

8 Registered Number : 04236804

## **GDF SUEZ Marketing Limited**

### **Report and Financial Statements**

31 December 2013

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COMPANIES HOUSE

# GDF SUEZ Marketing Limited

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Registered No. 04236804

## **Directors**

Dr S Riley  
Mr A Weiss  
Mr S Pinnell  
Ms H Berger

## **Secretary**

Ms H Berger

## **Auditor**

Deloitte LLP  
Chartered Accountants and Statutory Auditor  
2 New Street Square  
London  
EC4A 3BZ

## **Bankers**

Barclays Bank PLC  
50 Pall Mall  
London  
SW1A 1QF

## **Registered Office**

No 1 Leeds  
26 Whitehall Road  
Leeds  
LS12 1BE

## Directors' report

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

### Principal activities

The principal activities of the company are the purchase, supply and management of electricity to and from industrial and commercial customers.

### Results and dividends

The results for the year, after taxation amounted to a profit of £15,909,000 (2012: £13,949,000), an increase of 14% from the previous year. Of this, all is attributable to the members of the company. The financial statements include exceptional costs of £12,590,000 and exceptional income of £9,104,000 which are disclosed in note 4.

The directors do not recommend a final ordinary dividend for the year (2012: £nil), an interim dividend of £16,000,000 was paid on 20<sup>th</sup> December 2013. Dividends are recognised in the accounts in the year in which they are paid, or in the case of a final dividend when approved by the shareholders.

### Post Balance Sheet Events

There are no post balance sheet events to report.

### Going concern

The directors have considered the going concern basis and concluded that it is appropriate. In performing this assessment the directors have considered the forecasts for the company and the uncertain current economic conditions. Further detail is provided in note 1 to the financial statements.

### Directors

The directors who served during the year ended 31 December 2013 and subsequently were:

Dr S Riley	
Mr D Park	(Resigned 29 <sup>th</sup> October 2013)
Mr J Lester	(Resigned 29 <sup>th</sup> October 2013)
Mr S Pinnell	(Appointed 4 <sup>th</sup> November 2013)
Ms H Berger	(Appointed 4 <sup>th</sup> November 2013)
Mr A Weiss	(Appointed 12 <sup>th</sup> March 2014)

### Employees

The company operates a framework for employee information and consultation which complies with the requirements of the information and Consultation of Employee Regulations 2005. The company places considerable value on the involvement of its employees and has continued its previous practice of ensuring effective two-way communication on matters affecting them as employees, and on various factors affecting the performance of the company. This is achieved through both formal and informal meetings, together with a regular newsletter and information on the company intranet. The Employee Works Council met regularly during the year.

### Disabled employees

Applications for employment by disabled persons are always fully considered, bearing in mind the respective aptitudes and abilities of the applicants concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the company continues and that appropriate training is arranged. It is the policy of the company that the training, career development and

## Directors' report

promotion of disabled persons should, as far as possible, be identical with that of other employees.

### Charitable donations

The company collected or made donations to a local charity, Yorkshire Teenage Cancer Trust (2012: Yorkshire Air Ambulance), during the period totalling £4,000 (2012: £10,000).

### Environmental policy

The company is committed to reducing its impact on the environment. As part of this commitment the company actively promotes and encourages energy efficiency and recycling wherever possible.

### Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and Deloitte LLP will therefore continue in office.

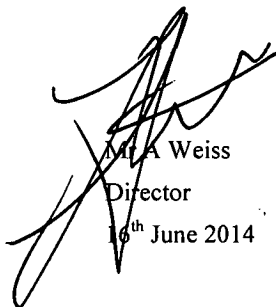
### Directors' statement as to disclosure of information to the auditor

The directors who were members of the board at the time of approving the directors' report are listed on page 1. Having made enquiries of fellow directors and of the company's auditor, each of these directors confirms that:

- To the best of each director's knowledge and belief, there is no information (that is, information needed by the company's auditor in connection with preparing their report) of which the company's auditor is unaware; and
- Each director has taken all the steps a director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

By order of the Board,



Mr A Weiss  
Director  
16<sup>th</sup> June 2014

## Directors' responsibilities report

The directors present their Strategic report for the year ended 31 December 2013.

### Business Review

GDF SUEZ Marketing Limited is a supplier of electricity to industrial and commercial end-users.

The business aims to operate a friendly, customer-focused service, with a transparent approach to building commercial relationships that last. The business offers a portfolio of energy products suitable for all businesses, large and small. In addition to supplying energy they are a market leader in demand-side services and a growing provider of export contracts and Power Purchase Agreements (PPAs).

		2013	2012	
	Units			
Revenues	£'000	995,758	1,062,712	(6.3)%
Reported Gross Margin	£'000	33,922	41,056	(17.4)%
Reported Gross Margin Percentage	%	3.4	3.9	(11.2)%
Headcount	x1	215	219	(1.8)%

The business delivered lower volumes in 2013 compared to 2012 driven by the loss of some large customers in the year. Overall gross margin profitability was down 5.2% year on year owing to the increasingly competitive UK energy market trends.

The portfolio of electricity customers remains strong and provides a firm foundation for the forthcoming year.

Exceptional costs of £12,590,000 were reported for 2013 (2012: £11,912,000) as detailed in note 4.

The net assets of the company at the end of 2013 were £2,617,000 (2012: net assets of £1,962,000). The year on year movement on net assets was due to the profit for the year exceeding the dividend payments for the year.

### Future Developments

Based on the results achieved this year, the directors are confident that the future prospects of the company are good.

The business is constantly developing the services and products to meet the changing needs of our customers and the evolving energy environment.

### Principal Risks and Uncertainties

The key risks are energy price volatility, credit risk, economic conditions, competitor actions, legislation, business continuity and internal controls failure. The company maintains a strong balance sheet backed by the support of its parent and the GDF SUEZ group.

Exposure to energy price risk is minimised by restricting quotation validity to limited underlying market price movements and by hedging sales with purchases at the point of contract acceptance. Electricity forward contracts are used to fix the price of future physical flows and thus provide greater certainty on future revenues and costs.

The company's credit risk is attributable to its trade debtors and accrued income. The risk is controlled by review of customer creditworthiness at a purchasing and parent company level and mitigated through the use of credit insurance, customer prepayments, letters of credit and customer deposits.

## Directors' responsibilities report

### Principal Risks and Uncertainties (Continued)

Exposure to economic conditions is mitigated by pursuing a diversified customer portfolio to reduce reliance being focused toward a small number of large customers or a number of customers within specific industry sectors.

The impact of competitor actions is monitored on an on-going basis to ensure the products and services offered by the company continue to maintain our competitive position in the market.

The group's Regulatory Affairs team monitor and provide active participation in consultation on legislative changes within the industry and the company ensures compliance with all relevant legislation.

Health and Safety guidance is provided to employees through information on the intranet and the Company Employee Handbook. A Health and Safety committee comprising departmental representatives meets regularly and provides feedback to the Management Team on outstanding issues. Using the input of and consultation with other GDF SUEZ group companies the company ensures compliance with Health and Safety legislation and good practice.

The company has a business continuity plan ready to be implemented in response to a critical business event.

An Internal Control Review Project combined with a Continuous Improvement Programme was in place throughout the year. The combination of these two initiatives is the documentation of policies, procedures and key processes throughout the business with the objective of achieving a greater level of control, process consistency, efficiency and improvement

The company's treasury policies seek to reduce and minimise financial risk and ensure sufficient liquidity for foreseeable needs. The majority of transactions are in £ sterling, however where appropriate the group hedges foreign exchange transactions to minimise exposure to foreign exchange movements.

There is a comprehensive budgeting system in place with an annual budget approved locally by the leadership team and also centrally by GDF SUEZ SA. Management information systems provide the leadership team and directors with relevant and timely reports that identify significant deviations from approved plans and include regular re-forecasts for the year, in order to facilitate timely analysis and appropriate decisions and actions.

GDF SUEZ SA group instruction manuals set out the policies and procedures with which the UK subsidiaries are required to comply. The leadership team are responsible for ensuring that the UK companies observe and implement the policies and procedures set out in the manual which is regularly reviewed and updated.

By order of the Board,



Mrs A Weiss

Director

10<sup>th</sup> June 2014

## Directors' responsibilities report

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

Company law requires the directors to prepare such financial statements for each financial year. Under that law the directors are required to prepare the group financial statements in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether Financial Reporting Standard 101 Reduced Disclosure Framework has 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.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

## **Independent auditor's report**

to the member of GDF SUEZ Marketing Limited

We have audited the financial statements of GDF SUEZ Marketing Limited for the year ended 31 December 2013 which comprise the Profit and Loss Account, the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity, the Cash Flow Statement and the related notes 1 to 24. The financial reporting framework that has been applied in their preparation is applicable law and Financial Reporting Standard 101 Reduced Disclosure Framework.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of directors and auditor**

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

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 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.

### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2013 and of its profit for the year then ended;
- have been properly prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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

In our opinion the information given in the Directors' Report and the Strategic Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

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

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

## Independent auditor's report

to the member of GDF SUEZ Marketing Limited

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



Makhan Chahal ACA (Senior Statutory Auditor)  
for and on behalf of Deloitte LLP,  
Chartered Accountant and Statutory Auditor  
London, UK

18th June 2014

## Profit and loss account

for the year ended 31 December 2013

		2013	2012
	Note	£'000	£'000
<b>Turnover</b>	3	995,758	1,062,712
Cost of sales		(961,836)	(1,021,656)
<b>Gross profit</b>		33,922	41,056
Administrative expenses (after exceptional items)	4	(12,935)	(21,136)
<b>Operating profit</b>	4	20,987	19,920
Interest receivable and similar income	7	333	446
Interest payable and similar charges	8	(555)	(852)
Fair value gain on commodity contracts	18	50	940
<b>Profit before taxation</b>		20,815	20,454
Tax charge	9	(4,906)	(6,505)
<b>Profit for the year</b>		15,909	13,949

All amounts relate to continuing activities.

## Statement of comprehensive income

at 31 December 2013

	2013 £'000	2012 £'000
Profit for the year	15,909	13,949
<i>Other comprehensive income that may be reclassified subsequently to profit and loss</i>		
Valuation gain on cash flow hedge	977	3,994
Tax on amounts in other comprehensive income	(244)	(1,017)
Other comprehensive income, net of tax	733	2,977
Total comprehensive income for the year, net of tax	16,642	16,926

All of the above income is attributable to the owners of the company.

## Balance sheet

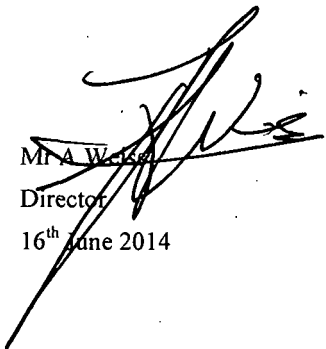
at 31 December 2013

	Note	2013 £'000	2012 £'000
<b>Fixed assets</b>			
Intangible assets	12	1,254	2,646
Property, plant and equipment	11	2,676	1,471
		<u>3,930</u>	<u>4,117</u>
<b>Current assets</b>			
Stocks	13	7,885	17,359
Debtors due within one year	14	187,888	184,337
Deferred tax asset	17	547	811
Financial assets	18	4,737	18,731
Cash at bank and in hand		26,675	25,916
		<u>227,732</u>	<u>247,154</u>
<b>Total assets</b>		<u>231,662</u>	<u>251,271</u>
<b>Current liabilities</b>			
Creditors: amounts falling due within one year	15	222,712	227,217
Financial liabilities	18	4,970	19,991
		<u>227,682</u>	<u>247,208</u>
<b>NET CURRENT ASSETS/(LIABILITIES)</b>		<u>50</u>	<u>(54)</u>
<b>Total assets less current liabilities</b>		<u>3,980</u>	<u>4,063</u>
Provisions	16	1,363	2,101
<b>Total liabilities</b>		<u>229,045</u>	<u>249,309</u>
<b>NETASSETS</b>		<u>2,617</u>	<u>1,962</u>

**Balance sheet (continued)**  
**at 31 December 2013**

	Note	2013 £'000	2012 £'000
<b>Capital and reserves</b>			
Called up share capital	19	-	-
Profit and loss account		3,074	3,152
Hedging reserve		(457)	(1,190)
<b>TOTAL SHAREHOLDERS' FUNDS</b>		<b>2,617</b>	<b>1,962</b>

The financial statements were approved by the board of directors and authorised for issue on 16<sup>th</sup> June 2014. They were signed on its behalf by:

  
 Mr A. W. 144  
 Director  
 16<sup>th</sup> June 2014

## Statement of changes in equity

for the year ended 31 December 2013 and 31 December 2012

	Note	Share Capital £'000	Hedging Reserve £'000	Profit and loss account £'000	Total £'000
At 1 January 2012		-	(4,167)	19,728	15,561
Profit for the year		-	-	13,948	13,948
Share based payment	20	-	-	34	34
Dividends paid	10	-	-	(30,559)	(30,559)
Valuation gain on cash flow hedge		-	3,994	-	3,994
Tax on amounts in other comprehensive income		-	(1,017)	-	(1,017)
At 31 December 2012		-	(1,190)	3,152	1,962
At 1 January 2013		-	(1,190)	3,152	1,962
Profit for the year		-	-	15,909	15,909
Share based payment	20	-	-	13	13
Dividends paid	10	-	-	(16,000)	(16,000)
Valuation gain on cash flow hedge		-	977	-	977
Tax on amounts in other comprehensive income		-	(244)	-	(244)
At 31 December 2013		-	(457)	3,074	2,617

**Cash flow statement**

for year ended 31 December 2013

	Note	2013 £'000	2012 £'000
<b>Operating activities</b>			
Profit before taxation		20,815	20,454
<i>Adjustments to reconcile profit before taxation to net cash flows from operating activities</i>			
Depreciation of property, plant and equipment	11	341	850
Impairment of intangible fixed asset	12	2,554	2,575
Amortisation of intangible fixed assets	12	404	1,198
Write off of property, plant and equipment	11	-	982
Share based payments	20	13	34
Interest receivable and similar income	7	(333)	(446)
Interest payable and similar charges	8	555	852
Decrease in stocks		9,474	4,245
(Increase)/Decrease in debtors due within one year		(11,502)	38,251
Decrease in other financial assets		13,994	56,999
(Decrease) in creditors due within one year		(6,250)	(4,273)
(Decrease) in other financial liabilities		(15,021)	(61,933)
Hedging reserve movement		977	3,994
(Decrease) in provisions		(738)	(36)
<b>Cash generated from operations</b>		<b>15,283</b>	<b>63,746</b>
Tax reimbursed/(paid)		4,808	(17,440)
<b>Net cash flows from operating activities</b>		<b>20,091</b>	<b>46,306</b>
<b>Cash flows from investing activities</b>			
Interest receivable and similar income	7	333	446
Purchase of property, plant and equipment	11	(1,545)	(1,510)
Purchase of intangible fixed assets	12	(1,565)	(5,031)
<b>Net cash flows used in investing activities</b>		<b>(2,777)</b>	<b>(6,095)</b>
<b>Cash flows from financing activities</b>			
Interest payable and similar charges	8	(555)	(852)
Dividend Paid	10	(16,000)	(30,559)
<b>Net cash flows from financing activities</b>		<b>(16,555)</b>	<b>(31,411)</b>
<b>Net increase in cash and cash equivalents</b>		<b>759</b>	<b>8,799</b>
Cash and cash equivalents at 1 January		25,916	17,117
<b>Cash and cash equivalents at 31 December</b>		<b>26,675</b>	<b>25,916</b>

## Notes to the financial statements

at 31 December 2013

### 1. Authorisation of financial statements and statement of compliance with IFRSs

The financial statements of GDF SUEZ Marketing Limited (the 'company') for the year ended 31 December 2013 were authorised for issue by the board of the directors on 16<sup>th</sup> June 2014 and the balance sheet was signed on the board's behalf by Mr A Weiss. GDF SUEZ Marketing Limited is a private limited company incorporated and domiciled in England & Wales.

#### Basis of Preparation

The company meets the definition of a qualifying entity under FRS 100 (Financial Reporting Standard 100) issued by the Financial Reporting Council. Accordingly, in the year ended 31 December 2012 the company underwent transition from reporting under IFRSs adopted by the European Union to FRS 101 as issued by the Financial reporting Council. The financial statements have therefore been prepared in accordance with FRS 101 (Financial Reporting Standard 101) 'Reduced Disclosure Framework' as issued by the Financial Reporting Council. This transition is not considered to have had a material effect on the financial statements.

As permitted by FRS 101, the company has taken advantage of the disclosure exemptions available under that standard in relation to share-based payment, financial instruments, capital management, presentation of comparative information in respect of certain assets, standards not yet effective, impairment of assets, related party transactions and compensation of key management personnel.

Where required, equivalent disclosures are given in the group accounts of GDF SUEZ SA. The group accounts of GDF SUEZ SA are available to the public and can be obtained as set out in note 24.

The principal accounting policies adopted by the company are set out in note 2.

The financial statements have been prepared on the historical cost basis, except for the revaluation of certain financial instruments. Historical cost is generally based on the fair value of the consideration given in exchange for the assets.

The company financial statements are presented in Pounds Sterling because that is the currency of the primary economic environment in which the company operates and all values are rounded to the nearest thousand Pounds Sterling (£'000) except when otherwise indicated.

#### Going concern

The company's business activities, together with the factors likely to affect its future development and position, are set out in the Business Review section of the Strategic Report on pages 5 to 6.

The directors have considered the going concern basis and concluded that it is appropriate. In performing this assessment the directors have considered the forecasts for the company taking account of the uncertain current economic conditions, together with the balance sheet strength of the company which includes cash and short term deposits of £26,675,000.

### 2. Accounting Policies

#### Standard affecting the financial statements

The Group has applied the amendments to IAS 1 titled Presentation of Items of Other Comprehensive Income in advance of the effective date (annual periods beginning on or after 1 July 2012). The amendment increases the required level of disclosure within the statement of comprehensive income.

The impact of this amendment has been to analyse items within the statement of comprehensive income between items that will not be reclassified subsequently to profit or loss and items that will be reclassified subsequently to profit or loss in accordance with the respective IFRS standard to which the item relates. The financial statements have also been amended to analyse income tax on the same basis. The amendments have been applied retrospectively, and hence the presentation of items of comprehensive income have been restated to reflect the change. Other than the above mentioned presentation changes, the application of the amendments to IAS 1 do not result in any impact on profit or loss, comprehensive income and total comprehensive income.

## Notes to the financial statements

at 31 December 2013

### 2. Accounting policies (continued)

#### Standard affecting the financial statements (continued)

The following standards issued or amended for the current financial year do not impact the financial statements.

- Amendments to IFRS 7 Financial instruments: Disclosures

#### Critical Accounting judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, the directors are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

#### Critical judgements in applying the company's accounting policies

The following are critical judgements, apart from those involving estimations (which are dealt with separately below), that the directors have made in the process of applying the company's accounting policies and that have the most significant effect on the amount recognised in the financial statements.

##### *Fair value of financial instruments*

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

#### Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

##### *Onerous contract provision*

Provision is made for the net present cost, using a risk-free discount rate, of expected losses on onerous long-term sales contracts. The provision is based on the difference between the contracted sales prices and the expected weighted average purchase cost of electricity.

##### *Taxation*

The company is subject to routine tax audits and also a process whereby tax computations are discussed and agreed with the appropriate authorities. Whilst the ultimate outcome of such tax audits and discussions cannot be determined with certainty, management estimates the level of provisions required for both current and deferred tax on the basis of professional advice and the nature of current discussions with the tax authority concerned. Tax computations for all periods ending on or before 31 December 2010 have been agreed with the relevant tax authorities.

## Notes to the financial statements

at 31 December 2013

### 2. Accounting Policies (continued)

#### Significant accounting policies

##### Intangible assets

Intangible assets acquired separately are measured at cost on initial recognition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and impairment losses.

Intangible assets are amortised on a straight line basis over their expected useful economic lives, as follows:

Application software	-	3 years
Sales order book	-	6 years

The carrying value of intangible assets is assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method are reviewed at least each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates.

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the profit and loss when the asset is derecognised.

##### Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and accumulated impairment losses. Cost comprises the aggregate amount paid and the fair value of any other consideration given to acquire the asset and includes costs directly attributable to making the asset capable of operating as intended.

Depreciation is provided on property, plant and equipment in equal annual instalments over their estimated useful lives. The rates of depreciation are as follows:

Fixtures, fittings and office equipment	-	3 years
IT equipment	-	3 years to 5 years
Leasehold improvements	-	15 years

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end, and adjusted prospectively, if appropriate.

##### Impairment of non-financial assets

The company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the company makes an estimate of the asset's recoverable amount in order to determine the extent of the impairment loss. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. In assessing value in use, the estimated future cash flows are discounted to their present value 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 estimate of future cash flows have not been adjusted.

Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses on continuing operations are recognised in the profit and loss in those expense categories consistent with the function of the impaired asset.

For assets, where an impairment loss subsequently reverses, the carrying amount of the asset or cash generating unit is increased to the revised estimate of its recoverable amount, not to exceed the carrying amount that would have been determined, net of depreciation, had no impairment losses been recognised for the asset or cash generating unit in prior years. A reversal of impairment loss is recognised immediately in the profit and loss.

## Notes to the financial statements

at 31 December 2013

### 2. Accounting Policies (continued)

#### Provisions

A provision is recognised when the company has a legal or constructive obligation as a result of a past event; it is probable that an outflow of economic benefits will be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation. If the effect is material, expected future cash flows are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability.

Where the company expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when recovery is virtually certain. The expense relating to any provision is presented in the profit and loss net of any reimbursement. Where discounting is used, the increase in the provision due to unwinding the discount is recognised as a finance cost.

#### Onerous Contracts

Provision is made for the net present cost, using a risk-free discount rate, of expected losses on onerous contracts. The provision is based on the difference between the contracted sales prices and the expected weighted average cost of electricity.

#### Leases

Leases where the lessor retains a significant portion of the risks and benefits of ownership of the asset are classified as operating leases and rentals payable are charged to profit and loss on a straight line basis over the lease term.

#### Financial Assets

##### *Initial recognition and measurement*

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The company determines the classification of its financial assets at initial recognition.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace are recognised on the trade i.e., the date that the company commits to purchase or sell the asset.

The subsequent measurement of financial assets depends on their classification, as follows:

##### *Financial assets at fair value through profit or loss*

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the company that are not designated as hedging instruments in hedge relationships as defined by IAS 39.

Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets at fair value through profit and loss are carried in the balance sheet at fair value with changes in fair value recognised as a finance expense in the profit and loss.

The company evaluates its financial assets at fair value through profit and loss (held for trading) and whether the intent in the near term is still appropriate. When the company is unable to trade these financial assets due to inactive markets and management's intent significantly changes to do so in the

## Notes to the financial statements

at 31 December 2013

### 2. Accounting policies (continued)

#### Financial Assets (continued)

foreseeable future, the company may elect to reclassify these financial assets in rare circumstances. The reclassification to loans and receivables, available for sale or held to maturity depends on the nature of the asset. This evaluation does not affect any financial assets designated at fair value through profit or loss using the fair value option at designation. The company did not reclassify any financial assets in the current period.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value through the profit and loss. These embedded derivatives are measured at fair value with changes in fair value recognised in the profit and loss. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

#### *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest (EIR) method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance revenue in the income statement. The losses arising from impairment are recognised in the profit and loss in other operating expenses.

#### *Effective interest method*

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL.

#### *De-recognition of financial assets*

The financial assets (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when (i) the rights to receive cash flows from the asset have expired or (ii) the company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the company has transferred substantially all the risks and rewards of the asset, or (b) the company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

#### *Impairment of financial assets*

The company assesses at each reporting date whether there is any objective evidence that a financial asset or group of financial assets is impaired.

#### *Assets carried at amortised cost*

For financial assets carried at amortised cost the company first assesses individually whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and

## Notes to the financial statements

at 31 December 2013

### 2. Accounting policies (continued)

#### Financial Assets (continued)

collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not been incurred). The present value of the estimated future cash flows is discounted at the financial assets original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income in the profit and loss.

Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the company. If, in subsequent years, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to other operating expense in the profit and loss.

#### Financial Liabilities

##### *Initial recognition and measurement*

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The company determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value and in the case of loans and borrowings, plus directly attributable transaction costs.

Purchases or sales of financial liabilities that require delivery of liabilities within a time frame established by regulation or convention in the marketplace are recognised on the trade i.e., the date that the company commits to purchase or sell the liabilities.

The subsequent measurement of financial liabilities depends on their classification as follows:

##### *Financial liabilities at fair value through profit or loss*

Financial liabilities at fair value through profit or loss includes financial liabilities held for trading and financial liabilities designated upon initial recognition at fair value through profit or loss. Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised as profit or loss.

Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Financial liabilities at fair value through profit and loss are carried in the balance sheet at fair value with changes in fair value recognised in the profit and loss.

## Notes to the financial statements

at 31 December 2013

### 2. Accounting policies (continued)

#### Financial Liabilities (continued)

##### *Interest bearing loans and borrowings*

Obligations for loans and borrowings are recognised when the company becomes party to the related contracts and are measured initially at the fair value of consideration received less directly attributable transaction costs.

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

Gains and losses arising on the repurchase, settlement or otherwise cancellation of liabilities are recognised respectively in finance revenue and finance cost.

##### *De-recognition of financial liabilities*

A liability is generally derecognised when the contract that gives rise to it is settled, sold, cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, such that the difference in the respective carrying amounts together with any costs or fees incurred are recognised as profit or loss.

##### *Offsetting of financial instruments*

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

##### *Fair values*

The fair value of financial instruments that are traded in active markets at the reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm's length transactions; reference to the current fair value of another instrument that is substantially the same; discounted cash flow analysis or other valuation models.

An analysis of fair values of financial instruments and further details as to how they are measured are provided in note 18.

#### Derivative financial instruments

The company enters into wholesale purchase commitments to satisfy demand forecasts associated with its supply contracts. The movements in fair value of some of these commitments qualify as derivative financial instruments due to the terms and conditions attached to the related supply contracts. Such derivative financial instruments are initially recognised at fair value on the date on which such a wholesale purchase commitment is entered into and are subsequently re-measured at fair value at each reporting date. For each such event, the related supply contract acts as a natural hedge to the wholesale purchase commitment.

Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. A derivative is presented as a current asset due within one year or a liability due within one year.

Any gains or losses from changes in the fair value of derivatives that do not qualify for hedge accounting are taken to the profit and loss. The treatment of gains and losses arising from revaluing derivatives designated as hedging instruments depends on the nature of the hedging relationship.

## Notes to the financial statements

at 31 December 2013

### 2. Accounting policies (continued)

#### Hedge accounting

For those derivatives designated as hedges and for which hedge accounting is desired, the hedging relationship is formally designated and documented at its inception. This documentation identifies the risk management objective and strategy for undertaking the hedge, the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how effectiveness will be measured throughout its duration. Such hedges are expected at inception to be highly effective in offsetting changes in fair value or cash flows and are assessed on an on-going basis to determine that they actually have been highly effective throughout the reporting period for which they were designated.

For the purpose of hedge accounting, hedges are classified as;

- fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment; or
- cash flow hedges when hedging exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction.

#### *Fair value hedges*

For fair value hedges, the carrying amount of the hedged item is adjusted for gains and losses attributable to the risk being hedged; the derivative is measured at fair value and gains and losses from both are taken as profit or loss. For hedged items carried at amortised cost, the adjustment is amortised through the profit and loss such that it is fully amortised by maturity. When an unrecognised firm commitment is designated as a hedged item, this gives rise to an asset or liability in the balance sheet, representing the cumulative change in the fair value of the firm commitment attributable to the hedged risk.

The company discontinues fair value hedge accounting if the hedging instrument expires or is sold, terminated or exercised, the hedge no longer meets the criteria for hedge accounting or the company revokes the designation.

#### *Cash flow hedges*

For cash flow hedges, the effective portion of the gain or loss on the hedging instrument is recognised directly as other comprehensive income, while the ineffective portion is recognised in profit or loss. Amounts taken to other comprehensive income are transferred to the profit and loss when the hedged transaction affects profit or loss, such as when a forecast sale or purchase occurs. Where the hedged item is the cost of a non-financial asset or liability, the amounts taken to equity are transferred to the initial carrying amount of the non-financial asset or liability.

If a forecast transaction is no longer expected to occur, amounts previously recognised in equity are transferred to profit and loss. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, amounts previously recognised in other comprehensive income remain in other comprehensive income until the forecast transaction occurs and are transferred to the profit and loss or to the initial carrying amount of a non-financial asset or liability as above. If the related transaction is not expected to occur, the amount is taken to profit and loss.

#### Stock

Stock has been stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale. Costs incurred in bringing stock to its present location and condition are accounted for at the weighted average purchase cost.

## Notes to the financial statements

at 31 December 2013

### 2. Accounting policies (continued)

#### Debtors due within one year

Trade debtors, which generally have 14-30 day terms, are recognised and carried at the lower of their original invoiced value and recoverable amount. Where the time value of money is material, debtors are carried at amortised cost. Provision is made when there is objective evidence that the company will not be able to recover balances in full. Balances are written off when the probability of recovery is assessed as being remote.

#### Cash at bank and in hand

Cash and short-term deposits in the balance sheet comprise cash at banks and in hand and short-term deposits with an original maturity of three months or less. For the purpose of the cash flow statement, cash and cash equivalents consist of cash as defined above, net of outstanding bank overdrafts.

#### Income taxes

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates and laws that are enacted or substantively enacted by the balance sheet date.

Deferred income tax is recognised on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements, with the following exceptions:

- where the temporary difference arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss; and
- deferred income tax assets are recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carried forward tax credits or tax losses can be utilised.
- deferred income tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply when the related asset is realised or liability is settled, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Income tax is charged or credited to other comprehensive income if it relates to items that are charged or credited to other comprehensive income. Similarly, income tax is charged or credited directly to equity if it relates to items that are credited or charged directly to equity. Otherwise income tax is recognised in the profit and loss.

#### Sales tax

Turnover, expenses and assets are recognised net of the amount of sales tax except:

- where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable
- debtors and creditors that are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of debtors or creditors in the balance sheet.

## Notes to the financial statements

at 31 December 2013

### 2. Accounting policies (continued)

#### Revenue recognition

Turnover is recognised to the extent that it is probable that the economic benefits will flow to the company and turnover can be reliably measured. Turnover is measured at the fair value of the consideration received, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before turnover is recognised:

##### *Sale of goods*

Turnover represents amounts receivable for goods provided in the normal course of business excluding discounts, VAT and other sales related taxes. Turnover from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have been passed to the buyer, usually on supply of energy to the customer.

##### *Interest income*

Interest income is recognised as interest accrues using the effective interest method. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to its net carrying amount.

#### Pension costs

The company operates a defined contribution scheme.

Contributions to the defined contribution scheme are charged in the period in which they arise.

#### Share-based payments

##### *Equity settled transactions*

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the company's best estimate of the number of equity instruments that will ultimately vest. The profit and loss expense or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled transaction award are modified, the minimum expense recognised is the expense as if the terms had not been modified, if the original terms of the award are met. An additional expense is recognised for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the entity or the employee are not met. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph. All cancellations of equity-settled transaction awards are treated equally.

#### Foreign currencies

In preparing the financial statements, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rate prevailing at that date.

Exchange differences are recognised in profit or loss in the period in which they arise.

## Notes to the financial statements

at 31 December 2013

### 2. Accounting policies (continued)

#### Operating Profit

Operating profit is stated before interest income and interest payable.

### 3. Turnover

All turnover was generated in the UK from the supply and management of electricity to industrial and commercial customers.

An analysis of the company's turnover is as follows:

	2013 £'000	2012 £'000
Sale of goods	995,758	1,062,712
Interest income	333	446
	<u>996,091</u>	<u>1,063,158</u>

### 4. Operating profit

This is stated after charging:

	2013 £'000	2012 £'000
Depreciation of owned assets	341	850
Amortisation of intangible assets	404	1,198
Net Exceptional costs	3,486	11,912
Cost of stock recognised as expense	23,271	36,628
Staff costs (see note 6)	9,796	9,765
Impairment loss recognised on debtors	462	1,196
Fees paid to the company's auditor for the audit of the financial statements	45	44
Operating lease rentals - land & buildings	599	578
- others	92	114

Exceptional Costs in 2013 of £3,486,000 relate to the impairment of software under development with a NBV of £2,554,000 and net additional costs (after recoveries of £9,104,000) incurred in respect of an overhead procurement related internal fraud of £932,000.

Exceptional Costs in 2012 of £11,912,000 relate to a £2,575,000 impairment of the Sales order book acquired from IPM Energy Retail Limited, a £1,950,000 impairment of an intercompany receivable from GDF SUEZ Shotton Limited and a further £7,387,000 in respect of an overhead procurement related internal fraud.

### 5. Auditor's Remuneration

Fees payable to Deloitte LLP and their associates for the audit of the company's annual accounts were £45,000 (2012: £44,000).

There were no fees payable by GDF SUEZ Marketing Limited to Deloitte LLP for non-audit services.

## Notes to the financial statements

at 31 December 2013

### 6. Staff costs

The monthly average number of employees (including directors paid by GDF SUEZ Marketing Limited) during the year was 215 (2012: 219).

	2013 Number	2012 Number
Sales and Marketing	55	54
Administration	160	165
	<u>215</u>	<u>219</u>

	2013 £'000	2012 £'000
Wages and salaries	8,305	8,370
Social security costs	670	676
Other pension costs	808	685
Share-based payment (note 20)	13	34
	<u>9,796</u>	<u>9,765</u>

### 7. Interest receivable and similar income

	2013 £'000	2012 £'000
Interest receivable from customers for late payment	113	85
Inter-company loan interest	202	361
Other interest receivable	18	-
	<u>333</u>	<u>446</u>

### 8. Interest payable and similar charges

	2013 £'000	2012 £'000
Inter-company loan interest	349	627
Interest payable for late payment to suppliers	25	-
Other interest payable	181	225
	<u>555</u>	<u>852</u>

## Notes to the financial statements

at 31 December 2013

### 9. Tax on profit on ordinary activities

The tax charge comprises:

	2013 £'000	2012 £'000
<b>Tax Charge</b>		
<b>Current income tax:</b>		
UK corporation tax on profits of the year	-	-
Group Relief Payable	4,887	6,184
Adjustments in respect of previous periods	-	112
<b>Total current income tax</b>	<b>4,887</b>	<b>6,296</b>
<b>Deferred tax: (note 17)</b>		
Deferred income tax relating to the origination and reversal of temporary differences	19	298
Adjustments in respect of previous periods	-	(89)
<b>Tax charge in the profit and loss</b>	<b>4,906</b>	<b>6,505</b>

The company earns its profits primarily in the UK. Therefore the tax rate used for tax on profit on ordinary activities is the average standard rate for UK corporation tax, currently 23.25% (2012: 24.5%).

The charge for the year can be reconciled to the profit in the profit and loss account as follows.

	2013 £'000	2012 £'000
<b>Reconciliation of tax charge</b>		
<b>Profit before tax</b>	<b>20,815</b>	<b>20,454</b>
Profit multiplied by rate of corporation tax of 23.25% (2012: 24.5%)	4,840	5,011
Adjustments in respect of prior periods – current tax	-	112
Adjustments in respect of prior periods – deferred tax	-	(89)
Tax effect of non-deductible or non-taxable items	3	1,428
Change in deferred tax rate	63	43
<b>Tax charge in the profit and loss</b>	<b>4,906</b>	<b>6,505</b>

On 17 July 2013, the Finance Act 2013 received Royal Assent which enacted the change in corporation tax rate in the UK from 23% to 21% from 1 April 2014 and to 20% from 1 April 2015. All deferred tax balances are recognised at 20%.

## Notes to the financial statements

at 31 December 2013

### 10. Dividends

	2013 £'000	2012 £'000
Amounts recognised as distributions to equity holders in the period:		
Final dividend for the year ended 31 December 2011 (equivalent to £15,559,000 per share, 2010: £639,000 per share)	-	15,559
Interim dividend for the year ended 31 December 2012 (equivalent to £15,000,000 per share, 2012: £ nil per share)	-	15,000
Interim dividend for the year ended 31 December 2013 (equivalent to £16,000,000 per share, 2012: £ 15,000,000 per share)	16,000	-
	<u>16,000</u>	<u>30,559</u>
Proposed final dividend for the year ended 31 December 2013 (equivalent to £ nil per share, 2012: £nil per share)	-	-
	<u>-</u>	<u>-</u>

## Notes to the financial statements

at 31 December 2013

### 11. Property, plant and equipment

	Leasehold improvements	Fixtures, fittings and office equipment	IT equipment	Total
	£'000	£'000	£'000	£'000
<b>Cost</b>				
At 1 January 2013	977	885	2,760	4,622
Additions	1,417	-	128	1,545
	<u>2,394</u>	<u>885</u>	<u>2,888</u>	<u>6,167</u>
At 31 December 2013	2,394	885	2,888	6,167
<b>Accumulated depreciation</b>				
At 1 January 2013	-	861	2,289	3,150
Charge for the year	117	24	200	341
	<u>117</u>	<u>885</u>	<u>2,489</u>	<u>3,491</u>
At 31 December 2013	117	885	2,489	3,491
<b>Net book amount</b>				
At 31 December 2013	<u>2,277</u>	<u>-</u>	<u>399</u>	<u>2,676</u>
At 31 December 2012	<u>977</u>	<u>23</u>	<u>471</u>	<u>1,471</u>

Included in property, plant and equipment are fully depreciated assets still in use with a gross value of £2,958,000 (2012: £2,765,000).

## Notes to the financial statements

at 31 December 2013

### 12. Intangible assets

	Application Software £'000	Sales Order Book £'000	Total £'000
<b>Cost</b>			
At 1 January 2013	12,748	3,300	16,048
Additions	1,565	-	1,565
At 31 December 2013	14,314	3,300	17,614
<b>Aggregate amortisation</b>			
At 1 January 2013	10,413	2,989	13,402
Charge for the year	404	-	404
Impairment	2,554	-	2,554
At 31 December 2013	13,371	2,989	16,360
<b>Net book amount</b>			
At 31 December 2013	943	311	1,254
At 31 December 2012	2,335	311	2,646

The application software capitalised relates to several different applications developed specifically for the Retail businesses of the GDF SUEZ Energy UK group. The useful economic life of these applications has been determined as 3 years. The amortisation charge for the year is included within administrative expenses.

Development costs have been capitalised in accordance with IAS 38 Intangible Assets and are therefore not treated, for dividend purposes, as a realised loss.

Included in intangible assets are fully depreciated assets still in use with a gross value of £8,460,000 (2012: £8,078,000).

### 13. Stock

	2013 £'000	2012 £'000
Renewable Obligation Certificates	218	1,744
Levy Exempt Certificates	7,667	15,615
	7,885	17,359

## Notes to the financial statements

at 31 December 2013

### 14. Debtors due within one year

	2013 £'000	2012 £'000
Trade debtors	18,857	31,338
Other debtors	11,143	6,151
Amounts owed by group undertakings	29,228	40,156
Amounts owed by fellow subsidiary undertakings	46,051	10,859
Prepayments	2,746	403
Accrued income	79,863	87,482
Current tax asset	-	7,948
	<u>187,888</u>	<u>184,337</u>

### 15. Creditors due within one year

	2013 £'000	2012 £'000
Trade creditors	12,587	10,963
Amounts owed to group undertakings	43,142	55,797
Amounts owed to fellow subsidiary undertakings	50,140	20,244
Other creditors	43,971	25,534
Other taxation and social security	9,314	17,236
Accruals	61,813	97,443
Current tax liability	1,745	-
	<u>222,712</u>	<u>227,217</u>

### 16. Provisions

	2013 £'000	2012 £'000
Dilapidation	608	904
Onerous Contracts	756	1,197
	<u>1,363</u>	<u>2,101</u>

## Notes to the financial statements

at 31 December 2013

### 16. Provisions (continued)

	Dilapidation £'000	Onerous Contracts £'000	Total £'000
At 1 January	904	1,197	2,101
Arising during the year	89	8,489	8,577
Utilised during the year	(384)	(8,930)	(9,315)
At 31 December	608	756	1,363

#### *Onerous contracts*

Provision is made for the net present cost, using a risk-free discount rate, of expected losses on onerous long-term sales contracts. The provision is based on the difference between the contracted sales prices and the expected weighted average purchase cost of electricity.

The utilisation of the provision aligns with the expiry of the relevant contracts over the next 2 years.

#### *Dilapidation*

The utilisation of the provision aligns with the expiry of the City Walk leases in July 2013 and Central Park Lease in September 2013.

The cash outflow in relation to the remaining dilapidations provision is expected to occur close to the office lease end date in 2027.

### 17. Deferred tax

An analysis of the movements in deferred tax is as follows:

	2013 £'000	2012 £'000
Deferred tax asset at 1 January	(811)	(2,037)
Deferred tax charge / (credit) in profit and loss account for the year (note 9)	19	209
Deferred tax charge / (credit) to equity	244	1,017
Deferred tax (asset) at 31 December	(547)	(811)
Analysed as:	2013 £'000	2012 £'000
Decelerated capital allowances	(258)	(355)
Other short-term temporary differences	(161)	(84)
Timing difference on Cash flow hedge movements	(128)	(372)
	(547)	(811)

## Notes to the financial statements

at 31 December 2013

### 18. Financial instruments

#### Fair values

Set out below is a comparison by category of carrying amounts and fair values of all of the company's financial instruments, that are carried in the financial statements. Note that in all cases the fair value is equal to the carrying value of those assets and liabilities.

	2013 £'000	2012 £'000
<b>Financial assets at fair value</b>		
Fair value through profit and loss (FVTPL) *	4,668	18,128
Derivative instruments designated as cash flow hedges (CFH)	69	603
<b>Financial liabilities at fair value</b>		
Fair value through profit and loss (FVTPL) *	4,316	17,826
Derivative instruments designated as cash flow hedges (CFH)	654	2,165

\*see note on economic hedges below

#### Changes in value of financial instruments at fair value

Profit for the year has been arrived at after charging/(crediting):

	Year ended 2013 £	Year ended 2012 £
<b>Financial assets at fair value</b>		
Fair value through profit and loss (FVTPL)	13,460	55,568
<b>Financial liabilities at fair value</b>		
Fair value through profit and loss (FVTPL)	(13,510)	(56,508)

#### Changes in value of cash flow hedge financial instruments

The Hedging Reserves for the year has been arrived at after charging/(crediting):

	Year ended 2013 £	Year ended 2012 £
<b>Cash Flow Hedge Financial assets</b>		
Cash Flow Hedge (CFH)	534	1,431
<b>Cash Flow Hedge Financial liabilities</b>		
Cash Flow Hedge (CFH)	(1,511)	(5,425)

#### Valuation techniques and assumptions applied for the purposes of measuring fair value

The fair values of financial assets and financial liabilities are determined as follows.

- The fair values of derivative instruments are calculated using prices derived from observable macroeconomic data and are provided by the GDF SUEZ group.

## Notes to the financial statements

at 31 December 2013

### 18. Financial instruments (continued)

#### Hedging activities

##### Economic hedges

The company enters into wholesale purchase commitments to cover future contracted supplies, subject to market liquidity, availability of products and compliance with risk policies and limits set down by management.

The company had entered into wholesale purchase commitments for future delivery under certain supply contracts where the contract permits the customer to sell back the purchases made prior to delivery. The purchase commitments related to such supply contracts have been fair valued through the profit and loss. The supply contracts with such customers are designated as derivatives and these supply contracts are also fair valued through the profit and loss (see note 2).

Purchase commitments under all other supply contracts not containing a sell back facility are not fair valued but are measured using regular trade date accounting as these are classified as held for the purpose

of the receipt or delivery of a non-financial item in accordance with the entity's expected purchase, sale or usage requirements.

#### Cash flow hedges

The contracts to purchase index-priced gas are designated as hedged items and are designated as an hedging instrument where the supply contracts do not permit the customer to sell back the purchases prior to delivery. The portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised directly in equity, net of tax, while the ineffective portion is recognised in income. The gains or losses accumulated in equity are reclassified to the profit and loss, under the same caption as the loss or gain on the hedged item – i.e. current operating income for operating cash flows and financial income or expenses for other cash flows – in the same periods in which the hedged cash flows affect income.

If the hedging relationship is discontinued, in particular because the hedge is no longer considered effective or the forecast transaction is no longer probable the cumulative gain or loss on the hedging instrument is recognised in income.

Purchase commitments under all other supply contracts not containing a sell back facility are not fair valued but are measured using regular trade date accounting as these are classified as held for the purpose of the receipt or delivery of a non-financial item in accordance with the entity's expected purchase, sale or usage requirements.

### 19. Share capital

	2013 £	2012 £
<i>Authorised</i>		
1,000 ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>
<i>Called up, allotted and fully paid</i>		
1 ordinary share of £1 each	<u>1</u>	<u>1</u>

## Notes to the financial statements

at 31 December 2013

### 20. Share-based payments

#### *'Shares+ for all'*

The GDF SUEZ SA Group operate a number of separate 'Shares+ for all' free share allocation plans for all its employees in the group. All employees employed by the company at 28 May 2008, 30 April 2009, 30 April 2011 and 28 September 2012 respectively were eligible for the 'Shares+ for all' free share allocation plan. Employees who remained in continuous service until 31 May 2012 under the first scheme qualified for 15 shares in GDF SUEZ SA with a further 15 shares in GDF SUEZ SA subject to the GDF SUEZ Group achieving specific performance criteria. Employees who remain in continuous service until 8 July 2013 in respect of the second scheme respectively qualify for 20 shares in GDF SUEZ SA. Employees who remain in continuous service until 23 June 2015 in respect of the third scheme respectively qualify for 25 shares in GDF SUEZ SA. Employees who remain in continuous service until 28 September 2016 in respect of the fourth scheme respectively qualify for 35 shares in GDF SUEZ SA.

The 2009 scheme reached the vesting date on 8<sup>th</sup> July 2013 and eligible employees received 20 free shares in GDF SUEZ SA.

#### *'Link 2010'*

The GDF SUEZ SA group offered employees the chance to participate in the Link 2010 Classic Scheme under which they could, subject to a number of restrictions, buy shares in GDF SUEZ SA. The purchase price of shares under this scheme was £13.16 a 20% discount on the market price. Shares are non transferable for 5 years and bonus shares will be awarded on a 1 for 1 basis for the first 10 shares purchased, and a 1 for 4 basis for the next 40 shares awarded once the 5 years have passed subject to those employees continuing in employment until 24 August 2015.

The expense recognised for share-based payments in respect of employee services received up to 31 December 2013 is £13,000 (2012: £34,000). All of this expense arises from equity-settled share-based payment transactions.

	2013 No.	2013 WAFV	2012 No.	2012 WAFV
Outstanding at 1 January	20,680	19.23	15,183	22.42
Free shares vested	(3,462)	19.69	-	-
Free shares issued	3,400	13.90	7,805	13.83
Reduction due to leavers and qualification criteria	(4,809)	20.65	(2,308)	21.95
Outstanding at 31 December	15,809	17.55	20,680	19.23

### 21. Pension arrangements

The company operates a defined contribution pension scheme, the assets of which are held separately from those of the company. Employer's contributions to the scheme during the year were £808,000 (2012: £685,000). At 31 December 2013, contributions of £98,000 (2012: £ 98,000) were unpaid.

## Notes to the financial statements

at 31 December 2013

### 22. Other financial commitments

#### (i) Operating leases

The company has entered into commercial operating leases on certain properties, motor vehicles and items of office equipment. These leases have remaining durations of up to 3 years for vehicles and office equipment and 14 years for land and buildings.

Future minimum rentals payable under non-cancellable operating leases are as follows:

	Land and building		Other	
	2013	2012	2013	2012
	£'000	£'000	£'000	£'000
Not later than one year	312	399	68	114
After one year but not more than five	1,636	1,324	78	101
After five years	5,452	6,075	-	-
	<u>7,400</u>	<u>7,798</u>	<u>146</u>	<u>215</u>

Land & Building commitments are those created by the lease for No. 1 Leeds, 26 Whitehall Road, Leeds.

#### (ii) Electricity purchase commitments

At 31 December 2013 the company was committed to certain future electricity purchase contracts. These contracts are due to be settled as follows:

	2013	2012
	£'000	£'000
Not later than one year	254,934	308,537
After one year but not more than five	90,795	122,608
	<u>345,729</u>	<u>431,145</u>

At 31 December 2013 the company has a number of Power Purchase Agreements in place for the purchase of electricity, Levy Exemption Certificates and Renewable Obligation Certificates over the next 20 years. Due to the longevity of these contracts, the uncertainty of the volume of power and number of certificates that will be purchased and the price that will ultimately be paid, the purchase commitments have been estimated at £902,115,000 (2012: £787,945,000) using forecast purchases and prices as at 31 December 2013.

#### (iii) Gas purchase commitments

At 31 December 2013 the company was committed to certain future gas purchase contracts. These contracts are due to be settled as follows:

	2013	2012
	£'000	£'000
Not later than one year	42,469	-
After one year but not more than five	22	-
	<u>42,491</u>	<u>-</u>

## Notes to the financial statements

at 31 December 2013

### 23. Related party transactions

#### Trading transactions

During the year, the company entering into the following trading transactions with related parties:

2013	Purchases	Amount owed from
	£'000	£'000
IPM Energy Trading Limited	361,061	7,186

#### *Terms and conditions of transactions*

The purchases from IPM Energy Trading Limited represent the purchase of electricity and are made at prices and with terms and conditions in line with external third party customers

The directors' remuneration, analysed under the headings required by company law is set out below:

	2013 £'000	2012 £'000
<b>Director's Remuneration</b>		
Emoluments	360	355
Amounts receivable (other than shares and share options) under long-term incentive schemes	-	-
Company contributions to money purchase pension schemes	39	44
	<u>399</u>	<u>399</u>

	Number	Number
<b>The number of directors who:</b>		
Are members of a money purchase pension scheme	2	2
Exercised options over shares in the parent company	-	-
Had awards receivable in the form of shares in the parent company under a long-term incentive scheme	-	-
	<u></u>	<u></u>

	2013 £'000	2012 £'000
<b>Remuneration of the higher paid director</b>		
Emoluments	227	218
Company contributions to money purchase pension schemes	24	27
	<u>251</u>	<u>245</u>

The highest paid director did not exercise any share options in the year.

Three directors who performed services for the company are employed by International Power plc and their costs are not recharged to the company.

## Notes to the financial statements

at 31 December 2013

### 24. Controlling party

The company's immediate parent undertaking is GDF SUEZ Energy UK Limited, a company registered in England and Wales.

The company's ultimate parent company and ultimate controlling party is GDF SUEZ SA a company incorporated and registered in France. This is the smallest and largest group which consolidates this company's financial statements. Copies of GDF SUEZ SA's group financial statements can be obtained from GDF SUEZ SA, Tour T1, 1 place Samuel de Champlain, Faubourg de l'Arche, 92930 Paris La Défense, France.