

Registration number: 09850654

PS Energy UK Limited

Annual Report and Financial Statements

for the Period from 30 October 2015 to 31 December 2016

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PS Energy UK Limited
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PS Energy UK Limited

Strategic Report for the period ended 31 December 2016

The directors present their Strategic Report on PS Energy UK Limited ("the Company") for the period from 30 October 2015 to 31 December 2016.

Business review and future developments

PS Energy UK Limited trades under the trading name of Powershop and was established as a commercial vehicle for Innogy UK to explore strategic options for a new customer offer, enabling increased customer engagement, new value streams for its retail businesses and to better leverage existing energy market competencies.

Activities in this first accounting period since incorporation have been predominately business set-up, and the successful customisation of the Powershop offering, which is already retailed in the New Zealand and Australian markets, for the UK market.

Post balance sheet date, in early January 2017, Powershop formally launched its domestic electricity proposition to market with a web-based and smart phone application enabled product.

This product offers customers a unique ability to purchase their energy requirements via 'Power Packs'; to actively 'shop' for power. 'Shopping' offers the customer greater control over their purchase decisions building greater customer engagement with Powershop as their supplier and additionally encourages improved customer insight and transparency into their energy consumption. The Powershop product is in effect an innovative new way for customers to manage their energy use.

Whilst the Powershop proposition is currently limited to domestic electricity, the Company aims to launch a full dual fuel proposition for domestic customers consuming electricity and gas in the near term.

Following RWE's announcement in December 2015, the Group's renewables, grid and retail operations were pooled within a new subsidiary, innogy SE, which was successfully listed on the Frankfurt Stock Exchange on 7 October 2016 as described in the long term viability statement on page 4. The Npower Group, which the Company forms part of, comprises the UK retail operations and forms part of the new innogy SE group.

Position of the business

The Company's loss for the period ended 31 December 2016 was £775k. The net liabilities of the Company at 31 December 2016 were £775k.

Principal risks and uncertainties

The management of the business and the execution of the Company's strategy are subject to a number of risks. These risks are not managed on a legal entity basis, but overseen for the Retail Group as a whole.

The Company is part of the Npower Retail Group. The Npower Retail Group consists of 6 main trading entities and 5 other trading entities. The main trading entities are Npower Limited, Npower Northern Limited, Npower Yorkshire Limited, Npower Gas Limited, Npower Commercial Gas Limited and Npower Direct Limited.

The Retail Group continues to invest in a formal, regular risk assessment process to identify, monitor and mitigate as far as possible any risk that should arise. These are formally reviewed and assessed by the Board on a quarterly basis and actions taken as appropriate.

The key business risks affecting the Company are the retention rates of existing customers and the proportion of its market share. The level of volatility in electricity wholesale prices is the main uncertainty faced by the Company. Detailed discussions of these risks and opportunities, in the context of the innogy SE Group as a whole are provided on pages 93 through 101 of the innogy SE 2016 Annual Report.

In line with the requirements of the German Corporate Control and Transparency Act (KonTraG), the Company's risk management system enables the directors to identify risks at an early stage and initiate mitigating action where necessary.

PS Energy UK Limited
Strategic Report for the period ended 31 December 2016 (continued)

Key performance indicators (KPIs)

The directors of the Company do not primarily focus their management of the activities of the Company or wider group on a legal entity basis. Instead business performance is monitored and assessed at a segmented level, which when aggregated covers all of the Retail Group's commercial activities in the UK. These segments are supported by a number of central functions that provide a range of services including finance, tax, strategy and HR. Each segment is managed in particular against a number of key performance indicators that cover a range of financial, service delivery, efficiency and operational measures. The operations and activities of the Company and the other entities within the Group are allocated across these segments. Therefore the Company's directors do not set KPIs at a legal entity level, and as a result such KPIs are not presented for the Company.

Approved by the Board on 5 July 2017 and signed on its behalf by:



.....
Mr P Sharman
Director

PS Energy UK Limited

Directors' Report for the period ended 31 December 2016

The directors present their report on the Company and the audited financial statements for the period from 30 October 2015 to 31 December 2016.

Incorporation

The Company was incorporated on 30 October 2015.

Principal activities

The principal activities of the Company are the marketing and supply of electricity and related services to domestic consumers.

Dividends

The directors do not recommend the payment of a dividend.

Directors of the Company

The directors of the Company who were in office during the period and up to the date of signing the financial statements were as follows:

Mr S Stacey (appointed 30 October 2015)

Mr A Wiggans (appointed 30 October 2015)

The following director was appointed after the period end:

Mr P Sharman (appointed 1 January 2017)

Directors' indemnity

The directors have the benefit of the indemnity provision contained in the Company's Articles of Association. This provision was in force throughout the last financial period and is currently in force. This provision is a qualifying third party indemnity provision under section 234 of the Companies Act 2006. The Company also purchased and maintained throughout the financial period directors' and officers' liability insurance in respect of itself and its directors.

Future developments

Further details of significant changes in the future developments of the Company are provided in the Strategic Report on page 1.

Going concern

The financial statements have been prepared on a going concern basis which assumes that the Company will continue to trade. The basis of this assumption depends on the support of Npower Group plc. Npower Group plc has indicated that it intends to provide funds as are necessary for the Company to trade for the foreseeable future.

PS Energy UK Limited

Directors' Report for the period ended 31 December 2016 (continued)

Long term viability statement

The Company is a 100% owned subsidiary of the innogy SE group. The innogy SE group is majority owned by the RWE group following a successful IPO. Shares in innogy SE began trading on the Frankfurt Stock Exchange on 7 October 2016. innogy SE had a market capitalisation of €20 billion at the time of its listing and employs around 2,800 employees. innogy SE supplies approximately 16 million customers with electricity and around 7 million with gas in eleven European markets and is one of the largest suppliers of electricity and gas in Germany, the Netherlands and the United Kingdom. It also has a leading position in at least one of these products in several other European markets. In the year 2016, the innogy SE group recorded €11.4 billion in revenue, and had an income after tax of approximately €1.6 billion. Being a large group, innogy SE manages its financial resources with a Group Treasury function. This function allocates financial resources across the Group to meet all financial obligations in a timely fashion.

The Company belongs to the Npower Retail Group, part of the innogy SE group of companies, and as such is funded by its parent on an ongoing basis through a cash management agreement providing access to multi-million pound funding on a daily basis as required to meet its daily working capital requirements.

The directors consider that the innogy SE group has committed itself to the ongoing supply of electricity and gas in the UK for the medium to long term and will financially support the Npower Retail Group to achieve the objective of being a leading supplier in this market.

Employees

The energy, innovation and creativity of our staff add value to our businesses. During the financial year the Retail Group maintained its existing policies in the following areas in respect of employee involvement.

The Group is committed to the development of all staff in order to leverage our intellectual capital. Among many development and training initiatives, all staff are required to maintain personal development plans.

The ongoing changes within the Npower Retail Group mean that effective communication with staff is vital. Corporate publications and other media, including distribution of key development messages and team briefings, are used to promote wide understanding of policies and strategy. We also utilise the latest technology to aid rapid communication with staff through a range of media.

It is the Retail Group's policy to consult with employees or their representatives on a regular basis so that the views of employees can be taken into account in making decisions that are likely to affect their interests. The Retail Group also endeavours to achieve a common awareness of all employees in relation to the financial and economic factors that affect the performance of the Company.

Equal opportunities and diversity

The Group is committed to equal opportunity and diversity because of a sense of social responsibility and also because it makes sound business sense to tap into the wide-ranging knowledge and experience of individuals in all sectors of society. Through its commitment to valuing the talents of its employees, the Group aims to ensure that it is able to compete in attracting and retaining high calibre employees with wide-ranging experience and is therefore able to respond positively and flexibly to change. Decisions to appoint, reward, train, develop and promote are taken based on skills and abilities, or demonstrated potential, merit and the requirements of the job. Employment decisions affecting both job applicants and employees with disabilities will be made following any reasonable adjustments that may be necessary to ensure fair treatment. In addition, appropriate arrangements are made for training, career development and promotion of disabled persons employed by the Group. If members of staff become disabled the Group continues employment, either in the same or an alternative position, with appropriate retraining being given if necessary.

The Group is a member of the Employers' Forum on Disability, Opportunity Now and the Employers' Forum on Age and is committed to the aims of these organisations.

PS Energy UK Limited
Directors' Report for the period ended 31 December 2016 (continued)

Financial risk management

Capital management

The Company's objectives, policies and processes for managing capital are consistent with those of the innogy SE Group. Detailed discussions of these, in the context of the innogy SE Group as a whole, are provided on pages 125 through 126 of the innogy SE 2016 Annual Report.

Credit risk

The Npower Retail Group of companies has a policy of requiring appropriate credit checks on customers prior to establishing credit terms and payment method. Credit insurance and security deposits are arranged depending upon a combination of the credit rating and the projected annual spend. For all new customers with an annual spend in excess of predetermined limits, commodity risk control are required to sign off the account prior to acceptance.

Cash at bank and in hand comprises cash in hand and deposits which are readily convertible to cash and are subject to insignificant risk of change in value or credit risk.

Liquidity risk

The Company forms part of the Npower Group plc treasury arrangements, which actively manage a mixture of finance to ensure that the group has sufficient liquid resources to manage its current and future operational requirements.

Securities price risk

The Company has no significant exposure to equity securities price risk as it holds no material listed or other equity investments.

Interest rate cash flow risk

The Company has interest-bearing liabilities. Interest-bearing liabilities include loans from group undertakings. Interest on loans is fixed which minimises the interest rate risk faced by the Company.

General risk management

As a subsidiary of innogy SE, the Company complies with the Risk Management Directive of innogy SE, which embodies the relevant provisions of the German Law on Corporate Control and Transparency (Gesetz zur Kontrolle und Transparenz im Unternehmensbereich), together with the German Stock Corporation Act (Aktiengesetz) and the German Commercial Code (Handelsgesetzbuch). Compliance is achieved within the Company through the application of a tri-partite system of three separate but supportive elements, namely a risk controlling/early warning system, an internal control system and an internal audit process.

Research and development

The Company invests in the development of software to facilitate its business. Where software is capitalised it is treated as an intangible asset.

PS Energy UK Limited
Directors' Report for the period ended 31 December 2016 (continued)

Statement of directors' responsibilities

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

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 Practice (United Kingdom Accounting Standards, comprising FRS 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;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; 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.

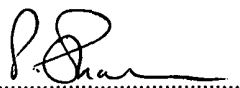
The directors are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Statement of disclosure of information to the auditors

In the case of each director in office at the date the Directors' Report is approved:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Approved by the Board on 5 July 2017 and signed on its behalf by:



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Mr P Sharman
Director

PS Energy UK Limited Independent Auditors' Report to the members of PS Energy UK Limited

Report on the financial statements

Our opinion

In our opinion, PS Energy UK Limited's financial statements ("the financial statements"):

- give a true and fair view of the state of the Company's affairs as at 31 December 2016 and of its loss for the 14 month period (the "period") 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.

What we have audited

The financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), comprise:

- the Balance Sheet as at 31 December 2016;
- the Profit and Loss Account for the period then ended;
- the Statement of Changes in Equity for the period then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

In addition, in light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Strategic Report and the Directors' Report. We have nothing to report in this respect.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

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, 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.

We have no exceptions to report arising from this responsibility.

PS Energy UK Limited
Independent Auditors' Report to the members of PS Energy UK Limited (continued)

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of directors' responsibilities set out on page 6, 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) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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.

What an audit of financial statements involves

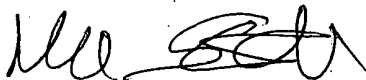
We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report. With respect to the Strategic Report and Directors' Report, we consider whether those reports include the disclosures required by applicable legal requirements.



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Mark Skedgel (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Birmingham

PS Energy UK Limited
Profit and Loss Account for the period ended 31 December 2016

		30 October 2015 to 31 December 2016 £ 000
Turnover	4	2
Cost of sales		<u>(4)</u>
Gross loss		(2)
Administrative expenses		<u>(953)</u>
Operating loss	5	(955)
Interest payable and similar expenses	6	<u>(4)</u>
Loss before taxation		(959)
Tax on loss	10	<u>184</u>
Loss for the financial period		<u><u>(775)</u></u>

The above results were derived from continuing operations.

There are no further items which would be included in other comprehensive income so no separate statement of comprehensive income has been prepared.

The notes on pages 12 to 21 form an integral part of these financial statements.

PS Energy UK Limited
Balance Sheet as at 31 December 2016

	Note	31 December 2016 £ 000
Fixed assets		
Intangible assets	11	2,000
Current assets		
Debtors: Amounts falling due within one year	12	251
Debtors: Amounts falling due more than one year	10	184
Cash at bank and in hand		<u>625</u>
		1,060
Creditors: Amounts falling due within one year	13	<u>(3,835)</u>
Net current liabilities		<u>(2,775)</u>
Net liabilities		<u>(775)</u>
Capital and reserves		
Called up share capital	14	-
Profit and loss account		<u>(775)</u>
Total shareholders' deficit		<u>(775)</u>

The financial statements on pages 9 to 21 were approved by the Board on 5 July 2017 and signed on its behalf by:



.....
 Mr P Sharman

Director

PS Energy UK Limited registered company number: 09850654

The notes on pages 12 to 21 form an integral part of these financial statements.

PS Energy UK Limited
Statement of Changes in Equity for the period ended 31 December 2016

	Called up share capital £ 000	Profit and loss account £ 000	Total shareholders' deficit £ 000
At 30 October 2015	-	-	-
Loss for the financial period	-	(775)	(775)
Total comprehensive expense for the period	-	(775)	(775)
New share capital subscribed	-	-	-
At 31 December 2016	-	(775)	(775)

Called up share capital consists of funds raised by the Company issuing shares in return for cash or other consideration.

Profit and loss account represents the accumulated profits of the Company.

The notes on pages 12 to 21 form an integral part of these financial statements.

PS Energy UK Limited
Notes to the Financial Statements for the period ended 31 December 2016

1 General information

The Company is a private company limited by share capital incorporated in England and Wales and domiciled in the United Kingdom.

The address of its registered office is:

Windmill Hill Business Park
Whitehill Way
Swindon
Wiltshire
SN5 6PB
United Kingdom

The principal activities of the Company are the marketing and supply of electricity and related services to domestic consumers.

2 Accounting policies

Summary of significant accounting policies

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

Basis of preparation

These financial statements were prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework'. The financial statements were prepared under the historical cost convention, as modified by revaluation of financial assets and financial liabilities held at fair value through profit and loss (as applicable), and in accordance with the Companies Act 2006.

Summary of disclosure exemptions

- Paragraph 33(c) of IFRS 5 (Non-current Assets Held for Sale and Discontinued Operations)
- IFRS 7 (Financial Instruments: Disclosures)
- Paragraph 38 of IAS 1 (Presentation of Financial Statements) to present comparative information in respect of:
 - (i) paragraph 79(a)(iv) of IAS 1 (Presentation of Financial Statements)
 - (ii) paragraph 73(e) of IAS 16 (Property, Plant and Equipment)
 - (iii) paragraph 118(e) of IAS 38 Intangible Assets)
- The following paragraphs of IAS 1 (Presentation of Financial Statements):
 - (i) 10(d)
 - (ii) 10(f)
 - (iii) 16
 - (iv) 38A
 - (v) 38B-D
 - (vi) 40A-D
 - (vii) 111
 - (viii) 134-136

PS Energy UK Limited
Notes to the Financial Statements for the period ended 31 December 2016 (continued)

2 Accounting policies (continued)

Summary of disclosure exemptions (continued)

- IAS 7 (Statement of Cash Flows)
- Paragraphs 30 and 31 of IAS 8 (Accounting Policies, Changes in Accounting Estimates and Errors)
- 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.

Where required, equivalent disclosures are given in the group financial statements of innogy SE. The group financial statements of innogy SE are available to the public and can be obtained as set out in note 15.

Going concern

The financial statements have been prepared on a going concern basis which assumes that the Company will continue to trade. The basis of this assumption depends on the support of Npower Group plc. Npower Group plc has indicated that it intends to provide funds as are necessary for the Company to trade for the foreseeable future.

New standards, amendments and IFRIC interpretations

No new accounting standards, or amendments to accounting standards, or IFRIC interpretations that are effective for the period ended 31 December 2016, have had a material impact on the Company.

Turnover

Turnover comprises the value of sales of goods and services, excluding VAT and other indirect taxes, in the normal course of business. The Company operates in one class of business, marketing and supply of electricity and related services, and in one geographical segment, the United Kingdom.

Turnover is recognised at the point of supply of electricity and related services to customers.

Interest

Interest receivable and payable is credited or charged to the Profit and Loss Account on an accruals basis.

Taxation

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

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 taxable income.

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements and on unused tax losses or tax credits in the company. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

The carrying amount of deferred tax assets are reviewed at each reporting date and a valuation allowance is set up against deferred tax assets so that the net carrying amount equals the highest amount that is more likely than not to be recovered based on current or future taxable profit.

PS Energy UK Limited
Notes to the Financial Statements for the period ended 31 December 2016 (continued)

2 Accounting policies (continued)

Intangible assets

Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Company are recognised as intangible assets when the following criteria are met:

- It is technically feasible to complete the software product so that it will be available for use;
- Management intends to complete the software product and use or sell it;
- There is an ability to use or sell the software product;
- It can be demonstrated how the software product will generate probably future economic benefits;
- Adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- The expenditure attributable to the software product during its development can be reliably measured.

Directly attributable costs that are capitalised are part of the software product include the software development employee costs and an appropriate portion of relevant overheads.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in the subsequent period.

Amortisation

Amortisation is provided on intangible assets so as to write off the cost, less any estimated residual value, over their expected useful economic life as follows:

Asset class	Amortisation method and rate
Computer software	4 to 6 years
Assets under construction	Not amortised

PS Energy UK Limited
Notes to the Financial Statements for the period ended 31 December 2016 (continued)

2 Accounting policies (continued)

Impairment of non-financial assets

The Company's management reviews the carrying amounts of its fixed assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent, if any, of the impairment loss.

If the recoverable amount of an asset or income generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or income generating unit is reduced to its recoverable amount. An impairment loss is recognised immediately in the Profit and Loss Account.

The recoverable amount of an asset is based on its estimated value in use. Value in use is the present value of the future cash flows expected to be derived from use of the asset. The cash flow projections are based on future economic and market assumptions and forecast trading conditions drawn up by the Company's management as follows:

- Future market conditions and prices are based on detailed analysis and predictions prepared by innogy economists based on the specific circumstances of the UK retail energy market
- Cash flow projections are based on management's approved long term business plan which incorporate the predictions of future market conditions above
- The cash flows obtained are discounted at a rate estimated to be appropriate for the retail energy business in the UK

Where an impairment loss subsequently reverses the carrying amount of the asset is increased to the revised estimate of its recoverable amount, not exceeding the carrying amount that would have been determined had no impairment loss been recognised. A reversal of an impairment loss is recognised in the Profit and Loss Account.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and call deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Trade debtors

Trade debtors are amounts due from customers for merchandise sold or services performed in the ordinary course of business or amounts due from group undertakings. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade debtors are recognised initially at the transaction price. They are subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for the impairment of debtors is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the debt.

Trade creditors

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers or amounts due to group undertakings. Trade creditors are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade creditors are recognised initially at the transaction price and subsequently measured at amortised cost using the effective interest method.

PS Energy UK Limited
Notes to the Financial Statements for the period ended 31 December 2016 (continued)

2 Accounting policies (continued)

Borrowings

All borrowings are initially recorded at the amount of proceeds received, net of transaction costs. Borrowings are subsequently carried at amortised cost, with the difference between the proceeds, net of transaction costs, and the amount due on redemption being recognised as a charge to the profit and loss account over the period of the relevant borrowing.

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

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Called up share capital

Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis.

Operating leases

Leases in which substantially all the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to profit or loss on a straight-line basis over the period of the lease.

Contingent liabilities

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Company or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. The Company does not recognise a contingent liability but discloses its existence in the financial statements.

3 Critical accounting judgements and key sources of estimation uncertainty

Due to the relative low level of activity in the business there are no critical accounting judgements or key sources of estimation uncertainty.

4 Turnover

The analysis of the Company's turnover for the period from continuing operations is as follows:

	30 October 2015 to 31 December 2016 £ 000
Sale of goods	<u>2</u>

PS Energy UK Limited
Notes to the Financial Statements for the period ended 31 December 2016 (continued)

5 Operating loss

Operating loss is arrived at after charging:

	30 October 2015 to 31 December 2016 £ 000
Operating lease expense - property (included in 'Administrative expenses')	<u>24</u>

Operating lease payments represent rentals payable by the Company for its office property. The costs disclosed are a recharge of costs from Npower Limited, who recharges all group companies with property and other group costs.

Full disclosure of the operating lease commitments are shown in the financial statements of the npower retail company that holds the lease. The operating lease costs are then recharged across the Npower Retail Group as applicable.

6 Interest payable and similar expenses

	30 October 2015 to 31 December 2016 £ 000
Interest payable to group undertakings	<u>4</u>

7 Staff costs

The aggregate payroll costs (including directors' remuneration), were as follows:

	30 October 2015 to 31 December 2016 £ 000
Wages and salaries	315
Social security costs	38
Other pension costs	19
	<u>372</u>

The monthly average number of persons employed by the company (including directors) during the period, analysed by category was as follows:

	30 October 2015 to 31 December 2016 No.
Sales and administrative staff	<u>5</u>

PS Energy UK Limited
Notes to the Financial Statements for the period ended 31 December 2016 (continued)

8 Directors' remuneration

The remuneration is unable to be allocated to individual entities as the Npower Retail Group is not managed on a legal entity basis. Details of the directors' aggregate remuneration for the year ended 31 December 2016 are set out in the financial statements of Npower Limited together with details of the highest paid director in the Npower Retail Group.

During the period the number of directors who were receiving benefits and share incentives was as follows:

	30 October 2015 to 31 December 2016
	No.
Accruing benefits under defined benefit pension scheme	1
Accruing benefits under money purchase pension scheme	<u>2</u>

During the year no directors exercised share options in RWE AG the ultimate parent company. None of the directors received or became entitled to receive aggregate cash payments in RWE AG under long-term incentive schemes in the financial year.

Further details of the nature and extent of share based payment arrangements have been disclosed in full within the financial statements of Npower Limited. The directors do not consider it necessary to provide separate disclosure within PS Energy UK Limited's financial statements as the amount is not material.

9 Auditors' remuneration

The audit fee for the Company was borne by Npower Limited, another group company, and not recharged.

No fees were paid to the auditors for non audit services.

10 Tax on loss

Tax credited in the income statement

	30 October 2015 to 31 December 2016
	£ 000
Deferred taxation	
Arising from origination and reversal of temporary differences	<u>(184)</u>

PS Energy UK Limited
Notes to the Financial Statements for the period ended 31 December 2016 (continued)

10 Tax on loss (continued)

The tax assessed on the loss for the period is higher than the standard rate of corporation tax in the UK of 20%.

The differences are reconciled below:

	30 October 2015 to 31 December 2016 £ 000
Loss before tax	<u>(959)</u>
Loss before tax multiplied by the standard rate of corporation tax in the UK of 20%	(192)
Impact of change in UK tax rate	<u>8</u>
Total tax credit	<u>(184)</u>

The tax rate for the current year is lower than the prior year due to changes in the UK corporation tax rate which decreased from 21% to 20% from 1 April 2015.

Changes to the UK corporation tax rates were substantively enacted as part of Finance Bill 2015 (on 26 October 2015) and Finance Bill 2016 (on 6 September 2016). These include reductions to the main rate to reduce the rate to 19% from 1 April 2017 and to 17% from 1 April 2020. Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements.

Deferred tax
Deferred tax assets

2016

Other items

Deferred tax movement during the period:

	At 30 October 2015 £ 000	Recognised in profit and loss £ 000	At 31 December 2016 £ 000
Other items	<u>-</u>	<u>(184)</u>	<u>(184)</u>

Other items represent short term timing differences.

PS Energy UK Limited
Notes to the Financial Statements for the period ended 31 December 2016 (continued)

11 Intangible assets

	Intangible assets under construction £ 000
Cost and carrying amount	
Additions	2,000
At 31 December 2016	<u>2,000</u>

12 Debtors: amounts falling due within one year

	31 December 2016 £ 000
Amounts owed by group undertakings	144
Other receivables	107
	<u>251</u>

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

13 Creditors: amounts falling due within one year

	31 December 2016 £ 000
Trade payables	208
Accrued expenses	433
Amounts owed to group undertakings	185
Social security and other taxes	5
Loans and borrowings	3,004
	<u>3,835</u>

Amounts owed to group undertakings are unsecured, interest free and have no fixed date of repayment.

Loans owed to group undertakings are unsecured, bear interest at 3.24% and are repayable within one year.

PS Energy UK Limited
Notes to the Financial Statements for the period ended 31 December 2016 (continued)

14 Called up share capital

Allotted, called up and fully paid shares

	31 December 2016	
	No.	£
Ordinary shares of £1 each	<u>1</u>	<u>1</u>

The Company was incorporated on 30 October 2015 with an initial subscription of 1 share at a par value of £1.

15 Controlling parties

The name of the parent undertaking of the smallest group in whose consolidated financial statements the Company's financial statements are consolidated is innogy SE, a company incorporated in Germany. These financial statements are available upon request from innogy SE, Opernplatz 1, D-45128 Essen, Germany.

The ultimate parent company and controlling party is RWE AG, a company incorporated in Germany, which is the parent undertaking of the largest group to consolidate these financial statements. Copies of RWE AG consolidated financial statements can be obtained from RWE AG, Huysseallee 2, 45128 Essen, Germany.

The company is controlled by Npower Limited (the immediate parent) a company incorporated in Great Britain and registered in England and Wales.