

E.ON ENERGY TRADING UK STAFF COMPANY LIMITED
REPORT AND FINANCIAL STATEMENTS
for the year ended 31 December 2012

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COMPANIES HOUSE

Registered No: 6567122

E.ON ENERGY TRADING UK STAFF COMPANY LIMITED

Directors' Report for the year ended 31 December 2012

The directors present their report and the audited financial statements of the Company for the year ended 31 December 2012

Principal activities

The Company's principal activity during the year and at the year end was to provide employee services to E ON Global Commodities SE, previously known as E ON Energy Trading SE

Business review

Review of the Company's business

Both the level of business during the year and the financial position of the Company at the year end were as expected. The directors believe that the present level of activity will be sustained in the current year. The losses incurred are associated with restructuring costs for employees leaving the Company on severance, in accordance with the Company's strategic business review.

Principal risks and uncertainties

The key risks for the Company relate to the ability of its sole customer and related party, E ON Global Commodities SE, to provide support, settle recharges and fund pension shortfalls. The management of risks is undertaken at E ON SE consolidated ("group") level. Further discussion of these risks and uncertainties, in the context of the 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.

Key performance indicators ('KPIs')

The Board of Management of E ON SE manage the Company'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 E ON Global Commodities division of E ON SE, which includes the Company, are discussed within the E ON SE Annual Report which does not form part of this report.

Results and dividends

The Company's loss for the financial year is £1,174,000 (2011 profit of £355,000). The directors do not recommend the payment of a final dividend (2011 £nil). No interim dividends were paid during the year (2011 £nil).

Directors

The directors who held office during the year and subsequent to the year end are given below:

M A Jackson
G E Halstead
M J Lockett
J C Walker (appointed 7 June 2013)
G G Jones (resigned 30 October 2012)

Charitable and political contributions

No political or charitable donations were made by the Company during the year (2011 £nil).

Going concern

Notwithstanding the fact that the Company is loss making and has net current liabilities and net liabilities, the directors have prepared the financial statements on the going concern basis. The directors have received confirmation from E ON Global Commodities SE, the Company's immediate parent undertaking, of its intention to financially support the Company such that the Company can

E.ON ENERGY TRADING UK STAFF COMPANY LIMITED

Directors' Report for the year ended 31 December 2012 (continued)

meet its obligations as they fall due for a period of at least twelve months from the date of the directors' approval of these financial statements

Auditors and disclosure of information to auditors

So far as each of the directors is aware, there is no relevant audit information of which the Company's auditors are unaware and they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information

Statement of directors' responsibilities

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


Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101)

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

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- state whether applicable United Kingdom Accounting Standards, including FRS 101 have been followed, subject to any material departures disclosed and explained in the financial statements,
- notify its shareholders in writing about the use of disclosure exemptions, if any, of FRS 101 used in the preparation of financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business

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

On behalf of the Board



M A Jackson

Director

E ON Energy Trading UK Staff Company Limited
Company No 6567122
Westwood Way
Westwood Business Park
Coventry
CV4 8LG



G E Halstead

Director

E ON Energy Trading UK Staff Company Limited
Company No 6567122
Westwood Way
Westwood Business Park
Coventry
CV4 8LG

6 September 2013

6 September 2013

Independent auditors' report to the member of
E.ON Energy Trading UK Staff Company Limited

We have audited the financial statements of E ON Energy Trading UK Staff Company Limited for the year ended 31 December 2012 which comprise the Profit and Loss Account, Balance Sheet, the Statement of Comprehensive Income, the Statement of Changes in Equity and the related notes. 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), including FRS 101 "Reduced Disclosure Framework".

Respective responsibilities of directors and auditors

As explained more fully in the Statement of Directors' Responsibilities statement set out on page 2, 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.

This report, including the opinions, has been prepared for and only for the Company's member 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.

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 Directors' report to identify material inconsistencies with the audited financial statements. 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 2012 and of its loss 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.

Opinion on other matter prescribed by the Companies Act 2006

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

Independent auditors' report to the member of
E.ON Energy Trading UK Staff Company Limited
(continued)

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

- 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

Matthew Walker

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

10 September 2013

E.ON ENERGY TRADING UK STAFF COMPANY LIMITED

PROFIT AND LOSS ACCOUNT
for the year ended 31 December 2012

	Note	Year ended 31 December 2012	Year ended 31 December 2011
		£000	£000
Turnover	2	7,873	7,370
Cost of sales		(7,873)	(7,370)
Gross profit/(loss)		-	-
Administrative expenses		(178)	-
Restructuring costs	3	(1,185)	(566)
Operating loss	3	(1,363)	(566)
Net interest (payable)/receivable	5	(86)	11
Loss on ordinary activities before taxation		(1,449)	(555)
Tax on loss on ordinary activities	6	275	910
(Loss)/profit for the year	13	(1,174)	355

The results for the year are derived solely from continuing operations

The accounting policies and the Notes on pages 8 to 19 form part of these financial statements

STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2012

	Note	Year ended 31 December 2012	Year ended 31 December 2011
		£000	£000
(Loss)/profit for the year	13	(1,174)	355
Actuarial loss on pension scheme arrangements	14	(1,090)	(900)
Transfer of pension scheme assets and liabilities	13, 14	(290)	(2,220)
Total comprehensive expense for the year before tax		(2,554)	(2,765)
Taxation relating to other comprehensive expense		375	900
Total comprehensive expense for the year after tax		(2,179)	(1,865)

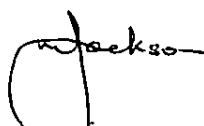
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E.ON ENERGY TRADING UK STAFF COMPANY LIMITED

BALANCE SHEET as at 31 December 2012

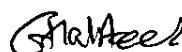
	Note	At 31 December 2012 £000	At 31 December 2011 £000
Current assets			
Debtors amounts falling due after one year	14	1,940	3,360
Debtors amounts falling due within one year	7	3,305	2,733
		5,245	6,093
Creditors amounts falling due within one year			
Borrowings	8	(17)	(16)
Trade and other payables	9	(11,226)	(10,102)
Provisions	10	(1,700)	-
		(12,943)	(10,118)
Net current liabilities		(7,698)	(4,025)
Creditors amounts falling due after one year			
Deferred tax liability	11	(184)	(560)
Provisions	10	-	(1,118)
		(184)	(1,678)
Net liabilities		(7,882)	(5,703)
Capital and reserves			
Called up share capital	12	-	-
Profit and loss account	13	(7,882)	(5,703)
Total shareholder's deficit		(7,882)	(5,703)

Approved by the Board on 6 September 2013



M A Jackson
Director
E ON Energy Trading UK Staff Company Limited
Registered No 6567122

6 September 2013



G E Halstead
Director
E ON Energy Trading UK Staff Company Limited
Registered No 6567122

6 September 2013

The accounting policies and the Notes on pages 8 to 19 form part of these financial statements

E.ON ENERGY TRADING UK STAFF COMPANY LIMITED

STATEMENT OF CHANGES IN EQUITY
as at 31 December 2012

	Called up share capital	Profit and loss account	Total
	£000	£000	£000
At 1 January 2011	-	(3,838)	(3,838)
Profit for the year	-	355	355
Other comprehensive expense	-	(2,220)	(2,220)
At 31 December 2011	-	(5,703)	(5,703)
Loss for the year	-	(1,174)	(1,174)
Other comprehensive expense	-	(1,005)	(1,005)
At 31 December 2012	-	(7,882)	(7,882)

The accounting policies and the Notes on pages 8 to 19 form part of these financial statements

E.ON ENERGY TRADING UK STAFF COMPANY LIMITED

Notes to the financial statements **for the year ended 31 December 2012**

1. Accounting policies

Basis of preparation of financial statements

These financial statements have been prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101"), which the Company has chosen to apply early in these financial statements, and the Companies Act 2006. The Company has adopted disclosure exemptions in relation to the following:

- The requirements of IAS 7 Statement of Cash Flows
- The requirements of paragraph 17 of IAS 24 Related Party Disclosures
- The requirements of IFRS 7 Financial Instruments Disclosures
- The requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors

These financial statements are prepared under the historical cost convention. The principal accounting policies have been applied consistently throughout the year.

a. Going concern

Notwithstanding the fact that the Company is loss making and has net current liabilities and net liabilities, the directors have prepared the financial statements on the going concern basis. The directors have received confirmation from E.ON Global Commodities SE, the Company's immediate parent undertaking, of its intention to financially support the Company such that the Company can meet its obligations as they fall due for a period of at least twelve months from the date of the directors' approval of these financial statements.

b. Judgement in applying accounting policies and key sources of estimation uncertainty

The preparation of financial statements 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 reported year. These judgements and relevant facts 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 and critical accounting estimates that have significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

Pensions and other post-retirement benefits

The Company operates a defined benefit scheme. The cost of providing benefits under the defined benefit scheme is determined under the projected unit credit actuarial valuation method. The key assumptions used for the actuarial valuation are based on the Company's best estimate of the variables that will determine the ultimate cost of providing post-employment benefits, on which further detail is provided in Note 14.

Restructuring provision

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. The calculation of restructuring provisions is based on management's best estimate of the expenditure required to settle the obligation at the Balance Sheet date.

E.ON ENERGY TRADING UK STAFF COMPANY LIMITED

Notes to the financial statements **for the year ended 31 December 2012 (continued)**

c. Turnover

All turnover generated by the Company during the year arose from the sale of employee services. The turnover is recognised in the month that expenses are incurred.

d. Cash and cash equivalents

Cash and cash equivalents include cash at bank and in hand, deposits with a maturity of three months or less and other short term liquid investments that are readily convertible to known amounts of cash.

e. Taxation

The tax credit for the year represents the sum of the current tax and deferred tax.

The tax credit for the year is based on the taxable losses on ordinary activities for the year. Deferred tax assets and liabilities are recognised for the estimated future tax consequences attributable to temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases.

Deferred tax is calculated using the enacted tax rates that are expected to apply in the year in which the temporary difference is expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognised in income for the year that includes the enactment date. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets are recognised when it is more likely than not that they will be recovered.

f. Pensions

The Company contributes to two funded pension schemes.

One of these is a funded pension scheme operated by E.ON UK plc, the assets of which are invested in a separate trustee-administered fund. 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.

The other scheme is the E.ON (Cross Border) Pension Scheme, a funded pension scheme operated by the Company. This scheme is accounted for as a defined benefit scheme and disclosures are given in Note 14.

g. Transactions under common control

Assets and liabilities transferred from other group companies in connection with business combinations are measured at the group carrying amount at the date of the transaction (the predecessor carrying values). The difference between the consideration provided and the group carrying amounts of the assets and liabilities is offset against equity within retained earnings and does not affect the profit and loss account.

h. Provisions

The amount recognised in the Balance Sheet as a provision is the best estimate of the expenditure required to settle a present obligation at the Balance Sheet date. 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.

E.ON ENERGY TRADING UK STAFF COMPANY LIMITED

Notes to the financial statements **for the year ended 31 December 2012 (continued)**

i. Foreign exchange

Assets and liabilities expressed in foreign currencies are translated to Sterling at rates of exchange ruling at the end of the financial year. Transactions denominated in foreign currencies are translated to Sterling at the exchange rate ruling on the transaction date. All realised foreign exchange differences are taken to the profit and loss account in the year in which they arise.

j. Financial instruments

Loans and receivables (including trade receivables) are primary financial assets with fixed or determinable payments that are not traded in an active market. Loans and receivables are reported on the Balance Sheet under "Debtors - amounts falling due within one year". Initial measurement takes place at fair value plus transaction costs. They are subsequently measured at amortised cost, using the effective interest method. Valuation allowances are provided for identifiable individual risks. If the loss of a certain part of the receivables is probable, valuation allowances are provided to cover the expected loss.

Financial liabilities (including trade payables and borrowings) are measured at amortised cost, using the effective interest method. Initial measurement takes place at fair value net of transaction costs incurred. In subsequent periods, the amortisation and accretion of any premium or discount is included in finance costs/income.

2. Turnover

All turnover generated by the Company during the year arose from the sale of employee services. The turnover is recognised in the month that expenses are incurred.

3. Operating loss

Operating costs include the following:

	Year ended 31 December 2012	Year ended 31 December 2011
	£000	£000
Restructuring costs (Note 10)	1,185	566
Other staff costs (Note 4)	6,648	6,021
Fees payable to the Company's auditors for audit services	20	20

E.ON ENERGY TRADING UK STAFF COMPANY LIMITED

Notes to the financial statements **for the year ended 31 December 2012 (continued)**

4. Employee information

The average monthly number of persons (including executive directors) employed by the Company during the year was

	Year ended 31 December 2012	Year ended 31 December 2011
Administration	52	56

The following salaries and related costs of employees were incurred during the year

	Year ended 31 December 2012	Year ended 31 December 2011
	£000	£000
Wages and salaries	5,089	5,234
Social security costs	620	397
Other pension costs	939	390
	6,648	6,021
Restructuring costs (Note 10)	1,185	566
	7,833	6,587

The directors received no emoluments from the Company during the year (2011 £nil) in respect of services to the Company

5. Net interest (payable)/receivable

	Year ended 31 December 2012	Year ended 31 December 2011
	£000	£000
Interest income from E.ON group undertakings	-	5
Interest expense to E.ON group undertakings	(96)	(54)
Net pensions interest (Note 14)	10	60
Net interest (payable)/receivable	(86)	11

E.ON ENERGY TRADING UK STAFF COMPANY LIMITED

Notes to the financial statements for the year ended 31 December 2012 (continued)

6. Taxation

	Year ended 31 December 2012	Year ended 31 December 2011
	£000	£000
Current tax:		
UK corporation tax on losses for the year at 24.5% (2011: 26.5%)	(283)	(365)
Adjustments in respect of prior periods	9	(960)
Total current tax credit	(274)	(1,325)
Deferred tax:		
Origination and reversal of timing differences	(27)	206
Movement due to changes in tax laws and rates	12	29
Adjustments in respect of prior periods	14	180
Total deferred tax (credit)/charge	(1)	415
Tax credit on loss on ordinary activities	(275)	(910)

The difference between the tax credit on the loss on ordinary activities for the year and the tax assessed on the loss on ordinary activities for the year assessed at the effective rate of corporation tax in the UK at 24.5% (2011: 26.5%) can be explained as follows

	Year ended 31 December 2012	Year ended 31 December 2011
	£000	£000
Loss on ordinary activities before tax	(1,449)	(555)
Tax credit on loss on ordinary activities before tax at 24.5% (2011: 26.5%)	(355)	(146)
<i>Effects of</i>		
Impact of rate change between corporation tax and deferred tax	1	(13)
Expenses not deductible for tax purposes	44	-
Movement due to changes in tax laws and rates	12	29
Adjustment in respect of prior periods – corporation tax	9	(960)
Adjustment in respect of prior periods – deferred tax	14	180
Tax credit for the year	(275)	(910)

During the year legislation was included in the Finance Act 2012 to reduce the main rate of UK corporation tax from 26% to 24%, effective from 1 April 2012 and from 24% to 23% effective from 1 April 2013. Further reductions in the main rate of UK corporation tax were announced in the Autumn Statement on 5 December 2012 and the March 2013 Budget Statement to reduce the rate to 21% from 1 April 2014 and to 20% from 1 April 2015. These further changes were not substantively enacted at the balance sheet date and, therefore, the impact has not been included in these financial statements.

E.ON ENERGY TRADING UK STAFF COMPANY LIMITED

Notes to the financial statements for the year ended 31 December 2012 (continued)

6. Taxation (continued)

The reductions in the main rate of corporation tax to 21% from 1 April 2014 and to 20% from 1 April 2015 were both substantively enacted on 2 July 2013 as part of the Finance Act 2013. The overall effect of these further changes, if applied to the deferred tax balance at the balance sheet date, would be to reduce the deferred tax liability provided for at the balance sheet date by £58,000. This £58,000 decrease in the deferred tax liability would increase profit by £13,000 and increase other comprehensive income by £45,000.

The corporation tax receivable has been reduced by £274,000 because of group relief surrendered to a fellow group undertaking for which a payment will be received (2011 £1,325,000). Accordingly no tax losses are available for carry forward.

7. Debtors: amounts falling due within one year

	At 31 December 2012	At 31 December 2011
	£000	£000
Other receivables	-	421
Amounts owed by group undertakings	3,305	2,312
	<u>3,305</u>	<u>2,733</u>

Amounts owed by group undertakings are unsecured, interest free and repayable on demand.

8. Borrowings: amounts falling due within one year

	At 31 December 2012	At 31 December 2011
	£000	£000
Bank overdraft	<u>17</u>	<u>16</u>

The bank overdraft is unsecured and repayable on demand.

9. Trade and other payables

	At 31 December 2012	At 31 December 2011
	£000	£000
Trade payables	3	238
Amounts owed to group undertakings	8,911	8,515
Other taxation and social security	241	225
Accruals and other payables	2,071	1,124
	<u>11,226</u>	<u>10,102</u>

Amounts owed to group undertakings include a loan for £8,855,000 (2011 £7,483,000), which is unsecured and bears interest at a rate of LIBOR plus 50 basis points. All other amounts owed to group undertakings are interest free and repayable on demand.

E.ON ENERGY TRADING UK STAFF COMPANY LIMITED

Notes to the financial statements for the year ended 31 December 2012 (continued)

10. Provisions

	At 31 December 2012	At 31 December 2011
	£000	£000
Opening balance	1,118	2,416
Charge to the profit and loss account	1,159	566
Utilisation of provision	(577)	(1,864)
	<u>1,700</u>	<u>1,118</u>

The provision at 31 December 2012 relates to restructuring costs of which £1,159,000 is an additional charge during the year. The provision will be utilised during 2013.

The restructuring costs recognised in the profit and loss account during the year include redeployment expenses paid to employees of £26,000 and a charge of £1,159,000 relating to employees who will be leaving the Company during 2013.

11. Deferred tax

The following are the deferred tax assets and liabilities recognised by the Company and movements thereon during the year.

	At 31 December 2012	At 31 December 2011
	£000	£000
Other timing differences – provisions	262	280
Pensions provision	(446)	(840)
Deferred tax liability	<u>(184)</u>	<u>(560)</u>
Liability at beginning of year	(560)	(1,045)
Deferred tax credit on actuarial losses/gains and other pension movements – current year	317	780
Movement due to change in tax laws and rates	58	120
Deferred tax credit/(charge) for the year (Note 6)	1	(415)
Liability at year end	<u>(184)</u>	<u>(560)</u>

The Finance Act 2012 included legislation to reduce the main rate of corporation tax to 23% with effect from 1 April 2013. The deferred tax liability at 31 December 2012 has been re-measured accordingly.

Within the deferred tax credit of £1,000, the amount that relates to the change in the tax rate is a £12,000 charge.

E.ON ENERGY TRADING UK STAFF COMPANY LIMITED

Notes to the financial statements for the year ended 31 December 2012 (continued)

12. Called up share capital

	At 31 December 2012	At 31 December 2011
	£000	£000
Allotted, called-up and fully paid		
1 ordinary share of £1	-	-

The Company has one class of ordinary shares which carry no right to fixed income

13. Reconciliation of shareholder's deficit

	Called up share capital	Profit and loss account	Total
	£000	£000	£000
At 1 January 2011	-	(3,838)	(3,838)
Transfer of pension arrangements	-	(2,220)	(2,220)
Profit for the year	-	355	355
At 31 December 2011	-	(5,703)	(5,703)
Transfer of pension arrangements	-	(290)	(290)
Actuarial loss (net of tax)	-	(715)	(715)
Loss for the year	-	(1,174)	(1,174)
At 31 December 2012	-	(7,882)	(7,882)

14. Pension commitments

The Company participates in a funded group pension scheme operated by E ON UK plc, which is part of an industry wide scheme, the Electricity Supply Pension Scheme ("ESPS"). The pension scheme is of the defined benefit type and its assets are held in a separate trustee-administered fund.

The fund is valued every three years by a professional qualified, independent actuary, the rates of contribution payable being determined by the actuary. In the intervening years the actuary reviews the appropriateness of the rates. The last actuarial valuation was at 31 March 2010.

Due to the complexity of the actuarial calculations and the number of different companies contributing to the scheme, the Company is unable to identify its share of the underlying assets and liabilities in the scheme. Consequently, the Company accounts for the scheme as a defined contribution scheme. The cost of contributions to the scheme in the year amounts to £709,000 (2011: £nil).

Further details of the scheme are available in E ON UK plc's financial statements. Due to a deficit in the scheme, E ON UK plc made a special contribution of £120,000,000 during January 2012, £50,000,000 during January 2013 and expects to make special contributions of £35,000,000 per annum from 2014 until 2016. None of this cost is expected to be recharged to the Company.

E.ON ENERGY TRADING UK STAFF COMPANY LIMITED

Notes to the financial statements for the year ended 31 December 2012 (continued)

14. Pension commitments (continued)

In addition to the ESPS, the Company participates in the E.ON (Cross Border) Pension Scheme ("Scheme"), which was established on 19 February 2008 and is a defined benefit funded scheme, providing benefits based on final salary. The valuation used for IAS 19 disclosures is based on a full assessment of the liabilities of the Scheme as at 31 March 2011. The present values of the defined benefit obligation, the related current service cost and any past service costs were measured using the projected unit credit method.

Actuarial gains and losses have been recognised in the period in which they occur, through the Statement of Comprehensive Income.

The principal actuarial assumptions used to calculate the defined benefit pension balances in the financial statements were:

	At 31 December 2012	At 31 December 2011
Average nominal rate of annual increase in salaries	3.7%	3.6%
Average nominal rate of annual increase in pensions	3.0%	3.0%
Expected return on assets	3.7%	4.2%
Discount rate	4.9%	5.2%
RPI inflation	3.2%	3.1%
CPI inflation	2.5%	2.1%

The mortality assumptions are based on the recent actual mortality experience of members within the Scheme and the assumptions also allow for future mortality improvements. The assumptions are that a member currently aged 65 will live on average for a further 23 years if they are male and for a further 24 years if they are female. For a member who retires in 2031 at age 65, the assumptions are that they will live on average for a further 24 years after retirement if they are male and for a further 25 years after retirement if they are female.

The indicative impact on Scheme liabilities of a change in the discount rate assumption by 0.25% is +/- 7.1%. The indicative impact on Scheme liabilities of a change in the inflation rate assumption by 0.25% is +/- 4.9%. The indicative impact on Scheme liabilities of increasing pensioner life expectancy by one year is 2.1%.

The amounts recognised in the Balance Sheet within Debtors amounts falling due after one year are as follows:

	At 31 December 2012	At 31 December 2011
	£000	£000
Fair value of plan assets	16,620	17,580
Present value of funded obligations	(14,680)	(14,220)
Net asset recognised in the Balance Sheet	1,940	3,360
Related deferred tax liability	(446)	(840)
Net pension asset	1,494	2,520

E.ON ENERGY TRADING UK STAFF COMPANY LIMITED

Notes to the financial statements for the year ended 31 December 2012 (continued)

14. Pension commitments (continued)

The amounts recognised in the profit and loss account are as follows

	Year ended 31 December 2012	Year ended 31 December 2011
	£000	£000
Current service cost	220	330
Past service cost	10	60
Interest cost	650	900
Expected return on scheme assets	(660)	(960)
Net cost recognised in the profit and loss account	<u>220</u>	<u>330</u>

Changes in the present value of the defined benefit obligation are as follows

	Year ended 31 December 2012	Year ended 31 December 2011
	£000	£000
Opening defined benefit obligation	14,220	15,800
Service cost	220	330
Actuarial losses	1,610	1,860
Contributions by plan participants	60	120
Interest cost	650	900
Net benefits paid out	(50)	(250)
Past service cost	10	60
Transfers to other group companies	(2,040)	(4,600)
Closing defined benefit obligation	<u>14,680</u>	<u>14,220</u>

E.ON ENERGY TRADING UK STAFF COMPANY LIMITED

Notes to the financial statements for the year ended 31 December 2012 (continued)

14. Pension commitments (continued)

Changes in the fair value of plan assets are as follows

	Year ended 31 December 2012	Year ended 31 December 2011
	£000	£000
Opening fair value of Scheme assets	17,580	22,210
Expected return on Scheme assets	660	960
Actuarial gains on Scheme assets	520	960
Contributions by the employer	180	400
Contributions by Scheme participants	60	120
Net benefits paid out	(50)	(250)
Transfers to other group companies	(2,330)	(6,820)
Closing plan assets	<u>16,620</u>	<u>17,580</u>

The transfer of members from the Company's Scheme to E ON UK plc's ESPS group scheme took place in 2012 and a transfer of assets was made in March 2012. The transfer of members has been treated as a transfer of single employees. This means that this does appear in the profit and loss account of the Company.

The Company expects to contribute £150,000 to its defined benefit pension plans in the year to 31 December 2013. Additional employer contributions will be required if there are any redundancies or augmentations during the year.

The expected returns on the major categories of plan assets and their fair value as a percentage of total plan assets are as follows:

	Expected return		Fair value of assets	
	At 31 December 2012	At 31 December 2011	At 31 December 2012	At 31 December 2011
	%	%	%	%
Equity instruments	9.4	10.1	25	24
Bonds	1.8	2.2	72	74
Other assets	-	-	3	2
	<u>3.7</u>	<u>4.2</u>	<u>100</u>	<u>100</u>

The Company employs a building block approach in determining the long-term rate of return on pension plan assets. Historical markets are studied and assets with higher volatility are assumed to generate higher returns consistent with widely accepted capital market principles. The overall expected rate of return on assets is derived by aggregating the expected return for each asset class over the benchmark asset allocation. The benchmark is an asset allocation of 75% in bonds and 25% in equities.

E.ON ENERGY TRADING UK STAFF COMPANY LIMITED

Notes to the financial statements for the year ended 31 December 2012 (continued)

14. Pension commitments (continued)

The actual return on Scheme assets is shown below

	Year ended 31 December 2012	Year ended 31 December 2011
	£000	£000
Expected return on Scheme assets	660	960
Actuarial gain on Scheme assets	520	960
Actual return on Scheme assets	<u>1,180</u>	<u>1,920</u>

Cumulative actuarial losses recognised in equity:

	At 31 December 2012	At 31 December 2011
	£000	£000
Loss at start of year	(1,540)	(640)
Actuarial losses recognised in the year	(1,090)	(900)
Loss at end of year	<u>(2,630)</u>	<u>(1,540)</u>

History of experience adjustments:

	At 31 December 2012	At 31 December 2011	At 31 December 2010
	£000	£000	£000
Fair value of Scheme assets	16,620	17,580	22,210
Present value of defined benefit obligations	14,680	14,220	15,800
Surplus in the Scheme	1,940	3,360	6,410
Experience adjustments on plan liabilities	(1,610)	(1,860)	2,030
Experience adjustments on plan assets	520	960	870

15. Ultimate holding company

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

E ON SE
E ON-Platz 1
D-40479
Düsseldorf
Germany