Company number: 3407430

E.ON Energy Solutions Limited

Strategic Report, Directors' Report and Financial Statements

for the Year Ended 31 December 2013

E.ON Energy Solutions Limited

Strategic Report for the Year Ended 31 December 2013

The directors present their strategic report of the Company for the year ended 31 December 2013.

Fair review of the business

At 31 December 2013, the Company had net assets of £1,472,000,000 (2012: £1,313,000,000). Both the financial position at the year end and the level of business of the Company during the year was as expected. The directors believe that the present level of activity will be sustained in the current year.

The Company combines the core energy business which sells gas and power to consumers and businesses, with a number of newer business areas delivering products and services to enable customers to become energy efficient.

The Company sells electricity and gas to the residential and business sector; the latter encompassing both Small & Medium Enterprises (SME) and Industrial and Commercial (I&C) customers throughout the United Kingdom. As of 31 December 2013, the Company supplied approximately 8,000,000 (2012: 8,200,000) customer accounts, of which 7,300,000 (2012: 7,500,000) were residential customer accounts and 700,000 (2012: 700,000) were SME and I&C customer accounts.

During the year, the Company continued its focus on becoming its customers' trusted energy partner by improving the customer experience at every point in the journey, by helping customers to manage their energy use and by treating its customers fairly.

During 2012, the Company launched the Reset programme which focused on giving its customers helpful advice, simpler and clearer tariffs and a range of other measures aimed at becoming easier and simpler to deal with. In December, this customer centric focus enhanced by 'Best Deal for You', was further evolved by the introduction of four simple tariffs and new E.ON reward points, all fully in line with the requirements of the Office of Gas and Electricity Markets' (Ofgem) Retail Market Review.

In addition, during December, customer statements were published for the Residential and SME sectors setting out standards of conduct and how the Company will be fair, honest, transparent, appropriate and professional in dealings with customers to ensure they are treated in a fair and honest manner. This was followed in February 2014 with a customer statement giving the same commitments for the Corporates sector.

Electricity consumption in England, Scotland and Wales during the year was 305 billion kWh in 2013 compared with 309 billion kWh in 2012, a decrease of 1%. Gas consumption (excluding power stations) was 588 billion kWh in 2013 compared with 582 billion kWh in 2012, an increase of 1%. The gas consumption increase was largely due to low temperatures particularly in March 2013 (compared with a mild March in 2012). The gas consumption increase due to weather effects was partially offset by the impact of ongoing energy-efficiency measures and customers' response to economic developments. For electricity, the increased volumes due to weather effects were overcompensated by increased energy efficiency in the market resulting in the overall reduction in consumption.

Residential customers

In the residential sector, the Company sold 18.8 TWh of electricity and 46.2 TWh of gas in 2013, as compared with 19.3 TWh of electricity and 47.3 TWh of gas in 2012. The decreases are due to customer energy efficiency measures, together with embedded generation effects. In addition, for electricity a small drop in customer numbers also contributed to lower volumes compared with 2012.

The residential business had approximately 7,300,000 customer accounts as of 31 December 2013 (2012: 7,500,000). Approximately 60% of the Company's residential customer accounts are electricity customers and 40% are gas customers. Individual retail customers who buy more than one product (e.g. dual fuel customers) are treated as having a separate account for each product, although they may choose to receive a single bill for all E.ON provided services.

The Company promotes its business to residential customers through national marketing activities such as media advertising (including print, television and radio), direct mail, public relations and online campaigns.

SME and I&C customers

In this sector, the Company sold 31.0 TWh of electricity and 20.1 TWh of gas in 2013, as compared with 30.1 TWh of electricity and 20.3 TWh of gas in 2012.

Increases in gas sales earlier in the year due to cooler temperatures in early 2013, particularly March, were more than offset by continuing energy efficiency effects and the milder temperatures in the final three months of 2013.

Sales of gas to I&C customers remained in line with 2012. The overall effects from weather increased demand, but this was offset by portfolio changes.

During the year, the Company announced that it would cease the auto roll-over of SME contracts, meaning customers would no longer be auto-enrolled on new fixed price plans if no contact is made during the renewal window. This action is consistent with the Company's customer centric strategic focus.

Other services

Aside from the core energy business, the Company is involved in the following activities;
• Field Operations, encompassing metering activity.
• 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.
• Community Energy, a UK market leader for the development of decentralised community energy schemes. This business stream is primarily focused on district heating, low carbon heat and hot water solutions.
• Highways Lighting, offering end to end solutions for highways lighting requirements including design, installation and network connections.

On 5 April 2013, the Company sold its Home Energy Solutions (HES) business to a third party better placed to take the business forward in the niche market it occupies. The goodwill associated with the HES business was fully impaired to its recoverable amount during the prior year.

As part of an investigation, Ofgem examined the Company's compliance practices and identified a number of areas where the Company's sales and marketing practices did not comply with key licence conditions. These practices focused on key elements of the sales process in marketing and telesales activities. In recognition of these issues, the Company agreed a settlement package with Ofgem consisting of a £1 penalty, plus £12,000,000 support for vulnerable customers. In addition, the Company also agreed to contact and compensate certain customers as set out in the Final Penalty Notice. The impact of this matter has been appropriately included in these financial statements.

On 27 March 2014, Ofgem issued a consultation on a proposal to make a market investigation reference in respect of the supply and acquisition of energy in Great Britain. This followed Ofgem agreeing, in November 2013, to work with the Office of Fair Trading and the Competition and Markets Authority (CMA) to produce an assessment of competition in the retail market. The assessment, which was also published on 27 March 2014, updated previous work that Ofgem had undertaken including the Retail Market Review and the Energy Supply Probe. The consultation sought views on Ofgem's proposal, with a closing date for the submission of views on 23 May 2014. After considering views submitted to it, Ofgem made a Market Investigation Reference to the CMA on 26 June 2014.

Key performance indicators ('KPIs')

The Board of Management of E.ON SE manage the group's operations on a divisional basis. For this reason, the Company's directors believe that analysis using 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, is discussed within the financial review section of the group's annual report which does not form part of this report.

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 E.ON Global Commodities SE, 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 9 September 2014 and signed on its behalf by:

....
R Matthies
Director
E.ON Energy Solutions Limited
Company No: 3407430
Westwood Way
Westwood Business Park
Coventry
CV4 8LG

Date: 16 September 2014

The directors present their report and the audited financial statements of the Company for the year ended 31 December 2013.

Directors of the Company
The directors of the Company who were in office during the year and up to the date of signing the financial statements were:

A D Cocker

R Matthies

D A Bird

A S Ainsworth

D A Leiper (appointed 16 May 2013)

Principal activities
The Company's principal activites 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 £115,000,000 (2012: profit of £50,000,000). A preference dividend of £nil (2012: £1,500,000) was paid during the year. The directors do not recommend the payment of a final dividend (2012: £nil).

Financial instruments

Objectives and policies
The Company, in common with other E.ON SE subsidiaries, must comply with 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 requirements of the E.ON SE 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 an 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 E.ON Global Commodities SE, a fellow group undertaking. These instruments smooth fluctuations in the wholesale cost of power and gas.

Credit risk

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Liquidity and cashflow 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, and market prices and margins amongst other things.

Political donations

No political donations were made during the year (2012: £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
As part of an investigation, Ofgem examined the Company's compliance practices and identified a number of areas where the Company's sales and marketing practices did not comply with key licence conditions. These practices focused on key elements of the sales process in marketing and telesales activities. In recognition of these issues, the Company agreed a settlement package with Ofgem consisting of a £1 penalty, plus £12,000,000 support for vulnerable customers. In addition, the Company also agreed to contact and compensate certain customers as set out in the Final Penalty Notice. The impact of this matter has been appropriately included in these financial statements.

On 27 March 2014, Ofgem issued a consultation on a proposal to make a market investigation reference in respect of the supply and acquisition of energy in Great Britain. This followed Ofgem agreeing, in November 2013, to work with the Office of Fair Trading and the CMA to produce an assessment of competition in the retail market. The assessment, which was also published on 27 March 2014, updated previous work that Ofgem had undertaken including the Retail Market Review and the Energy Supply Probe. The consultation sought views on Ofgem's proposal, with a closing date for the submission of views on 23 May 2014. After considering views submitted to it, Ofgem made a Market Investigation Reference to the CMA on 26 June 2014.

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 the auditors
Each director has taken 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. The directors confirm that there is no relevant information that they know of and which they know the auditors are unaware of.

Statement of directors' responsibilities
The directors are responsible for preparing the Strategic Report, 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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

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

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

Approved by the Board of Directors on 9 September 2014 and signed on its behalf by:

....
R Matthies
Director

E.ON Energy Solutions Limited
Company No: 3407430
Westwood Way
Westwood Business Park
Coventry
CV4 8LG

Date: 16 September 2014

Independent Auditors' Report to the Members of E.ON Energy Solutions Limited

Report on the financial statements

Our Opinion
In our opinion the financial statements, defined below:

- give a true and fair view of the state of the Company's affairs as at 31 December 2013 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.

This opinion is to be read in the context of what we say in the remainder of this report.

What we have audited
The financial statements, which are prepared by E.ON Energy Solutions Limited, comprise:

• the balance sheet as at 31 December 2013;

• the profit and loss account 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 their preparation is applicable law and United Kingdom Accounting Standards (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.

What an audit of financial statements involves
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) (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.

In addition, we read all the financial and non-financial information in the Strategic Report, Directors' Report and Financial Statements 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.

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.

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 7 and 8, 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 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.

....
Andrew Lyon BSc FCA (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors

East Midlands

Date: 17 September 2014

E.ON Energy Solutions Limited

Profit and Loss Account for the Year Ended 31 December 2013

	Note	2013 £ 000 000	2012 £ 000 000
Turnover	2	**8,133**	7,744
Cost of sales		**(7,234)**	(6,842)
Gross profit		**899**	902
Administrative expenses		**(793)**	(831)
Other operating income		**55**	12
Operating profit	3	**161**	83
Income from shares in group undertakings		**2**	-
Interest receivable and similar income	7	**5**	5
Interest payable and similar charges	8	**-**	(1)
Profit on ordinary activities before taxation		**168**	87
Tax on profit on ordinary activities	9	**(53)**	(37)
Profit for the financial year	19	**115**	50

Turnover and operating profit derive wholly from continuing operations in all material respects.

There are no material differences between the profit on ordinary activities before taxation and the profit for either of the years stated above and their historical cost equivalents.

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

The notes on pages 13 to 34 form an integral part of these financial statements.

E.ON Energy Solutions Limited

(Company number: 3407430)

Balance Sheet as at 31 December 2013

	Note	2013 £ 000 000	2012 £ 000 000
Fixed assets			
Intangible assets	10	**794**	765
Tangible assets	11	**215**	209
Investments	12	**22**	22
		1,031	996
Current assets			
Stocks	13	**34**	19
Debtors	14	**2,453**	2,043
Cash at bank and in hand		**-**	141
		2,487	2,203
Creditors: amounts falling due within one year	15	**(1,702)**	(1,612)
Net current assets		**785**	591
Total assets less current liabilities		**1,816**	1,587
Creditors: amounts falling due after more than one year	16	**(3)**	(44)
Provisions for liabilities	17	**(341)**	(230)
Net assets		**1,472**	1,313
Capital and reserves			
Called up share capital	18	**763**	760
Share premium account	19	**41**	-
Profit and loss account	19	**668**	553
Total shareholders' funds	20	**1,472**	1,313

The financial statements on pages 11 to 34 were approved by the Board of Directors on 9 September 2014 and signed on its behalf by:

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R Matthies
Director

E.ON Energy Solutions Limited

Date: 16 September 2014

The notes on pages 13 to 34 form an integral part of these financial statements.

1 Accounting policies

Basis of preparation
These financial statements are prepared on the going concern basis, under the historical cost convention, in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom. The principal accounting policies, which have been applied consistently throughout the year, are set out below.

The Company is exempt from preparing a cash flow statement as 90% or more of the voting rights are held within the E.ON SE group.

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 undertaking 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 the 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 the financial statements.

Areas of judgement in application of accounting policies 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:

<u>Revenue recognition - unread gas and electricity meters</u>
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.

Valuation of intangible assets
Positive goodwill is capitalised, classified as an asset on the balance sheet and amortised on a straight line basis over its useful economic life. 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
Significant judgement is required in determining the Company's provision for corporation taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Company recognises liabilities for anticipated tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred tax assets and liabilities in the period in which such determination is made.

Going concern
The financial statements have been prepared on a going concern basis.

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

Turnover from the sale of electricity and gas to I&C, SME and residential customers 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.

Intangible fixed assets

Positive goodwill is capitalised, classified as an asset on the balance sheet and amortised on a straight line basis over its useful economic life. 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.

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. Of the £1,632,600,000 goodwill arising from the acquisition of TXU assets (an energy supply company acquired in October 2002), £1,182,600,000 is being amortised over its expected useful life of 20 years. The remaining £450,000,000 that is directly related to the value of the acquired customer base is fully amortised.

The goodwill arising from the acquisition of the Retail energy businesses of the subsidiary companies of Powergen Retail Supply Limited, its wholly owned subsidiary, of £118,200,000 is being amortised over its expected useful life of 20 years.

Goodwill of £12,500,000 arose in 2006 from the acquisition of customers beneficially owned by Economy Power Limited, which is being amortised over 7 years which represents the directors' view of these customers' expected useful lives. Goodwill of £14,000,000 arose on the acquisition of various Energy Services businesses during 2011. This is being amortised over a period of between 10 and 20 years.

The remaining goodwill relating to other acquisitions is being amortised over 7 years.

Asset class	**Amortisation method and rate**
Goodwill	Straight-line basis over 7 to 20 years
Other intangibles	Straight-line basis over 16 to 25 years

Tangible fixed assets

Tangible fixed 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 actual interest payable. Where general 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.

Meter equipment includes installation costs.

Depreciation

Depreciation is provided on tangible fixed assets so as to write off the cost or valuation, less any estimated residual value, over their expected useful economic life 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

Estimated useful lives are reviewed periodically.

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 and work in progress

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 exceeds 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.

Cash and short-term deposits
Short-term deposits include cash at bank and in hand.

Foreign currency
Transactions in foreign currencies are recorded at the exchange rate ruling at the date of the transaction, unless related or matching forward foreign exchange contracts have been entered into, when the rate specified in that contract is used. 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 and are deferred until the corresponding hedged transactions are realised in the profit and loss account. 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 note 15 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 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.

Taxation
The tax charge for the year is based on the profits on ordinary activities for the year.

This takes into account full provision for deferred tax in respect of timing differences on a discounted basis, using the approach set out in Financial Reporting Standard 19 'Deferred tax'. Timing differences arise primarily from the differing treatment for taxation and accounting purposes of provisions and depreciation of fixed assets. Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, or where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Deferred tax assets are recognised when it is more likely than not that they will be recovered.

Deferred tax is measured at the tax rates that are expected to apply in the periods which the timing differences are expected to reverse, based on tax laws that have been enacted or substantively enacted by the balance sheet date.

Operating leases
Leases in which a substantial portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Rentals payable under operating leases are charged in the profit and loss account on a straight line basis over the lease term.

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 must be delivered by 31 March 2015. The Company continues to judge that it is not legally obligated by this order until 31 March 2015. Accordingly, the costs of delivery are recognised as incurred, when cash is spent or unilateral commitments made resulting in obligations that cannot be avoided.

Pension 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.

Preference shares
Due to the obligation within the Company's articles of association to pay cumulative dividends, in accordance with Financial Reporting Standard 25 'Financial instruments: Disclosure and presentation', the preference shares issued have been classified as debt instruments and included within borrowings. The obligation to pay a cumulative dividend is recognised within interest in the profit and loss account in the period they fall due. Any unpaid dividends are included within creditors.The preference shares were reclassified as ordinary shares on 10 December 2013.

Related party transactions
The Company is exempt under the terms of Financial Reporting Standard 8 'Related Party Disclosures' from disclosing related party transactions with entities that are part of the E.ON SE Group or investees of the E.ON SE Group.

2 Turnover

Turnover, which excludes value added tax, primarily represents the value of electricity and gas supplied to residential, I&C and SME 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

Operating profit is stated after charging:

	2013 **£ 000 000**	**2012** **£ 000 000**
Operating leases - other assets	**13**	12
Foreign currency losses	**2**	2
Depreciation of owned assets	**47**	28
Amortisation	**66**	107
Impairment of intangible fixed assets	**-**	15
Impairment of tangible fixed assets	**-**	3

Operating profit includes restructuring costs of £22,000,000 (2012: £6,000,000).

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

4 Auditors' remuneration

Auditors' remuneration was £267,000 (2012: £257,000) for the audit of these financial statements. The Company also incurred £47,000 (2012: £48,000) in relation to other audit related assurance services and £35,000 (2012: £22,000) in relation to other assurance services.

5 Employee information

The Company had no employees during the year (2012: none). The monthly average number of persons recharged by E.ON UK plc for the services of the employees (including directors) during the year was as follows:

	2013 No.	2012 No.
Sales, marketing and distribution	**7,740**	8,647

The aggregate payroll costs recharged were as follows:

	2013 £ 000 000	2012 £ 000 000
Wages and salaries	**187**	218
Social security costs	**16**	20
Other pension costs	**24**	24
	227	262
Less: capitalised in fixed assets	**(6)**	-
	221	262

In addition, recharged employee costs of £9,000,000 (2012: £4,000,000) are included within restructuring costs (note 3).

6 Directors' remuneration

The directors' remuneration for the year was as follows:

	2013 £	2012 £
Aggregate emoluments (including benefits in kind)	**1,865,995**	1,397,460

The above amounts relate to five (2012: four) directors whose emoluments were paid by the immediate parent, E.ON UK plc, and partially or fully recharged to the Company, based on the proportion of time that the directors spent on the Company's business. In 2012, the remaining one director was paid 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:

	2013 No.	2012 No.
Received or were entitled to receive shares under long term incentive schemes	**5**	4
Accruing benefits under defined benefit pension scheme	**2**	1

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 £139,937 (2012: £94,537).

During the year, no (2012: none) directors exercised Performance Rights over shares in the ultimate parent company, E.ON SE, that they were awarded for services to the E.ON group.

In respect of the highest paid director:

	2013 £	2012 £
Annual salary	**244,800**	240,000
Annual bonus	**306,139**	412,380
Other benefits	**16,232**	16,263
	567,171	668,643
Defined benefit accrued pension entitlement at the year end	**131,614**	121,024

The highest paid director shared his management time between the Company and E.ON UK plc. As a result, his emoluments for the year were split between these companies and the above amounts relating to salary, bonus and other benefits were recharged to the Company by E.ON UK plc. The total emoluments and defined benefit accrued pension entitlement received by the highest paid director from E.ON UK plc during the year were £945,286 (2012: £1,114,404) and £219,357 (2012: £201,706) respectively.

7 Interest receivable and similar income

	2013 £ 000 000	2012 £ 000 000
Interest receivable from group undertakings	**5**	5

8 Interest payable and similar charges

	2013 £ 000 000	2012 £ 000 000
Preference share dividends	**-**	1

9 Tax on profit on ordinary activities

	2013 £ 000 000	2012 £ 000 000
Current tax		
Corporation tax charge	**43**	36
Adjustments in respect of prior periods	**(1)**	10
UK corporation tax	**42**	46
Deferred tax		
Origination and reversal of timing differences	**(2)**	(5)
Deferred tax adjustment relating to prior periods	**-**	(7)
Effect of changes in tax rates	**10**	6
Unwinding of discount	**3**	(3)
Total deferred tax	**11**	(9)
Total tax on profit on ordinary activities	**53**	37

Factors affecting current tax charge for the year

The difference between the tax on the profit on ordinary activities for the year and the tax assessed on the profit on ordinary activities for the year assessed at the effective rate of corporation tax in the UK at 23.25% (2012: 24.5%) can be explained as follows:

	2013 £ 000 000	2012 £ 000 000
Profit on ordinary activities before taxation	**168**	87
Corporation tax at effective rate	**39**	21
Depreciation in excess of capital allowances	**2**	(1)
Expenses not deductible for tax purposes	**2**	9
Adjustments in respect of prior periods	**(1)**	10
Other timing differences	**-**	7
Total current tax	**42**	46

During the year the main rate of UK corporation tax was reduced to 23% effective from 1 April 2013. Legislation was included in the Finance Act 2013 to reduce the corporation tax rate from 23% to 21% effective from 1 April 2014 and from 21% to 20% effective from 1 April 2015.

The corporation tax payable has been reduced by £42,000,000 because of group relief received from a fellow group undertaking for which a payment will be made (2012: £46,000,000).

10 Intangible assets

	Goodwill £ 000 000	ROCs £ 000 000	Other intangibles £ 000 000	Total £ 000 000
Cost				
At 1 January 2013	1,807	107	8	1,922
Additions	-	372	3	375
Disposals and Surrenders	(19)	(280)	-	(299)
At 31 December 2013	1,788	199	11	1,998
Accumulated amortisation				
At 1 January 2013	1,157	-	-	1,157
Charge for the year	66	-	-	66
Eliminated on disposals	(19)	-	-	(19)
At 31 December 2013	1,204	-	-	1,204
Net book value				
At 31 December 2013	584	199	11	794
At 31 December 2012	650	107	8	765

The goodwill relating to the HES business of £19,000,000 was disposed of during the year. This had previously been impaired to a £nil net book value.

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

11 Tangible assets

	Plant and machinery £ 000 000	Fixtures and fittings £ 000 000	Meter equipment £ 000 000	Total £ 000 000
Cost				
At 1 January 2013	38	34	185	257
Additions	27	6	40	73
Disposals	(21)	(1)	-	(22)
At 31 December 2013	44	39	225	308
Accumulated depreciation				
At 1 January 2013	1	8	39	48
Charge for the year	1	11	35	47
Eliminated on disposals	(1)	(1)	-	(2)
At 31 December 2013	1	18	74	93
Net book value				
At 31 December 2013	43	21	151	215
At 31 December 2012	37	26	146	209

On 1 October 2013, the Company sold the trade and assets of the energy efficiency and microgeneration businesses to E.ON Connecting Energies Limited for a cash consideration of £23,724,000. The book value of the assets and liabilities disposed of was £23,724,000 including tangible fixed assets of £19,929,000. The disposal followed a review of the sustainable energy business within the Company, where a decision was made to transfer these businesses to a new E.ON global business.

12 Investments

	2013 £ 000 000	2012 £ 000 000
Shares in group undertakings and participating interests	**22**	22

Shares in group undertakings and participating interests

	Subsidiary undertakings £ 000 000
Cost	
At 1 January 2013	33
At 31 December 2013	33
Provision for impairment	
At 1 January 2013	11
At 31 December 2013	11
Net book value	
At 31 December 2013	22
At 31 December 2012	22

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

Details of undertakings

Details of the undertakings whose results or financial position principally affected the figures shown in these financial statements in which the Company holds 20% or more of the nominal value of any class of share capital are as follows:

Undertaking	Holding	Proportion of voting rights and shares held	Principal activity
Economy Power Limited	Ordinary shares	100%	Dormant
Powergen Retail Supply Limited	Ordinary shares	100%	Dormant
E.ON Project Earth Limited	Ordinary shares	100%	Leasing of ground source heating systems

All of the undertakings disclosed above are incorporated in the United Kingdom. In accordance with section 410 of the Companies Act 2006, a full list of the Company's investments will be annexed to the Company's next filed annual return.

On 8 May 2013, the Company transferred its shareholding in E.ON Connecting Energies Limited to E.ON Connecting Energies GmbH.

As part of an exercise to simplify the group structure, the Company acquired 100% of the share capital of several dormant companies that were previously owned by its subsidiaries. These investments were in E.ON Energy Gas (Eastern) Limited, E.ON Energy Gas (Northwest) Limited, Midlands Gas Limited, TXU Europe (AHG) Limited, TXU Europe (AHGD) Limited, TXU Europe (AH Online) Limited, TXU Europe (AHST) Limited and Western Gas Limited. All of these investments have a net book value of £nil.

13 Stocks

	2013 £ 000 000	2012 £ 000 000
Goods for resale	**26**	11
Work in progress	**8**	8
	34	19

14 Debtors

	2013 £ 000 000	2012 £ 000 000
Trade debtors	**792**	836
Amounts owed by group undertakings	**1,551**	1,069
Deferred tax	**53**	64
Other debtors	**32**	33
Prepayments and accrued income	**25**	41
	2,453	2,043

Amounts owed by group undertakings include a £1,532,000,000 floating rate deposit to E.ON UK plc (2012: £866,000,000), 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.

Debtors includes £61,000,000 (2012: £64,000,000) receivable after more than one year. This can be analysed as follows:

	2013 £ 000 000	2012 £ 000 000
Deferred tax	**53**	64
Other debtors	**8**	-
	61	64

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

	£ 000 000
At 1 January 2013	64
Deferred tax charged to the profit and loss account	(11)
At 31 December 2013	53

Analysis of deferred tax

	2013 £ 000 000	2012 £ 000 000
Difference between accumulated depreciation and amortisation and capital allowances	**3**	2
Other timing differences	**66**	75
	69	77
Discount	**(16)**	(13)
Discounted asset for deferred tax	**53**	64

Other timing differences includes £65,000,000 (2012: £75,000,000) relating to goodwill.

The Finance Act 2013 included legislation to reduce the main rate of corporation tax to 21% with effect from 1 April 2014 and 20% with effect from 1 April 2015. The deferred tax asset at 31 December 2013 has been re-measured accordingly.

Within the deferred tax charge of £11,000,000, the amounts that relate to the change in the tax rate is a £10,000,000 charge.

15 Creditors: amounts falling due within one year

	2013 £ 000 000	2012 £ 000 000
Bank loans and overdrafts	**8**	-
Trade creditors	**250**	256
Amounts owed to group undertakings	**1,191**	1,080
Other taxation and social security	**98**	89
Other creditors	**2**	1
Accruals and deferred income	**153**	186
	1,702	1,612

Amounts owed to group undertakings relate to the provision of services, primarily energy purchases, and are unsecured, interest free and repayable on demand. The fair value of commodity forward contracts not recognised at the year end (excluding contracts which have been entered into for the purpose of the Company's expected purchase, sale or usage requirements) was a creditor of £64,000,000 (2012: £153,000,000). The notional principal amounts of these commodity forward contracts was £1,692,000,000 (2012: £2,838,000,000).

16 Creditors: amounts falling due after more than one year

	2013 £ 000 000	2012 £ 000 000
Preference shares	-	44
Accruals and deferred income	3	-
	3	44

On 10 December 2013, the preference shares were reclassified as ordinary shares, fully paid. The nominal value of £3,200,000 and associated premium of £40,800,000 have been reclassified to shareholders funds (see notes 18 and 19).

	2013 £ 000 000	2012 £ 000 000
Authorised		
Nil (2012: 60,000,000) irredeemable preference shares of £nil (2012: £0.10) each	-	6
Allotted, called up and fully paid		
Nil (2012: 31,625,436) irredeemable preference shares of £nil (2012: £0.10) each	-	3

The irredeemable preference shares were non-voting and carried the following rights:

• the right to receive a cumulative preferential dividend, based on LIBOR, payable annually in arrears from the date of first issue;

• entitlement, in a winding up or return of capital, to repayment of the nominal value paid up on each share, the payment of any cumulative preferential dividend due but unpaid on the date of distribution and a premium of 90 pence per share; and

• the preference shares were issued at a premium of £40,800,000 (£1.29 per share).

17 Provisions for liabilities

	Restructuring £ 000 000	Other provisions £ 000 000	Total £ 000 000
At 1 January 2013	-	230	230
Charged to the profit and loss account	4	426	430
Utilised during the year	(3)	(316)	(319)
At 31 December 2013	1	340	341

Restructuring provisions relate primarily to employee redundancies following a restructure of the business.

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.

18 Called up share capital

Allotted and fully paid

	2013		2012	
	No. 000 000	£ 000 000	No. 000 000	£ 000 000
Ordinary shares of £1 each	**760**	**760**	760	760
Ordinary shares of £0.10 each	**32**	**3**	-	-
	792	**763**	760	760

On 10 December 2013, under section 630 of the Companies Act 2006, 31,625,436 irredeemable preference shares of £0.10 each in the issued share capital of the Company, were reclassified as 31,625,436 fully paid ordinary shares of £0.10 each to rank equally in all respects with the existing issued ordinary shares of £1.00 each in the capital of the Company, save for their nominal value. The associated premium on the original issue of these preference shares of £40,800,000 has been reclassified to the share premium account.

19 Reserves

	Share premium account £ 000 000	Profit and loss account £ 000 000	Total £ 000 000
At 1 January 2013	-	553	553
Profit for the financial year	-	115	115
Other reserve movements	41	-	41
At 31 December 2013	41	668	709

20 Reconciliation of movements in shareholders' funds

	2013 £ 000 000	2012 £ 000 000
Profit for the financial year	**115**	50
Other ordinary share capital movements	**3**	-
Other share premium reserve movements	**41**	-
Net addition to shareholders' funds	**159**	50
Shareholders' funds at 1 January	**1,313**	1,263
Shareholders' funds at 31 December	**1,472**	1,313

21 Commitments

Operating lease commitments

As at 31 December, the Company had annual commitments under non-cancellable operating leases as follows:

Operating leases which expire:

	2013 £ 000 000	2012 £ 000 000
Other		
Within one year	**-**	1
Within two and five years	**7**	7
Over five years	**-**	4
	7	12

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 2013, the minimum commitment under these contracts was £5,290,000,000 (2012: £4,517,000,000).

22 Post balance sheet events

As part of an investigation, Ofgem examined the Company's compliance practices and identified a number of areas where the Company's sales and marketing practices did not comply with key licence conditions. These practices focused on key elements of the sales process in marketing and telesales activities. In recognition of these issues, the Company agreed a settlement package with Ofgem consisting of a £1 penalty, plus £12,000,000 support for vulnerable customers. In addition, the Company also agreed to contact and compensate certain customers as set out in the Final Penalty Notice. The impact of this matter has been appropriately included in these financial statements.

On 27 March 2014, Ofgem issued a consultation on a proposal to make a market investigation reference in respect of the supply and acquisition of energy in Great Britain. This followed Ofgem agreeing, in November 2013, to work with the Office of Fair Trading and the CMA to produce an assessment of competition in the retail market. The assessment, which was also published on 27 March 2014, updated previous work that Ofgem had undertaken including the Retail Market Review and the Energy Supply Probe. The consultation sought views on Ofgem's proposal, with a closing date for the submission of views on 23 May 2014. After considering views submitted to it, Ofgem made a Market Investigation Reference to the CMA on 26 June 2014.

23 Ultimate parent

The Company is controlled by E.ON UK plc. The ultimate controlling party is E.ON SE, a company incorporated in Germany, which is the parent company of the smallest and largest 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:

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Düsseldorf
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