E.ON ENERGY SOLUTIONS LIMITED

STRATEGIC REPORT, DIRECTORS' REPORT AND FINANCIAL STATEMENTS

for the Year Ended 31 December 2015

Registered No: 03407430

E.ON ENERGY SOLUTIONS LIMITED
STRATEGIC REPORT
for the Year Ended 31 December 2015

The directors present their strategic report of the Company for the year ended 31 December 2015.

Fair review of the business

Both the level of business during the year and the financial position of the Company at the year end were as expected. At 31 December 2015, the Company had net assets of £1,122 million (2014: net assets of £1,412 million).

The directors believe that the present level of activity will be sustained in the current year.

The Company combines its core energy business which sells gas and power to consumers and businesses, with a number of newer and innovative business areas which deliver products and services to enable customers and users to become energy efficient and to assist in the delivery of energy mandates from government.

The Company sells electricity and gas to the residential and business sector; the latter encompassing both Small and Medium Enterprises ('SME') and Industrial and Commercial ('I&C') customers throughout the United Kingdom. As of 31 December 2015, the Company supplied approximately 7,609,000 (2014: 7,725,000) customer accounts, of which 6,982,000 (2014: 7,080,000) were residential customer accounts and 627,000 (2014: 645,000) were SME and I&C accounts.

In the industry as a whole, electricity consumption in England, Scotland and Wales during the year was 282 billion kWh in 2015 compared with 290 billion kWh in 2014, a decrease of 3%. Gas consumption (excluding power stations) was 527 billion kWh in 2015 compared with 506 billion kWh in 2014, an increase of 4%. Factors causing the decrease in electricity include continuing customer energy efficiency measures and cost conscious use of energy. Weather is likely to have driven a proportion of the increase in gas usage in 2015; with 2014 seeing particularly low consumption levels.

During the year the Company renewed its strategic goals and outlined its new three year strategic plan. The new strategic plan is an evolution of the previous strategy, whereby the Company aims to be the partner of choice for energy solutions.

The Company's continual customer centric focus is reflected in its Net Promoter Score ('NPS') given by residential customers, which stood at +3 (in a scale of -100 to +100) at the year end. This is a market leading position for the larger suppliers and a record high for the second consecutive year.

During 2015, the significant political and regulatory scrutiny seen in prior years has not abated and is set to continue throughout the course of the plan period.

During the current year, the Company will continue to grow solutions for customers and will strive for best in class performance.

Residential customers
In the residential sector, the Company sold 16.3 TWh of electricity and 36.5 TWh of gas in 2015, as compared with 16.9 TWh of electricity and 36.2 TWh of gas in 2014. The main drivers of the decrease in electricity include the continued reduction in the average consumption volume per customer; influenced by customer energy efficiency measures and embedded generation effects such as the generation from local solar photovoltaic installations. A further smaller impact is seen from the reduction in customer numbers.

SME and I&C customers
In the SME and I&C sectors, the Company sold 24.4 TWh of electricity and 14.9 TWh of gas in 2015, compared with 28.7 TWh of electricity and 16.4 TWh of gas in 2014. The decline from 2014 for SME customers is due to those factors described for the residential sector above, but also additionally for I&C customers from changes in the customer portfolio, with the main effects being the relative size of customers and number of sites.

Other services

Aside from energy supply, the Company is involved in the following activities:

- Community Energy, one of the UK market leaders for the development of decentralised community energy schemes.
- B2B Solutions, delivering innovative energy solutions to our business customers.
- Smart Metering, the roll-out of new Smart meters to customers by 2020.
- Obligation Delivery, the Company is committed to delivering the UK government mandated energy saving measures.
- Infrastructure Services, offering end to end solutions for highways lighting requirements including design, installation and network connections.
- Field Operations, encompassing metering activity.

Key performance indicators ('KPIs')

The Board of Management of E.ON SE manages the group's operations on a divisional basis. For this reason, the Company's directors believe that analysis using financial KPIs for the Company is not necessary or appropriate for an understanding of the development, performance or position of the business of the Company. The development, performance and position of the Regional Unit UK division of E.ON SE, which includes the Company, are discussed within the group's annual report which does not form part of this report. The directors do not believe there are any further relevant KPIs that are not already disclosed within the financial statements.

The Company's non-financial KPIs during the year were as follows. The directors do not believe there are any further relevant financial KPIs that are not already disclosed within these financial statements.

KPIs	2015	2014	
Volumes of electricity sold (TWh)	40.7	45.6	Electricity sales decreased due to lower customer numbers in 2015, customer energy efficiency and embedded generation effects.
Volumes of gas sold (TWh)	51.4	52.6	Gas sales decreased due to lower customer numbers in 2015 and energy efficiency effects.
Residential customer NPS (range of -100 to +100)	3	2	Customer centric focus and investment in customer service through IT, training, simpler products and operational excellence has resulted in a market leading NPS score for the larger suppliers.
Customer account numbers (million)	7.61	7.73	Account numbers fell in 2015 due to higher losses.

Principal risks and uncertainties

The management of the business and the execution of the Company's strategy are subject to a number of risks.

The key business risks and uncertainties affecting the Company are considered to relate to:

Price risk

Aside from the usual competitive pressure on prices, there is a price risk that the Company faces from competitors' ability to amend their selling prices in response to movements in wholesale energy markets. This ability is a factor of their purchasing strategies and internal structures. The Company's responses are similarly constrained or enabled by the same factors. The Company uses long-term and short-term market based derivative financial instruments to buy its required supply of power and gas from Uniper Global Commodities SE (formerly E.ON Global Commodities SE) ('UGC'), a fellow group undertaking. These instruments smooth fluctuations in the wholesale cost of power and gas.

Regulatory risk
The political, legal and regulatory environments within which the Company operates are a source of external risk. Changes to these environments can lead to considerable uncertainty. The Company manages these risks by engaging in intensive and constructive dialogue with government agencies and policy makers.

Credit risk
This risk arises due to the impact of economic conditions on the ability of the Company's customers to pay for the energy they consume. There are a number of initiatives underway to mitigate this risk. These include credit vetting and systems investment to manage outstanding customer debts.

Weather risk
This risk arises due to the impact that weather has on the demand for energy and the impact on the Company's sales. The Company uses a demand management system and weather derivatives to manage this risk.

Further discussion of these risks and uncertainties, in the context of the E.ON SE consolidated group as a whole, is provided within the financial review section of the group's annual report which does not form part of this report.

Approved by the Board of Directors on 23 June 2016 and signed on its behalf by:

Tony Cocker

A D Cocker
Director

E.ON Energy Solutions Limited
Company No: 03407430
Westwood Way
Westwood Business Park
Coventry
CV4 8LG

E.ON ENERGY SOLUTIONS LIMITED
DIRECTORS' REPORT
for the Year Ended 31 December 2015

The directors present their report and the audited financial statements of the Company for the year ended 31 December 2015.

Directors of the Company

The directors who held office during the year and up to the date of signing are given below:

A D Cocker
D A Bird
D A Leiper
J T Lightfoot (appointed 28 January 2016)
A Groth (appointed 16 June 2016)
B Wagner (appointed 16 June 2016)
A S Ainsworth (resigned 28 January 2016)
R Matthies (resigned 31 May 2016)

Principal activities

The Company's principal activities during the year and at the year end were the supply of electricity, the shipping and supply of natural gas and the provision of other energy related services to residential, SME and I&C customers.

Results and dividends

The Company's profit for the financial year is £110 million (2014: loss of £33 million). Interim dividends of £400 million were paid during the year (2014: £nil). The directors do not recommend the payment of a final dividend (2014: £nil).

Financial risk management

Objectives and policies

The Company, in common with other E:ON SE subsidiaries, must comply with the E.ON SE's group finance guidelines that set out the principles and framework for managing group-wide finances. The Company also utilises the E.ON UK plc operational treasury team which services the treasury requirements of the business. Further information on the E.ON SE group's policies and procedures is available in the financial statements of the E.ON SE group.

E.ON SE has a central department that is responsible for financing and treasury strategy, policies and procedures throughout the E.ON SE group. Major strategic financing and corporate finance actions are planned and executed by the corporate finance team at E.ON SE. There is also a treasury team which co-ordinates currency and interest risk management as well as cash management for the whole E.ON SE group.

The Company operates its own specific treasury procedures within the overall E.ON SE treasury framework. The E.ON SE treasury team liaise closely with the Company to ensure that liquidity and risk management needs are met within the requirement of the E.ON SE group's policies and procedures.

E.ON SE's central financing strategy

E.ON SE's financing policy is to centralise external financing at the E.ON SE level and to reduce external debt in subsidiaries wherever possible. E.ON SE then funds its subsidiaries with inter-company finance. This finance may be in the form of equity or debt, as appropriate.

E.ON UK plc's treasury team employs a continuous forecasting and monitoring process to ensure that the Company complies with all its banking and other covenants that apply to the financing of the UK business. This team works in close liaison with the other E.ON companies operating within the UK, when considering hedging requirements related to their activities. A group-wide cash forecasting and currency exposure reporting process exists which ensures regular reporting into UK treasury of future positions, both short and medium term. Information is submitted to E.ON SE for incorporation into E.ON SE group forecasting processes on a weekly and quarterly basis.

The Company does not enter into speculative treasury arrangements. Accordingly, all transactions in financial instruments are matched to underlying business requirement, such as committed purchases or forecast funding requirements. Treasury activities are reviewed by internal audit on a regular basis.

Price risk, credit risk, liquidity risk and cash flow risk

Price risk

Aside from the usual competitive pressure on prices, there is a price risk that the Company faces from competitors' ability to amend their selling prices in response to movements in wholesale energy markets. This ability is a factor of their purchasing strategies and internal structures. The Company's responses are similarly constrained or enabled by the same factors. The Company uses long-term and short-term market based derivative financial instruments to buy its required supply of power and gas from UGC, a fellow group undertaking. These instruments smooth fluctuations in the wholesale cost of power and gas.

Credit risk management

This risk arises due to the impact of economic conditions on the ability of the Company's customers to pay for the energy they consume. There are a number of initiatives underway to mitigate this risk. These include credit vetting and systems investment to manage outstanding customer debts.

Liquidity and cash flow risks

The Company has sufficient committed borrowing facilities to meet planned liquidity needs with headroom, through facilities provided by E.ON UK plc. The Company also has a bank overdraft facility to support daily liquidity management. The level of operating cash is affected by the performance of the business, market prices and margins amongst other things.

Political donations

No political donations were made during the year (2014: £nil).

Future developments

Further discussion of future developments is included in the Strategic Report.

Employees

The Company has no employees but it is recharged by E.ON UK plc for the services of certain employees. The Company ensures that E.ON UK plc has employment policies which are designed to attract, retain and motivate the very best people recognising that this can only be achieved through offering equal opportunities for all, irrespective of sex, race, marital status, age or disability. The employment practices and procedures of E.ON UK plc are regularly reviewed to ensure that they provide equality of opportunity to all employees within the current legislative framework.

Post balance sheet events

In June 2014 the Office of Gas and Electricity Markets referred the entire UK energy market for review by the Competition and Markets Authority ('CMA'). On 17 March 2016, the CMA published the main body of its Provisional Determination on Remedies which the Company has responded to prior to the CMA publishing its final report in June 2016.

Directors' indemnities

The Company maintains liability insurance for its directors and officers. This is a qualifying third party indemnity provision for the purposes of the Companies Act 2006. This insurance cover was in force during the year and is still in force at the date of approving the Directors' Report.

Disclosure of information to auditors

So far as each of the directors 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 directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Statement of directors' responsibilities

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 prepared 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" ('FRS 101').

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards, including FRS 101 have been followed, subject to any material departures disclosed and explained in the financial statements;
- notify its shareholders in writing about the use of disclosure exemptions, if any, of FRS 101 used in the preparation of 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.

Approved by the Board of Directors on 23 June 2016 and signed on its behalf by:

Tony Cocker

A D Cocker
Director

E.ON Energy Solutions Limited
Company No: 03407430
Westwood Way
Westwood Business Park
Coventry
CV4 8LG

Independent Auditor's Report to the Members of
E.ON ENERGY SOLUTIONS LIMITED

Report on the financial statements

Our opinion

In our opinion, E.ON Energy Solutions 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 2015 and of its profit 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.

What we have audited

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

- the balance sheet as at 31 December 2015;
- the profit and loss account 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 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 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.

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.

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.

Independent Auditor's Report to the Members of E.ON ENERGY SOLUTIONS LIMITED (continued)

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 & 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.

Andrew Lyon (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
East Midlands

Date 23 June 2016

E.ON ENERGY SOLUTIONS LIMITED
PROFIT AND LOSS ACCOUNT
for the year ended 31 December 2015

	Note	**2015 £000 000**	2014 £000 000
Turnover	2	**6,900**	7,489
Cost of sales		**(6,026)**	(6,584)
Gross profit		**874**	905
Administrative expenses		**(764)**	(965)
Other operating income		**30**	23
Operating profit/(loss)	3	**140**	(37)
Interest receivable and similar income	7	**6**	6
Profit/(loss) on ordinary activities before taxation		**146**	(31)
Tax on profit/(loss) on ordinary activities	8	**(36)**	(2)
Profit/(loss) for the financial year		**110**	(33)

The Company has no recognised gains or losses for the year, other than the results above and therefore no separate statement of comprehensive income has been presented.

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

E.ON ENERGY SOLUTIONS LIMITED
BALANCE SHEET
as at 31 December 2015

	Note	2015 £000 000	2014 £000 000
Fixed assets			
Intangible assets	9	**956**	876
Tangible assets	10	**211**	184
Investments	11	**22**	22
		1,189	1,082
Current assets			
Stocks	12	**30**	33
Debtors	13	**1,866**	2,308
Cash at bank and in hand		**114**	62
		2,010	2,403
Creditors: amounts falling due within one year	14	**(1,675)**	(1,702)
Net current assets		**335**	701
Total assets less current liabilities		**1,524**	1,783
Creditors: amounts falling due after more than one year	15	**(8)**	(5)
Provisions for liabilities	16	**(394)**	(366)
Net assets		**1,122**	1,412
Capital and reserves			
Called up share capital	17	**763**	763
Share premium account		**41**	41
Profit and loss account		**318**	608
Total shareholders' funds		**1,122**	1,412

The financial statements on pages 9 to 30 were approved by the Board of Directors on 23 June 2016 and signed on its behalf by:

Tony Cocker

A D Cocker
Director
E.ON Energy Solutions Limited
Company No: 03407430

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

E.ON ENERGY SOLUTIONS LIMITED
STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2015

	Called up share capital £000 000	Share premium account £000 000	Profit and loss account £000 000	Total shareholders' funds £000 000
At 1 January 2014	763	41	641	1,445
Loss for the financial year and total comprehensive expense	-	-	(33)	(33)
Total comprehensive expense for the year	-	-	(33)	(33)
At 31 December 2014	763	41	608	1,412
Profit for the financial year and total comprehensive income	-	-	110	110
Total comprehensive income for the year	-	-	110	110
Dividends and total transactions with owners recognised directly in equity	-	-	(400)	(400)
At 31 December 2015	**763**	**41**	**318**	**1,122**

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

1. Accounting policies

General information

The Company supplies electricity, ships and supplies natural gas and provides other energy related services to residential, SME and I&C customers in the UK.

The Company is a private company and is incorporated and domiciled in the UK. The address of the Company's registered office is Westwood Way, Westwood Business Park, Coventry, CV4 8LG.

Basis of preparation of financial statements

This is the first year that the Company has prepared financial statements in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' ('FRS 101'). Further information relating to the impact of the conversion is disclosed in note 20. The financial statements have been prepared under the going concern basis, historical cost convention and in accordance with the Companies Act 2006 as applicable to companies using FRS 101. The principal accounting policies, which have been applied consistently throughout the year, are set out below.

The Company has adopted disclosure exemptions in relation to the following:

- The requirements 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 (key management compensation)
- The requirements of IAS 24 Related party disclosures to disclose related party transactions entered into between two or more members of a group
- The requirements of IFRS 7 Financial Instruments: Disclosures
- The requirements of paragraphs 91 to 99 of IFRS 13 Fair value measurement (disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities)

Change in accounting policy

The accounting policy for the recognition of direct debits from customers was changed during the year to recognise this inflow at the point the bank transaction cannot be reversed. This is effectually cash in transit with a corresponding entry to trade accounts receivable. The adjustment to increase cash in transit and reduce trade accounts receivable was £125 million, £123 million and £125 million as at 1 January 2014, 31 December 2014 and 31 December 2015 respectively.

Exemption from preparing group financial statements

The Company is a wholly-owned subsidiary undertaking of E.ON SE, the ultimate parent undertaking, and is included in the publicly available consolidated financial statements of E.ON SE. Consequently, the Company has taken advantage of the exemption from preparing consolidated financial statements under the terms of Section 400 of the Companies Act 2006.

The Company's financial statements present information about it as an individual entity and not about its group.

Judgement in applying accounting policies and key sources of estimation uncertainty

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions which affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of these financial statements, and the reported amounts of revenues and expenses during the reporting year. These judgements are based on management's best knowledge of the relevant facts and circumstances, having regard to prior experience, but actual results may differ from the amounts included in these financial statements.

Areas of significant judgement in application of accounting policies and critical accounting estimates that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

Revenue recognition - unread gas and electricity meters

Revenue for energy supply activities includes an assessment of energy supplied to customers between the date of the last meter reading and the year end. Unread gas and electricity is estimated using historical consumption patterns taking into account the industry reconciliation process for total gas and total electricity usage by supplier. The industry reconciliation process is required as differences arise between the estimated quantity of gas and electricity the Company deems to have supplied and billed customers, and the estimated quantity the industry system operator deems the individual suppliers, including the Company, to have supplied to customers.

Commodity Derivatives

Forward power and gas contracts meet the definition of derivatives under IAS 39. The Company currently accounts for 50% of its forward power and gas contracts at fair value through the profit and loss ('FVTPL'), with the remaining 50% being accounted for as own use. The fair value of forward contracts is recognised as an asset or liability on the balance sheet from the date the contract is entered into. Movements are recorded at fair value through the profit and loss account. Own use forward contracts are accounted for on an accruals basis.

The 50% election was deemed as appropriate based on the E.ON SE group accounting policy. This was chosen at the contract inception date based on the analysis that within any half hourly period within a day, forecast demand movements can result in up to 50% reductions or increases in volumes required. Each derivative contract is allocated to either the own use book or the FVTPL book, at the execution of the trade. There are no subsequent changes to the classification and thus no change in accounting treatment, as defined in the guidance. Volumes can only be sold from the FVTPL book while no sales are made from the own use book. Currently all day ahead and same day trades (to hedge imbalance volumes) are allocated to the FVTPL book.

Forward power and gas derivatives are not designated in hedge accounting relationships, and thus fair value movements are recognised in the income statement. The hedged items (such as forecast sales and firm commitments) are not fair valued.

Valuation of goodwill

Positive goodwill is capitalised, classified as an asset on the balance sheet. It is reviewed for impairment at the end of the first full financial year following the acquisition and in other periods if events or changes in circumstances indicate that the carrying value may not be recoverable. Impairments of assets are calculated as the difference between the carrying value of the asset and its recoverable amount, if lower. Recoverable amount is defined as the higher of fair value less costs to sell and estimated value in use at the date the impairment review is undertaken. Significant judgement is required in determining value in use as this represents the present value of expected future cash flows, discounted using a pre-tax discount rate, that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. Where such an asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the income generating unit.

Impairment of trade debtors

Valuation allowances against trade receivables are provided for identifiable individual risks where the loss is probable. The estimates and assumptions used to determine the level of provisions are reviewed periodically. Although the provisions recognised are considered appropriate, the use of different assumptions or changes in economic conditions could lead to changes in the provisions and therefore impact profit or loss for the year.

Corporation tax

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. The Company establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Going concern

The financial statements have been prepared on the going concern basis. The directors of the Company believe that there are no material uncertainties that may cast significant doubt about the ability of the Company to continue as a going concern. The directors of the Company also believe that the Company has adequate resources to continue in operational existence for the foreseeable future.

Turnover

Turnover comprises revenue from the sale of electricity, gas and energy services to residential, SME and I&C customers. Turnover excludes value added tax.

Turnover is recognised when earned on the basis of a contractual agreement with the customer. It reflects the value of the volume supplied, including an estimated value of the volume supplied to customers between the date of their last meter reading and the year end. Both billed and unbilled amounts receivable are included within trade debtors.

Turnover from providing other energy related services to customers is recognised as the work is performed and the services provided to the customer.

Accrued income

Income recognised in advance of receipt is debited to an accrued income account and recognised in the profit and loss account in the period to which it relates.

Intangible fixed assets

Positive goodwill is capitalised and classified as an asset on the balance sheet. It is reviewed for impairment at the end of the first full financial year following the acquisition and in other periods if events or changes in circumstances indicate that the carrying value may not be recoverable.

The value of Renewables Obligation Certificates ('ROCs') purchased from other group companies and third parties is capitalised at their acquisition cost and classified as an asset on the balance sheet. The consumption of ROCs is recognised at average cost when settled to national authorities on an annual basis.

Other intangibles relate primarily to capitalised development costs and acquired customer lists. Other intangibles are stated at cost less accumulated amortisation and impairment losses. They are amortised on a straight line basis over their useful economic lives.

Software costs are stated at cost less accumulated amortisation and impairment losses. They are amortised on a straight line basis over their useful economic lives.

Amortisation

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

No amortisation is provided on goodwill or ROCs.

Asset class	**Amortisation method and rate**
Other intangibles	Straight-line basis over 17 to 25 years
Software	Straight-line basis over 3 to 5 years

Tangible assets

Tangible assets are stated at original cost less accumulated depreciation and any provision for impairment. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use.

Major assets in the course of construction are included in tangible fixed assets on the basis of expenditure incurred at the balance sheet date. In the case of assets constructed by the Company directly related overheads and commissioning costs are included in cost. Where borrowings are used to finance the construction of a major capital project with a long period of development, interest payable is capitalised as part of the cost of the asset and written off over the economic useful life of the asset. Where specific borrowings are used, the amount capitalised is based on the weighted average cost of capital of the E.ON SE group, not exceeding the actual expenditure incurred during the relevant period of construction.

Depreciation is provided on tangible fixed assets so as to write off the cost or valuation, less any estimated residual value, over their expected usefully economic lives, which are reviewed annually, as follows:

Asset class	**Depreciation method and rate**
Plant and machinery	Straight line basis over 25 years
Fixtures and fittings	Straight line basis over 3 to 5 years
Meter equipment*	Straight line basis over 7 to 10 years

*Meter equipment includes installation costs.

Impairment

Impairments of assets are calculated as the difference between the carrying value of the asset and its recoverable amount, if lower. Recoverable amount is defined as the higher of fair value less costs to sell and estimated value in use at the date the impairment review is undertaken. Value in use represents the present value of expected future cash flows, discounted using a post-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. Where such an asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the income generating unit.

Impairments are recognised in the profit and loss account and, where material, are disclosed separately.

Fixed asset investments

Fixed asset investments are stated at historical cost less provision for any diminution in value.

Stocks

Stocks and work in progress are valued at the lower of cost and net realisable value, after due regard for obsolete and slow moving stocks. Net realisable value is based on selling price less anticipated costs to completion and selling costs. Cost includes all direct costs and an appropriate proportion of fixed and variable overheads.

All stocks are goods for resale and are recognised in the profit and loss account on a first in first out basis.

Long term contracts

Long term contracts are measured at cost net of amounts transferred to cost of sales after deducting foreseeable losses and payments on account not matched with turnover. These contracts are included in stock as work in progress along with all other energy connections contract costs. The amount by which payments on account exceed turnover is shown under creditors as deferred income. The amount by which recorded turnover is in excess of payments on account is included in debtors as amounts recoverable on contracts. The amount by which accruals for foreseeable losses exceed costs incurred, after transfers to cost of sales, is deducted from the value of work in progress in the balance sheet and recognised as a cost in the profit and loss account.

Foreign currency

These financial statements are presented in Great British Pounds ("GBP") which is the Company's functional currency. All financial information is presented in GBP has been rounded to the nearest million.

Transactions in foreign currencies are recorded at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the closing rates at the balance sheet date. All exchange differences are included in the profit and loss account.

Financial instruments

The Company utilises financial instruments to manage risk. Gains or losses on settled hedging transactions are recognised in the profit and loss account in line with the underlying transactions. Unrealised hedging contracts are not recognised at fair value at the balance sheet date. The fair value of such contracts is not disclosed when contracts have been entered into for the purpose of, and continue to meet, the Company's expected purchase, sale or usage requirements. See the directors' report and note 14 for further details of the fair values of the financial instruments.

Inter-company balances

Inter-company payable and receivable trading balances within the E.ON SE group are consolidated at each period end into a single balance with each group company. These transactions are net settled. As a result the directors consider it appropriate to present inter-company balances within these financial statements on a net basis. Formal loan balances are settled and presented gross.

Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the balance sheet, when the Company has a legally enforceable right to set off the recognised amounts and it intends either to settle on a net basis or realise the asset and settle the liability simultaneously.

Provisions

Provisions are recognised in the balance sheet when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the expenditure required to settle the present obligation at the balance sheet date. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Future operating costs are not provided for.

A provision for restructuring is recognised when the Company has approved a detailed and formal restructuring plan, and the restructuring has either commenced or has been announced to those affected by it.

Present obligations arising under onerous contracts are recognised and measured as provisions within other provisions. An onerous contract is considered to exist where the Company has a contract under which the unavoidable costs of meeting the obligations under contract exceed the economic benefits expected to be received under it.

Purchased ROCs are recognised as intangible assets. They are capitalised at their acquisition cost when purchased from other group companies or third parties. The consumption of ROCs is recognised at average cost when settled to national authorities on an annual basis. The estimated value of certificates payable to national authorities for the Company's activities during the year is recognised within other provisions. The intangible asset is surrendered and the liability is utilised at the end of the compliance period to reflect the consumption of the economic benefit. The expenses incurred for the provision of ROCs are recognised on an accruals basis and are reported under cost of goods sold.

Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the profit and loss account evenly over the term of the lease.

Energy Company Obligation

The Energy Company Obligation order requires UK licenced energy suppliers to improve the energy efficiency of domestic households from 1 January 2013. Targets are set in proportion to the size of historic customer bases, subject to a minimum of 250,000 customers, and were to be delivered by 31 March 2015. The Company continued to judge that it was not legally obligated by this order until 31 March 2015. Accordingly, no provision was recognised and the costs of delivery were recognised as incurred, when cash was spent or unilateral commitments were made resulting in obligations that could not be avoided.

Current and deferred income tax

The tax expense for the period comprises current and deferred tax.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in respect of the relevant years, 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 these financial statements. Deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; or arise from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profits or losses.

Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Pensions costs

The Company contributes to a defined contribution pension scheme, and also a defined benefit group pension scheme operated by E.ON UK plc, the assets of which are invested in a separate trustee-administered fund. Further details of these schemes are available in E.ON UK plc's financial statements.

The Company is unable to identify its share of the underlying assets and liabilities of the group pension scheme. The Company has accounted for its contribution to the group pension scheme as if the scheme was a defined contribution scheme and accounts for contributions payable to the group pension scheme in the accounting period in which they fall due.

2. Turnover

Turnover, which excludes value added tax, primarily represents the value of electricity and gas supplied to residential, SME and I&C customers. Turnover from the delivery and sale of electricity and gas are recognised upon delivery, primarily on the basis of meter readings, and include an estimate of services provided but not yet billed incorporating historical consumption patterns. The value of services not yet billed is also included within trade debtors. Turnover from providing other energy related services to customers is recognised as the work is performed and the services provided to customers. The Company's turnover, all of which arises in the course of the Company's principal activity, arises in the UK.

3. Operating profit/(loss)

Operating profit/(loss) is stated after charging/(crediting):

	2015 £000 000	2014 £000 000
Operating lease	**12**	13
Depreciation of owned assets (note 10)	**44**	42
Foreign currency losses/(gains)	**3**	(1)
Derivative losses	**75**	284
Amortisation of intangible assets	**23**	11

Other operating income relates mainly to prepayment infrastructure usage and other sundry income.

4. Auditors' remuneration

Auditors' remuneration was £284,000 (2014: £296,000) for the audit of these financial statements. The Company also incurred £128,000 (2014: £141,000) in relation to other assurance services.

5. Employee information

The Company had no employees during the year (2014: none). The monthly average number of persons recharged by E.ON UK plc for the services of employees (including directors) during the year was as follows:

	2015 Number	2014 Number
Sales, marketing and distribution	**7,416**	7,473

The aggregate payroll costs recharged were as follows:

	2015 £000 000	2014 £000 000
Wages and salaries	**180**	180
Social security costs	**15**	16
Other pension costs	**33**	29
	228	225
Less: capitalised in fixed assets	**(20)**	(15)
	208	210

6. Directors' remuneration

The directors' remuneration for the year was as follows:

	2015 £	2014 £
Aggregate emoluments (including benefits in kind)	**1,741,640**	1,940,221

The above amounts relate to five (2014: five) directors whose emoluments were paid by the immediate parent, E.ON UK plc. Of the emoluments disclosed above, £1,741,640 (2014: £1,128,971) was recharged to the Company based on the proportion of time that the directors spent on the Company's business. In the prior year, £811,250 of the emoluments disclosed above represented the Company's share of emoluments borne by E.ON UK plc and not recharged.

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

	2015 No.	2014 No.
Received or were entitled to receive shares under long term incentive schemes	**5**	5
Accruing benefits under a defined contribution pension scheme	**2**	2
Accruing benefits under a defined benefit pension scheme	**2**	2

During the year, three directors (2014: none) exercised Performance Rights over shares in the ultimate parent company, E.ON SE, that they were awarded for services to the E.ON SE group under Long Term Incentive ('LTI') arrangements. Total payments under the LTI arrangements were £148,201 (2014: £nil).

During the year the Company paid, or treated as paid, contributions to a pension scheme in respect of money purchase benefits in respect of the above directors totalling £140,785 (2014: £116,403).

In respect of the highest paid director:

	2015 £	2014 £
Annual salary	**255,960**	249,696
Annual bonus	**174,556**	278,374
Long term incentive	**72,611**	-
Other benefits	**17,213**	16,611
Aggregate emoluments	**520,340**	544,681
Defined benefit accrued pension entitlement at the year end	**146,627**	140,685

The highest paid director shared his management time between the Company and E.ON UK plc. All of his emoluments for the year were paid by E.ON UK plc and recharged based on the proportion of time that the director spent on the Company's business. The amounts disclosed above represent the Company's share of his emoluments. In the prior year the amounts disclosed were not recharged to the Company.

The total emoluments and defined benefit accrued pension entitlement received by the highest paid director from the Company and E.ON UK plc during the year were £867,233 (2014: £907,465) and £244,379 (2014: £234,475) respectively.

7. Interest receivable and similar income

	2015	2014
	£000 000	£000 000
Interest receivable from group undertakings	**6**	6

8. Tax on profit/(loss) on ordinary activities

	2015	2014
	£000 000	£000 000
Current tax:		
UK corporation tax charge	**36**	42
Adjustment in respect of prior years	**1**	3
Total current tax charge	**37**	45
Deferred tax:		
Origination and reversal of timing differences	**(4)**	(44)
Adjustment in respect of prior years	**(1)**	1
Movement due to changes in tax rates	**4**	-
Total deferred tax credit	**(1)**	(43)
Tax charge on profit/(loss) on ordinary activities	**36**	2

Factors affecting current tax charge for the year

The tax expense for the year is higher (2014: higher) than the standard rate of corporation tax in the UK for the year ended 31 December 2015 of 20.25% (2014: 21.50%). The differences are explained below:

	2015 £000 000	2014 £000 000
Profit/(loss) on ordinary activities before taxation	**146**	(31)
Tax charge on profit/(loss) on ordinary activities before taxation at 20.25% (2014: 21.50%)	**30**	(7)
Effects of:		
Impact of rate change between corporation tax and deferred tax	**4**	-
Movement due to changes in tax laws and rates	**-**	3
Expenses not deductible for tax purposes	**2**	2
Adjustments in respect of prior years - deferred tax	**(1)**	1
Adjustment in respect of prior years - current tax	**1**	3
Tax charge for the year	**36**	2

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 resulting in a standard rate of corporation tax in the UK of 20.25% for the year ended 31 December 2015.

Reductions to the UK corporation tax rates were included in the Finance Act (No.2) 2015, and which reduced the main rate to 19% from 1 April 2017 and to 18% from 1 April 2020. These changes were substantively enacted at the balance sheet date and the deferred tax impact of these changes have been included in these financial statements. A further reduction in the UK corporation tax was announced in the March 2016 Budget Statement to reduce the rate to 17% from 1 April 2020 (instead of the previously announced 18% rate). This further change has not been substantively enacted at the balance sheet date and therefore the impact has not been included in these financial statements.

The proposed further reduction in the rate of corporation tax to 17% from 1 April 2020 is expected to be enacted as part of the Finance Bill 2016. The overall effect of this further change, if applied to the deferred tax balance at the balance sheet date, would be to reduce the deferred tax asset recognised at the balance sheet date by £0.2 million.

The corporation tax payable has been reduced by £37 million because of group relief received from a fellow group undertaking for which a payment will be made (2014: payment made of £45 million).

9. Intangible assets

	Goodwill £000 000	ROCs £000 000	Software £000 000	Other intangibles £000 000	Total £000 000
Cost					
At 1 January 2015	584	217	72	24	897
Additions	-	542	14	2	558
Transfers	-	-	13	(13)	-
Surrenders	-	(455)	-	-	(455)
At 31 December 2015	**584**	**304**	**99**	**13**	**1,000**
Accumulated amortisation					
At 1 January 2015	-	-	20	1	21
Charge for the year	-	-	23	-	23
At 31 December 2015	**-**	**-**	**43**	**1**	**44**
Net book value					
At 31 December 2015	**584**	**304**	**56**	**12**	**956**
At 31 December 2014	584	217	52	23	876

Surrenders relate to ROCs settled to national authorities on an annual basis.

10. Tangible assets

	Plant and machinery £000 000	Fixtures and fittings £000 000	Meter equipment £000 000	Total £000 000
Cost or valuation				
At 1 January 2015	33	8	267	308
Additions	24	-	47	71
Disposals	-	(1)	-	(1)
At 31 December 2015	57	7	314	378
Accumulated depreciation				
At 1 January 2015	2	7	115	124
Charge for the year	-	-	44	44
Disposals	-	(1)	-	(1)
At 31 December 2015	2	6	159	167
Net book value				
At 31 December 2015	**55**	**1**	**155**	**211**
At 31 December 2014	31	1	152	184

11. Investments

	2015 **£000 000**	2014 £000 000
Shares in group undertakings and participating interests	**22**	22

Shares in group undertakings and participating interests

	Subsidiary undertakings £000 000
Cost or valuation	
At 1 January 2015	33
At 31 December 2015	33
Provision for impairment	
At 1 January 2015	11
At 31 December 2015	11
Net book value	
At 31 December 2015	22
At 31 December 2014	22

The directors believe that the carrying value of the investments is supported by their underlying net assets.

Details of undertakings

Details of the investments which the Company holds are as follows:

Undertaking	**Holding**	**Proportion of voting rights and shares held**	**Principal Activity**
Subsidiary undertakings			
E.ON Energy Gas (Eastern) Limited	Ordinary shares	100%	Dormant
E.ON Energy Gas (Northwest) Limited	Ordinary shares	100%	Dormant
E.ON Project Earth Limited	Ordinary shares	100%	Leasing of ground source heating systems
E.ON UK Industrial Shipping Limited	Ordinary shares	100%	Dormant
Economy Power Limited	Ordinary shares	100%	Dormant
Energy Collection Services Limited	Ordinary shares	100%	Dormant
Midlands Gas Limited	Ordinary shares	100%	In member's voluntary liquidation
Powergen Retail Supply Limited	Ordinary shares	100%	In member's voluntary liquidation
TXU Europe (AH Online) Limited	Ordinary shares	100%	Dissolved
TXU Europe (AHG) Limited	Ordinary shares	100%	In member's voluntary liquidation
TXU Europe (AHGD) Limited	Ordinary shares	100%	Dissolved
TXU Europe (AHST) Limited	Ordinary shares	100%	In member's voluntary liquidation
Utility Debt Services Limited	Ordinary shares	100%	Dormant
Western Gas Limited	Ordinary shares	100%	Dissolved

All of the undertakings disclosed above are incorporated in the United Kingdom.

12. Stocks

	2015 £000 000	2014 £000 000
Stores	**22**	25
Work in progress	**8**	8
	30	33

Stocks are stated after provisions for impairment of £nil (2014: £nil).

13. Debtors

	2015 £000 000	2014 £000 000
Trade receivables	**473**	524
Amounts owed by group undertakings	**1,217**	1,598
Commodity and other derivative financial instruments	**1**	-
Deferred tax	**124**	123
Other debtors	**34**	50
Prepayments and accrued income	**17**	13
	1,866	2,308

Amounts owed by group undertakings include a £1,212 million floating rate deposit to E.ON UK plc (2014: £1,581 million), which incurs interest at LIBOR minus 5 basis points. The remaining amounts owed by group undertakings relate to the funding of subsidiary companies and utilisation of liquid funds by the parent and are unsecured, interest free and repayable on demand.

Trade receivables are stated after provisions for impairment of £177 million (2014: £220 million).

Debtors includes £136 million (2014: £133 million) receivable after more than one year. This can be analysed as follows:

	2015 £000 000	2014 £000 000
Deferred tax	**124**	123
Other debtors	**12**	10
	136	133

Deferred tax

The movement in the deferred tax asset in the year is as follows:

	2015 £000 000
At 1 January 2015	123
Deferred tax credited to the profit and loss account	1
At 31 December 2015	124

Analysis of deferred tax

	2015 £000 000	2014 £000 000
Accelerated capital allowances	12	13
Intangible fixed assets	31	42
Other timing differences	81	68
	124	123

Deferred tax on intangible fixed assets includes a deferred tax asset of £38 million (2014: £52 million) in respect of goodwill and a deferred tax liability of £7 million (2014: £10 million) in respect of other intangibles.

The Finance Act 2013 included legislation to reduce the main rate of corporation tax to 20% with effect from 1 April 2015. The Finance Act (No. 2) 2015 further reduced the main rate to 19% from 1 April 2017 and to 18% from 1 April 2020. The deferred tax asset at 31 December 2015 has been measured accordingly.

Within the deferred tax credit of £1 million the amount that relates to the change in the tax rate is a £4 million charge.

14. Creditors: amounts falling due within one year

	2015 £000 000	2014 £000 000
Trade payables	**264**	255
Amounts owed to group undertakings	**795**	877
Other taxation and social security	**68**	76
Accruals and deferred income	**122**	140
Commodity and other derivative financial instruments	**425**	353
Other creditors	**1**	1
	1,675	1,702

Amounts owed to group undertakings relate to the provision of services, primarily energy purchases, and are unsecured, interest free and repayable on demand. The notional principal amounts of the commodity and other derivative financial instruments are £1,536 million (2014: £939 million).

Commodity derivative instruments are valued separately at their forward rates and prices at the balance sheet date. Forward rates and prices are based on market quotations, with forward premiums and discounts taken into consideration. Amounts recognised in the income statement relating to derivatives are disclosed in note 3. No amounts were recognised in reserves (2014: £nil).

15. Creditors: amounts falling due after more than one year

	2015 £000 000	2014 £000 000
Accruals and deferred income	**8**	5

16. Provisions for liabilities

	Other provisions £000 000
At 1 January 2015	366
Charged to the profit and loss account	459
Utilised during the year	(431)
At 31 December 2015	**394**

Other provisions relate primarily to ROCs which represent the estimated value of certificates payable to national authorities for the Company's activities during the year. ROCs are settled on an annual basis.

17. Called up share capital

	2015 £000 000	2014 £000 000
Allotted, called-up and fully paid		
760,000,000 ordinary shares of £1.00	**760**	760
31,625,436 ordinary shares of £0.10	**3**	3
	763	763

18. Dividends

	2015 £000 000	2014 £000 000
Dividends paid		
Current year interim dividend paid 2015:50.5 pence (2014:nil pence) per ordinary share	**400**	-

19. Commitments

Other Commitments

The Company is committed to purchase power and gas under various supply contracts put in place to meet customer demand. At 31 December 2015, the minimum commitment under these contracts was £4,063 million (2014: £4,295 million).

The Company is recharged for certain operating leases from E.ON UK plc. Further information on these lease commitments are available in the financial statements of E.ON UK plc.

20. Explanation of transition to FRS 101

As stated in note 1, these are the Company's first financial statements prepared in accordance with FRS 101.

The accounting policies set out in note 1 have been applied in preparing the financial statements for the year ended 31 December 2015, the comparative information presented in these financial statements for the year ended 31 December 2014 and in the preparation of an opening FRS 101 balance sheet at 1 January 2014 (the Company's date of transition).

In preparing its FRS 101 balance sheet, the Company has adjusted amounts reported previously in financial statements prepared in accordance with its old basis of accounting (UK GAAP). An explanation of how the transition from UK GAAP to FRS 101 has affected the Company's financial position, financial performance and cash flows is set out in the following tables and the notes that accompany the tables.

Reconciliation of equity

		1 January 2014			**31 December 2014**		
		UK GAAP	Effect of transition to FRS 101	FRS 101	**UK GAAP**	**Effect of transition to FRS 101**	**FRS 101**
	Note	£000,000	£000 000	£000 000	**£000**	**£000 000**	**£000 000**
Fixed assets							
Intangible assets	*(a)*	794	40	834	**759**	**117**	**876**
Tangible fixed assets	*(a)*	215	(40)	175	**234**	**(50)**	**184**
Investments		22	-	22	**22**	**-**	**22**
		1,031	-	1,031	**1,015**	**67**	**1,082**
Current assets							
Stocks		34	-	34	**33**	**-**	**33**
Debtors: amounts falling due within one year	*(b)*	2,328	34	2,362	**2,230**	**78**	**2,308**
Cash at bank and in hand		117	-	117	**62**	**-**	**62**
		2,479	34	2,513	**2,325**	**78**	**2,403**
Creditors: amounts due within one year	*(c)*	(1,694)	(62)	(1,756)	**(1,348)**	**(354)**	**(1,702)**
Net current assets		785	(28)	757	**977**	**(276)**	**701**
Total assets less current liabilities		1,816	(28)	1,788	**1,992**	**(209)**	**1,783**
Creditors: amounts falling due after more than one year		(3)	-	(3)	**(5)**	**-**	**(5)**
Provisions for liabilities	*(d)*	(341)	1	(340)	**(366)**	**-**	**(366)**
Net assets		1,472	(27)	1,445	**1,621**	**(209)**	**1,412**
Capital and reserves							
Called up share capital		763	-	763	**763**	**-**	**763**
Share premium account		41	-	41	**41**	**-**	**41**
Profit and loss account		668	(27)	641	**817**	**(209)**	**608**
Shareholders' equity		1,472	(27)	1,445	**1,621**	**(209)**	**1,412**

The "UKGAAP" figures above have been restated to reflect the change in direct debit recognition policy described in Note 1.

a) Intangible assets

Capitalised software with a net book value of £50 million at 31 December 2014 (1 January 2014: £40 million) has been reclassified from tangible to intangible assets as required by FRS101. The cost of software assets at 31 December 2014 was £72 million (1 January 2014: £51 million). Accumulated depreciation at 31 December 2014 was £22 million (1 January 2014: £11 million). This had no effect on the Company's net assets or the profit for the financial year, except that the previous depreciation charge is reclassified as amortisation.

The amortisation of goodwill in 2014 has been reversed to comply with IFRS 3 - Business Combinations. Advantage has been taken of the transitional exemption to apply IFRS 3 prospectively under IFRS 1 - First Time Adoption of International Financial Reporting Standards. Therefore, the goodwill under UK GAAP at 31 December 2013 is the assumed opening cost under FRS 101, adjusting for any intangibles that were not recognised separately from goodwill on original acquisition, or were recognised separately but did not meet the recognition criteria of IAS 38 - Intangible Assets. The amortisation of goodwill recognised in 2014 under UK GAAP was £66 million.

Other adjustments totalling £2 million are not material.

b) *Additional deferred tax assets of £66 million have been recognised at 31 December 2014* (1 January 2014: £27 million) as a result of transition to FRS 101. IAS 39 - Financial Instruments: Recognition and Measurement, requires recognition of the fair value of these instruments on the balance sheet. At 31 December 2014, the Company recognised £11 million (1 January 2014: £7 million) of weather derivatives in Debtors: amounts falling due within one year. Other adjustments of £1 million at 31 December 2014 are not material.

c) Financial instruments

The Company enters into commodity derivative deals and hedging transactions. IAS 39 - Financial Instruments: Recognition and Measurement, requires recognition of the fair value of these instruments on the balance sheet. The Company recognised £354 million of commodity derivatives at 31 December 2014 (1 January 2014: £62 million).

d) *An immaterial adjustment in 2013 of £1 million to provisions for restructuring costs to comply with* IAS 19 - Employee Benefits.

Reconciliation of profit and loss account for the year ended 31 December 2014

	Note	UK GAAP £000 000	2014 Effect of transition to FRS 101 £000 000	FRS 101 £000 000
Turnover		**7,489**	**-**	**7,489**
Cost of sales		**(6,584)**	**-**	**(6,584)**
Gross profit		**905**	**-**	**905**
Administrative expenses	(a) to (c)	**(745)**	**(220)**	**(965)**
Other operating income	(d)	**22**	**1**	**23**
Operating profit/(loss)		**182**	**(219)**	**(37)**
Interest receivable and similar income		**6**	**-**	**6**
Profit/(loss) on ordinary activities before taxation		**188**	**(219)**	**(31)**
Tax on profit/(loss) on ordinary activities	(e)	**(39)**	**37**	**(2)**
Profit/(loss) for the financial year		**149**	**(182)**	**(33)**

a) Intangible assets

Reversal of 2014 goodwill amortisation to comply with IFRS 3 - Business Combinations. Advantage has been taken of the transitional exemption to apply IFRS 3 prospectively under IFRS 1 - First Time Adoption of International Financial Reporting Standards. Therefore, the goodwill under UK GAAP at 31 December 2013 is the assumed opening cost under FRS 101, adjusting for any intangibles that were not recognised separately from goodwill on original acquisition, or were recognised separately but did not meet the recognition criteria of IAS 38 - Intangible Assets. The amortisation of goodwill recognised in 2014 under UK GAAP was £66 million. There was also a reclassification of £11 million of depreciation of tangible fixed assets to amortisation of intangible fixed assets.

b) Financial instruments

The Company enters into commodity derivative deals and hedging transactions. IAS 39 - Financial Instruments: Recognition and Measurement, requires recognition of the fair value of these instruments on the balance sheet and the gains and losses in the profit and loss account. The loss recognised in 2014 in relation to this adjustment was £285 million.

c) An immaterial adjustment of £1 million to restructuring costs to comply with IAS 19 - Employee Benefits.

d) Other immaterial adjustments totalling £1 million.

e) Taxation consequences of the above adjustments.

21. Post balance sheet events

In June 2014, the Office of Gas and Electricity Markets referred the entire UK energy market for review by the Competition and Markets Authority ('CMA'). On 17 March 2016 the CMA published the main body of its Provisional Determination on Remedies which the Company has responded to prior to the CMA publishing its final report in June 2016.

22. Ultimate holding company

The Company is controlled by E.ON UK plc. The ultimate parent undertaking and controlling party is E.ON SE, a company incorporated in Germany, which is the parent company of the largest and smallest group to consolidate these financial statements. Copies of E.ON SE's financial statements are available from the offices of E.ON SE at the following address:

E.ON SE
Brüsseler Platz 1
45131 Essen
Germany