited

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 an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of 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 based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they 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.

Auditors' 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 auditors' 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 auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

ESB Energy Limited

Independent Auditors' Report to the Members of ESB Energy Limited

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.

Mary Cleary

Mary Cleary (Senior Statutory Auditor)

for and on behalf of

PricewaterhouseCoopers

Chartered Accountants and Statutory Audit Firm

Dublin
Ireland

17 July 2020

ESB Energy Limited

Profit and Loss Account For the Year Ended 31 December 2019

		2019 £000	2018 £000
Turnover	3	63,627	16,965
Cost of sales		(62,467)	(18,590)
Gross profit/(loss)		<u>1,160</u>	<u>(1,625)</u>
Administrative expenses		(17,906)	(8,442)
Operating loss	5	<u>(16,746)</u>	<u>(10,067)</u>
Exceptional items	4	(7,373)	-
Loss before interest		<u>(24,119)</u>	<u>(10,067)</u>
Interest payable and similar charges	8	(2)	-
Loss before tax		<u>(24,121)</u>	<u>(10,067)</u>
Taxation credit on loss from ordinary activities	9	-	1,897
Loss for the financial year		<u><u>(24,121)</u></u>	<u><u>(8,170)</u></u>

The notes on pages 13 to 24 form part of these financial statements.

ESB Energy Limited

**Statement of Comprehensive Income
For the Year Ended 31 December 2019**

	2019	2018
	£000	£000
Loss for the financial year	(24,121)	(8,170)
Total comprehensive loss for the year	(24,121)	(8,170)

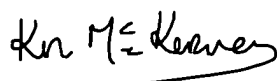
The notes on pages 13 to 24 form part of these financial statements.

ESB Energy Limited
Registered number:9688977

Balance Sheet
As at 31 December 2019

	Note	2019 £000	2018 £000
Non-current assets			
Intangible assets	10	-	5,977
Right of use assets	11	369	-
		<u>369</u>	<u>5,977</u>
Current assets			
Trade and other receivables	12	10,350	7,179
Cash and cash equivalents	13	5,379	10,070
		<u>15,729</u>	<u>17,249</u>
Trade and other payables falling due within one year	14	(51,125)	(34,376)
Net current liabilities		<u>(35,396)</u>	<u>(17,127)</u>
Total assets less current liabilities		<u>(35,027)</u>	<u>(11,150)</u>
Trade and other payables falling due after more than one year	15	(244)	-
Net liabilities		<u>(35,271)</u>	<u>(11,150)</u>
Capital and reserves			
Called up share capital	16	-	-
Profit and loss account		(35,271)	(11,150)
Shareholders deficit		<u>(35,271)</u>	<u>(11,150)</u>

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



K. McKervey
Director
Date: 17 July 2020

The notes on pages 13 to 24 form part of these financial statements.

ESB Energy Limited

**Statement of Changes in Equity
For the Year Ended 31 December 2019**

	Share capital £000	Profit and loss account £000	Total equity £000
At 1 January 2019	-	(11,150)	(11,150)
Comprehensive loss for the year			
Loss for the year	-	(24,121)	(24,121)
Total comprehensive loss for the year	-	(24,121)	(24,121)
At 31 December 2019	-	(35,271)	(35,271)

**Statement of Changes in Equity
For the Year Ended 31 December 2018**

	Share capital £000	Profit and loss account £000	Total equity £000
At 1 January 2018	-	(2,980)	(2,980)
Comprehensive loss for the year			
Loss for the year	-	(8,170)	(8,170)
Total comprehensive loss for the year	-	(8,170)	(8,170)
At 31 December 2018	-	(11,150)	(11,150)

The notes on pages 13 to 24 form part of these financial statements.

ESB Energy Limited

Notes to the Financial Statements For the Year Ended 31 December 2019

1. Accounting policies

ESB Energy Limited (registered number: 9688977) is a limited company incorporated and operating in Great Britain. The principal activity of the company is the supply of electricity and gas in Great Britain to residential customers.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

The financial statements are presented in Sterling, which is the functional currency of the company, rounded to the nearest thousand.

1.1 Basis of preparation of financial statements

The financial statements of ESB Energy Limited have been prepared in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS 101). The financial statements have been prepared under the historical cost convention, in accordance with the Companies Act 2006.

1.2 Financial Reporting Standard 101 - reduced disclosure exemptions

In these financial statements, the company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- IAS 1: Presentation of Financial Statements: Certain disclosures including comparative information
- IAS 7: Statement of Cash Flows: A Cash Flow Statement and related notes
- IAS 8: Accounting Policies, Changes in Accounting Estimates and Errors
- IAS 24: Related Party Disclosures: Disclosures in respect of transactions entered into between two or more members of the ESB Group, provided that any subsidiary which is a party to the transaction is a wholly owned subsidiary
- IAS 24: Related Party Disclosures: Disclosures in respect of compensation of key management personnel
- IFRS 15: Revenue from Contracts with Customers: Disclosure requirements of paragraphs 110, 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129

As the consolidated financial statements of Electricity Supply Board (ESB), the company's ultimate parent undertaking, include the equivalent disclosures, the company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- IFRS 7: Financial Instrument Disclosures: Disclosures relating to financial instruments
- IFRS 13: Fair Value Measurement.
- IAS 36: Impairment of Assets.

**Notes to the Financial Statements
For the Year Ended 31 December 2019**

1. Accounting policies (continued)

1.3 New standards, amendments and IFRIC interpretations

IFRS 16 Leases

ESB Energy Limited has applied IFRS 16 Leases on 1 January 2019, the company had no leases under the scope of IFRS 16, on the date of transition.

IFRS 16 Leases: Accounting policies applied to leases from 1 January 2019

From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the company. Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the lease payments. Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability. The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case in the company, the incremental borrowing rate is used, being the rate that the company would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Right-of-use assets are depreciated over the lease term on a straight-line basis.

Payments associated with short-term leases of equipment and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

1.4 Going concern

The financial statements have been prepared on a going concern basis, which assumes that the company has adequate financial resources to continue in operational existence for at least 12 months from the date of approval of these financial statements.

The company incurred losses of £24.1m in the year (2018: loss of £8.2m), had net liabilities of £35.3m (2018: £11.1m) and had net current liabilities £35.4m at 31 December 2019 (2018: £17.1m). The company has continued to incur losses since 31 December 2019.

The directors, having regard to the continued support of its shareholders, have a reasonable expectation that the company will have adequate financial resources to continue in operational existence for at least 12 months from the date of approval of these financial statements and consider that it is appropriate to adopt the going concern basis in preparing the financial statements.

**Notes to the Financial Statements
For the Year Ended 31 December 2019**

1. Accounting policies (continued)

1.5 Foreign currency translation

Transactions in foreign currencies are recorded at the rate ruling at the date of the transactions. The resulting monetary assets and liabilities are translated at the rate ruling at the Balance Sheet date and the exchange differences are dealt with in the Profit and Loss Account. Non-monetary assets and liabilities 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.

1.6 Intangible assets

Development costs that are directly associated with the production of identifiable and unique software products controlled by the company and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the software so that it will be available for use
- management intends to complete the software and use or sell it - there is an ability to use or sell the software
- it can be demonstrated how the software will generate probable future economic benefits
- adequate technical, financial and other resources to complete the development and to use or sell
- the software is available
- the expenditure attributable to the software during its development can be reliably measured.

Direct costs include the costs of software development, employees and an appropriate portion of relevant overheads. These assets are measured at cost less accumulated amortisation, which is estimated over their estimated useful lives (three to five years) on a straight line basis, and accumulated impairment losses.

1.7 Impairment

Assets that are subject to depreciation and amortisation are tested for impairment whenever events or changes in circumstance indicate that the carrying amount may not be recoverable. Assets not yet in use are tested annually for impairment. An impairment loss is recognised for the amount by which an asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGU).

1.8 Amounts payable to and receivable from Group companies

Intercompany receivables and payables, including loans, are non-derivative financial assets and liabilities which are not quoted in an active market. Those with maturities less than twelve months after the Balance Sheet date are included in current assets and current liabilities respectively.

Those with maturities greater than twelve months after the Balance Sheet date are included in non-current assets or liabilities, as appropriate. The balances are initially recorded at fair value and thereafter at amortised cost.

1.9 Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits repayable on demand and other short-term highly liquid investments with original maturities of three months or less.

**Notes to the Financial Statements
For the Year Ended 31 December 2019**

1. Accounting policies (continued)

1.10 Trade and other receivables

Trade and other receivables are initially recognised at fair value, which is usually the original invoiced amount and subsequently carried at amortised cost using the effective interest method less provision made for impairment.

1.11 Impairment of financial assets

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The company uses judgement in making these assumptions and selecting the inputs to the expected credit loss calculations, based on the company's past history, existing market conditions and forward looking estimates at the end of each reporting period. For loans and balances with Group companies, the general approach permitted by IFRS 9 is applied, which requires 12 month expected credit losses to be recognised on initial recognition of these receivables. If a significant increase in credit risk occurs, this requires expected lifetime credit losses to be recognised on these receivables. The company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a life time expected loss allowance for all trade and other receivables.

While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, there is no impairment loss identified.

1.12 Trade and other payables

Trade and other payables are initially recorded at fair value, which is usually the original invoiced amount, and subsequently carried at amortised cost using the effective interest rate method.

1.13 Turnover

Turnover is derived from sales to residential electricity and gas customers in Great Britain (GB). Turnover is recognised over time on consumption of electricity and gas. Electricity and gas revenue includes the value of units supplied to customers between the date of the last meter reading and the period end.

Unbilled revenue is arrived at by using estimated revenue which is calculated by applying the tariffs applicable to specific customers types to estimated volume of electricity or gas consumed across those customers types, less the total amounts already billed for the relevant period. This process includes the analysis of calculated unbilled volumes and rates (in GWh and millions of therms).

1.14 Cost of sales

Cost of sales comprise purchased electricity and gas, Use of System charges, net emissions costs, and feed in tariff costs. Purchased electricity and gas costs are recognised as they are utilised.

**Notes to the Financial Statements
For the Year Ended 31 December 2019**

1. Accounting policies (continued)

1.15 Current and deferred taxation

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the Profit and Loss Account, except to the extent that it relates to items recognised directly in other comprehensive income or equity.

Current tax

Current tax is provided at current rates and is calculated on the basis of results for the year.

Deferred tax

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax assets are recognised only to the extent that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying temporary differences can be deducted.

Deferred tax is measured at the tax rates that are expected to apply in the periods in which temporary differences reverse, based on tax rates and laws enacted or substantively enacted at the Balance Sheet date.

1.16 Share capital

Financial instruments that have been issued are classified as equity where they meet the definition of equity and confer on the holder a residual interest in the assets of the company. Ordinary shares are classified as equity.

1.17 Interest payable and similar charges

Interest payable and similar charges comprises of bank charges and financing charges on lease liabilities.

1.18 Exceptional items

Exceptional items are transactions that fall within the ordinary activities of the company but are presented separately due to their size or incidence.

2. Judgements in applying accounting policies and key sources of estimation uncertainty

The preparation of financial statements in conformity with FRS 101 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. These estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances.

The estimates and underlying assumptions are reviewed on an ongoing basis. Judgements made by management in the application of FRS 101 that have a significant effect on the financial statements and estimates with a significant risk of material adjustment are:

Notes to the Financial Statements
For the Year Ended 31 December 2019

2. Judgments in applying accounting policies (continued)

1. Intangible Assets

The directors have carried out an impairment review of the software asset at 31 December 2019. The impairment review compares the carrying amount of the software asset and the net present value of future expected cashflows to be generated. A number of scenarios were developed which are based on sensitivities around key assumptions and estimates.

Based on an overall assessment of the assumptions, estimates and economic conditions, the directors consider an impairment charge of £7,373 thousand (2018 - £Nil) to be necessary. The impairment loss has been charged in the Profit and Loss Account.

Further details are set out in note 4 and note 10.

2. Unbilled consumption

The measurement of unbilled electricity and gas accruals at the year end requires a degree of estimation and judgement, covering estimated volumes consumed by customers up to the year end date. The estimates and underlying assumptions are reviewed on an ongoing basis.

3. Turnover

An analysis of turnover by class of business is as follows:

	2019 £000	2018 £000
Gas	26,776	7,177
Electricity	36,851	9,788
	<u>63,627</u>	<u>16,965</u>

Analysis of turnover by country of destination:

	2019 £000	2018 £000
Great Britain	63,627	16,965
	<u>63,627</u>	<u>16,965</u>

ESB Energy Limited

Notes to the Financial Statements For the Year Ended 31 December 2019

4. Exceptional items

The company presents certain items separately which are unusual by virtue of their size and incidence in the context of its ongoing core operations. This presentation is made on the Profit and Loss Account to aid understanding of the performance of the company's underlying business. Judgement is used by the company in assessing the particular items which should be disclosed as exceptional.

The directors have assessed the carrying value of the software asset for impairment given the continued losses, assessment of expected future performance and competitiveness of the Great Britain electricity and gas residential markets. The directors have concluded that an impairment of £7,373 thousand was necessary (2018: £Nil).

5. Operating loss

The operating loss is stated after charging:

	2019 £000	2018 £000
Depreciation of right of use assets	147	-
Amortisation of intangible assets	1,773	1,005
	<u>1,920</u>	<u>1,005</u>

6. Auditors' remuneration

The following amounts were paid to the company's auditors in respect of the audit of the financial statements:

	2019 £000	2018 £000
Audit fees	43	32
	<u>43</u>	<u>32</u>

The audit fee is paid by a fellow group company.

7. Employees and directors' remuneration

The company has no employees (2018 - Nil).

Employee services were provided by fellow group undertakings to the company. Costs and expenses incurred of £3,464 thousand (2018: £2,446 thousand) in respect of these employees were recharged to the company.

Directors of the company are employees of ESB and are remunerated by ESB for their services. During the year, no directors received any emoluments (2018 - £Nil) in respect of acting as directors of the company.

ESB Energy Limited

**Notes to the Financial Statements
For the Year Ended 31 December 2019**

8. Interest payable and similar charges

	2019	2018
	£000	£000
Financing charge on lease liabilities	2	-
	<u>2</u>	<u>-</u>
	<u>2</u>	<u>-</u>

9. Taxation

	2019	2018
	£000	£000
Corporation tax		
Current tax on loss for the year	-	(1,913)
Adjustments in respect of prior periods	-	16
Total current tax	<u>-</u>	<u>(1,897)</u>
Total deferred tax	<u>-</u>	<u>-</u>
Taxation credit on loss on ordinary activities	<u>-</u>	<u>(1,897)</u>

Factors affecting tax charge for the year

The tax assessed for the year differs from the tax based on applying the standard rate of corporation tax in the UK of 19% (2018 - 19%). The differences are explained below:

	2019	2018
	£000	£000
Loss on ordinary activities before tax	<u>(24,121)</u>	<u>(10,067)</u>
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2018 - 19%)	(4,583)	(1,913)
Effects of:		
Adjustments to tax charge in respect of prior periods	-	16
Group relief surrendered for nil consideration	4,583	-
Total taxation credit for the year	<u>-</u>	<u>(1,897)</u>

The tax on losses incurred have been surrendered to a fellow group company and the company has surrendered these losses for a consideration of £Nil in 2019 (2018: £1,897 thousand).

ESB Energy Limited

Notes to the Financial Statements For the Year Ended 31 December 2019

9. Taxation (continued)

Factors that may affect future tax charges

The UK corporation tax rate for the financial year was 19% (2018: 19%). The 2016 Budget for the UK included the provision that the UK corporation tax rate will reduce to 17% over a period up to 2020. The reduction in the UK corporation tax rate to 17% (effective 1 April 2020) was substantively enacted on 15 September 2016. This will reduce the company's future current tax charge accordingly.

10. Intangible assets

	Software £000
Cost	
At 1 January 2019	6,982
Additions	3,169
At 31 December 2019	<u>10,151</u>
Amortisation	
At 1 January 2019	1,005
Charge for the year	1,773
Impairment charge (see note 4)	7,373
At 31 December 2019	<u>10,151</u>
Net book value	
At 31 December 2019	<u>-</u>
At 31 December 2018	<u>5,977</u>

An impairment review was carried out on the carrying value of the software asset by comparing the net present value of future cash flows and the carrying amount of the asset as at 31 December 2019. The directors have concluded that an impairment of £7,373 thousand was necessary (2018: £Nil). See note 4 for further details.

ESB Energy Limited

**Notes to the Financial Statements
For the Year Ended 31 December 2019**

11. Right of use assets and lease liabilities

	2019 £000
Right of use assets	
Balance at 1 January 2019	-
Additions	516
Depreciation	(147)
Balance at 31 December 2019	<u><u>369</u></u>

Lease liabilities

	2019 £000
Balance at 1 January 2019	-
Additions	(516)
Finance charge	(2)
Lease payments	135
Balance at 31 December 2019	<u><u>(383)</u></u>

Analysed as follows:

	2019 £000
Current liabilities	(139)
Non-current liabilities	(244)
	<u><u>(383)</u></u>

Amount recognised in the statement of profit and loss

	2019 £000
Expenses in relation to variable lease payments not included in lease liabilities	56
	<u><u>56</u></u>

ESB Energy Limited

Notes to the Financial Statements For the Year Ended 31 December 2019

12. Trade and other receivables

	2019 £000	2018 £000
Trade receivables - billed and unbilled (net)	7,168	2,982
Prepayments	903	922
Amounts owed by group undertakings	1,897	2,917
VAT recoverable	382	358
	<u>10,350</u>	<u>7,179</u>

Amounts owed by group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

Trade debtors are after provision of £1.1m (2018 - £0.1m)

13. Cash and cash equivalents

	2019 £000	2018 £000
Cash and cash equivalents	5,379	10,070
	<u>5,379</u>	<u>10,070</u>

14. Trade and other payables falling due within one year

	2019 £000	2018 £000
Trade payables	922	655
Amounts owed to group undertakings	12,384	9,256
Amounts owed to parent	30,000	20,000
Lease liabilities	139	-
Other payables	334	266
Accruals	4,013	3,404
Payments received on account	3,333	795
	<u>51,125</u>	<u>34,376</u>

Amounts due to parent and group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

ESB Energy Limited

Notes to the Financial Statements For the Year Ended 31 December 2019

15. Trade and other payables falling due after more than one year

	2019 £000	2018 £000
Lease liabilities	244	-
	<u>244</u>	<u>-</u>

16. Share capital

	2019 £000	2018 £000
Authorised, allotted, called up and fully paid		
1 Ordinary share of £1.00	-	-
	<u>-</u>	<u>-</u>

The holders of the ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the company.

17. Events after the end of the financial year

IAS 10 defines an adjusting event as an event that provides evidence of conditions that existed at the reporting date. A non-adjusting event indicates conditions that arose after the reporting date. The spread of the Covid-19 virus and its identification as a pandemic by the World Health Organisation does not provide additional evidence about a situation that existed at 31 December 2019, and it is therefore a non-adjusting event. The Covid-19 pandemic has created turbulence in financial markets and economic uncertainty, which will impact individuals and businesses. Given the nature of the Company's business, the directors do not believe that Covid-19 will have a material impact on the company.

18. Controlling party

The company is 100% owned by ESB Group (UK) Limited, a company incorporated in the United Kingdom. ESB Group (UK) Limited is a wholly owned subsidiary of Electricity Supply Board (ESB). ESB, established and operating in Ireland, is the ultimate parent. The largest and smallest group into which the results of the company are consolidated is that headed by ESB and the consolidated financial statements of ESB are available to the public and may be obtained from Two Gateway, East Wall Road, Dublin 3, D03 A995, Ireland.