Company Registration No. 5070887

First Utility Limited

Report and Financial Statements

31 December 2013

First Utility Limited

Report and financial statements 2013

Contents

First Utility Limited

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Officers and professional advisers

Directors

D S Braham
M W Daeche
T J Maguire
D D'Arcy
E Kamm
I McCaig
M Moir
W Wilkins

Secretary

T J Maguire

Registered Office

Point 3 Opus 40 Business Park
Haywood Road
Warwick
Warwickshire
CV34 5AH

Bankers

Natwest
65 Piccadilly
London
W1A 2PP

Solicitors

Osborne Clarke
2 Temple Back East
Temple Quay
Bristol
BS1 6EG

Auditor

Deloitte LLP
Chartered Accountants and Statutory Auditor
London

Strategic report (continued)

The Directors present their strategic report and the audited financial statements for the year ended 31 December 2013.

Business review and future developments

The Company continued to make excellent progress during the year in expanding and growing electricity and gas services for domestic customers. The total energy customer base increased by 75% in the year to 314,131 (2012: 179,014), and sales revenue for the Company increased by 95% during the year to £283m (2012: £145m).

Given the strong growth seen in the domestic customer base, the Company took the strategic decision during the year to withdraw from the SME business utilities market and to wind down the remaining portfolio. The Company also took the decision to fully exit the developer acquisition route to market during the financial year. This gave rise to exceptional restructuring items, for more detail please see page 10 of these financial statements.

The Company continues to focus on cost effective electricity and gas customer acquisition and the reduction of churn through strong customer service. The operating profit before exceptional items for the Company was lower in 2013 at £0.6m (2012: £1,7m) driven by the continued investment in customer acquisition, growth and scaleable customer care and billing systems, this also resulted in significant capital expenditure and associated depreciation. The Directors regard the continued investment in effective customer service, sales and software development activities as necessary for continuing success in the future.

The Company also absorbed additional cost of sales charges for a number of Government social and environmental obligations which were incurred for the first time during the year in relation to the Warm Homes Discount (WHD), Green Deal and Energy Company Obligation (ECO) schemes. This totalled £1.063m for the 2013 financial year. The Company will continue to incur charges for these schemes on an ongoing basis as a result of the Company previously passing the customer number thresholds set by the Government.

In December 2013 the parent Company Impello PLC terminated its wholesale energy trading agreement with Morgan Stanley Inc and the Company entered into a new 10 year energy trading partnership with Shell Energy Europe Ltd ("Shell"). Exceptional items of £1.6m were incurred by the Company as a result of novating all the trades to the new trading counterparty.

Going forward Shell will act as an intermediary, using their scale and expertise to competitively source electricity and gas from the wholesale market. This agreement will enable the Company to leverage the experience of Shell to accelerate growth and to support the development of new and competitive product offerings for customers.

The closing cash balance for the Company at 31 December 2013 was £10.3m (2012: £12.9m). This reduction in the cash balance over the year is due to the novation of the energy trades to Shell during December 2013, whereby £12.1m of Power and Gas payments were made to Morgan Stanley earlier than normal. These payments related to the energy that had been consumed in December 2013 up to the point of novation which would normally have been payable in January 2014 had the novation not occurred. Accordingly the cash position at year end would have been £22.4m on a like for like basis.

No significant events have occurred since the balance sheet date.

Objective and strategy

The objective of the Company is to deliver long term value to its shareholders. The Board's strategy to achieve this goal is embodied in the following key principles

- to attract a strong customer base, the Company shall compete on price and offer innovative services supported by outstanding customer service; and
- to employ and develop highly motivated staff, knowledgeable about the services they provide and trained in selling skills and customer service.

Strategic report (continued)

Business review and future developments (continued)

Markets

The UK market for the supply of electricity and gas is highly competitive.

The development of the internet delivers enhanced product information and facilitates price comparability for consumers. Whilst this creates new challenges in terms of margin maintenance, it provides a significant opportunity for the Company.

Risks to achieving the Company's objective

Risk is present in all businesses. Risks are formally reviewed by the Board and appropriate processes put in place to monitor and mitigate them. The Directors consider that the major risks to achieving the Company's objective are as stated below. The use of financial derivatives is governed by the Company's policies approved by the Board, which provide written principles on the use of financial derivatives to manage these risks. The Company does not use derivative financial instruments for speculative purposes. The Board however recognises that the profile of risks changes constantly and additional risks not presently known, or that are currently deemed immaterial may also impact on attainment of the Company's business objective.

i) Economic environment

The economic environment impacts consumer spending in many ways. Unemployment levels, interest rates, consumer debt levels, taxation and many other factors influence consumers' spending decisions. The Directors are mitigating this risk by undertaking a number of initiatives including strategic customer targeting and channel management, credit vetting, and systems investment to manage outstanding customer debts.

ii) Meeting customers needs

Customers expect competitive prices. What differentiates utility companies is the provision of services that customers want, along with staff that provide excellent service. Regular surveys of customer satisfaction are conducted. The results are used to assess performance and to drive high standards. Customer feedback is used to understand where we can be more responsive to customers needs.

iii) Seasonality

The Company's business is becoming more seasonal with an increasing proportion of its sales and operating results likely to be generated in the first quarter and last quarter of each year as its utility services grow.

iv) Competition

The Company operates in a highly competitive environment. Businesses join and leave the market and/or expand or reduce their product and service ranges in response to competitive forces. Different channels to market have different cost structures and different appeal to customers.

The Company continuously monitors the activities of its competitors and potential competitors and takes appropriate action in terms of, for example, its product and service offering and pricing, to maintain and strengthen its position.

v) Market margin erosion

The level of margins is governed by the market. Consumer demand, competition and regulation/taxation all impact on margins. The Company is focused on protecting margins through the management of its cost structures to mitigate the risk of margin erosion.

vi) Cash flow and liquidity risks

Cash flow forecasts are produced on a weekly basis for the Company to ensure the utilisation of the current facilities is optimised and both short and medium term liquidity is maintained, and on a long term projection basis for the purpose of identifying long term strategic funding requirements. The Directors continually monitor the cash flow requirements of the business in order to ensure the Company is fully funded.

Strategic report (continued)

Business review and future developments (continued)

vii) Employees

All companies face the risk of failing to attract, develop and retain the right calibre of staff for their business. Through development and training programmes the Board believes that the Company is well placed to build on its success in growing its customer base.

viii) Systems failures

In common with other businesses, the Company is dependent on the suitability and reliability of its systems and procedures including its information technology systems. The Company has developed emergency procedures that are regularly tested. The Company carries out evaluation, planning and implementation analysis before updating or introducing new systems that have an impact on critical functions.

ix) Legislative, reputational and regulatory risks

The Company's operations are subject to extensive regulatory requirements, particularly in relation to the products and services it sells, its advertising, marketing, sales practices, its employment and environmental issues. Changes in laws and regulations and their enforcement may impact on the Company's business in terms of costs, changes to business practices, restrictions on activities or, more importantly, lead to reputational damage to the Company and its brand.The Company operates a strong compliance regime which monitors legal developments to ensure the appropriate training and necessary modification to trading practices and policies. Regular reviews are conducted to ensure compliance with the increasing number of legal and regulatory developments.

x) Volume and commodity price risks

For residential fixed price offers, the Company contracts to purchase fixed price energy to match the duration of the sale once a sales contract supply start date has been confirmed. At any point in time the Company will have energy purchases contracted for up to three years ahead matching the terms of its fixed price sales contracts, which therefore locks in the margin over the life of the contract. Energy is purchased to match customer demand for the duration of the contract in line with an agreed hedging strategy. For variable contracts, prices can be adjusted in line with costs over the life of the contract to maintain margin as the hedging strategy unwinds.

xi) Collections risks

The Company limits its collection risk through a high direct debit take-up, and established credit checking and debt management procedures.

Performance monitoring

The successful delivery of the Company's objective is monitored by the Board through Key Performance Indicators and periodic review of the Company's operations.

Key performance indicators ("KPI")

KPI	2013	2012
Total sales	£282.7m	£144.9m
Gross margin	£33.0m	£25.4m
Gross margin %	11.7%	17.6%

The increase in sales in 2013 compared to 2012 is a result of the significant increase in the energy customer base during the year; with customers at the year-end increasing by 75% to 314,131 (2012: 179,014).

Strategic report (continued)

Business review and future developments (continued)

The gross margin percentage of the Company has been impacted by increased energy transmission and distribution charges as a result of higher electricity and gas network price rises being set by the industry during the year.

Within gross margin for the year, the Company also absorbed additional cost of sales charges for a number of Government social and environmental obligations which were incurred for the first time during the year in relation to the WHD, Green Deal and ECO schemes. The Company will continue to incur charges for these schemes on an ongoing basis as a result of the Company previously passing the customer number thresholds set by the Government.

The Board also considers the following measures to be important but these are not objectively quantified.

Other measures	Definition
Customer satisfaction	Results of telephone and email surveys to measure the effectiveness of customer service.
Complaint levels	Number of complaints per 1,000 customers, which are published showing comparisons of performance against the rest of the industry
Market position	Market position is an important measure of how well customers are being engaged by the Group's brand.
Staff satisfaction	Results of staff surveys.

Approved by the Board of Directors
and signed on behalf of the Board

D S Braham
Director

13 June 2014

Directors' report

The profit and loss account is set out on page 10 and shows the result for the year.

The directors do not recommend the payment of a dividend for the year (2012: £nil).

Going concern

The Directors have taken account of the key risks to the Company's cash flow projections when considering the going concern status of the Company. These key risks include the working capital associated with faster or slower customer growth rates than forecast, lower or higher customer churn than forecast, variances in seasonality adjustments to consumption volumes than forecast, movements in energy prices and the timing of cash receipts from customers. As a consequence and based on their projections, the Directors believe that the Company is well placed to successfully manage their business risks despite the current uncertain economic outlook, which are discussed earlier in this Strategic report.

After making enquiries and reviewing cashflow forecasts and available facilities for a period of at least 12 months from the date of these financial statements, the Company's Directors have a reasonable expectation at the time of approving the financial statements, that the Company has adequate resources to continue in operational existence for the foreseeable future. This judgement has been formed taking into account the principal risks and uncertainties that the Company and Group faces, which have been outlined in more detail in the financial statements of Impello PLC. For this reason the Directors continue to adopt the going concern basis in preparing the financial statements.

Directors

The directors of the Company during the year were:

D S Braham
M W Daeche
T J Maguire
D D'Arcy (ceased as a Director of the Company on 3 January 2014)
E Kamm
I McCaig
M Moir
W Wilkins

D S Braham, M W Daeche, I McCaig and W Wilkins are directors of the parent company Impello PLC. Copies of the financial statements of Impello PLC can be obtained from the registered office shown on page 1.

Directors indemnities

The Company has made qualifying third party indemnity provisions for the benefit of its directors, which were made during the year and remain in force at the date of this report.

Directors' report (continued)

Auditor

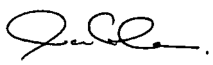
Each of the persons who is a director at the date of approval of this report confirms that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any 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.

Deloitte LLP have expressed their willingness to continue in office as auditor and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors
and signed on behalf of the Board



D S Braham
Director

13 June 2014

Statement of directors' responsibilities

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 financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and to 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 First Utility Limited

We have audited the financial statements of First Utility Limited for the year ended 31 December 2013 which comprise the Profit and Loss Account, the Reconciliation of Movements in Shareholder's Funds, the Balance Sheet, and the related notes 1 to 23. 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).

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 the Company's 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 Strategic report and the Directors' 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:

- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Company 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.

J. A. Lh

James Leigh (Senior Statutory Auditor)
Deloitte LLP
Chartered Accountants and Registered Auditor
London, United Kingdom

13 June 2014

First Utility Limited

Profit and loss account
Year ended 31 December 2013

	Notes	2013 £'000	2012 £'000
Turnover	2	282,731	144,957
Cost of sales		(249,737)	(119,512)
Gross profit		32,994	25,445
Administrative expenses		(32,666)	(24,572)
Other operating income	4	243	819
Operating profit		571	1,692
Exceptional costs of fundamental reorganisation	6	(3,599)	-
Operating (loss)/profit		(3,028)	1,692
Interest receivable		18	8
Interest payable and similar charges	7	(293)	(56)
(Loss)/Profit on ordinary activities before taxation		(3,303)	1,644
Taxation credit/(charge) on (loss)/profit on ordinary activities	8	443	(481)
Retained (loss)/profit for the year	16	(2,860)	1,163

All recognised gains and losses are included in the profit and loss account and therefore no statement of total recognised gains and losses has been presented.

All amounts relate to continuing activities.

Reconciliation of movements in shareholder's funds
Year ended 31 December 2013

	2013 £'000	2012 £'000
Opening shareholder's funds	10,009	8,846
(Loss)/Profit for the year	(2,860)	1,163
Closing shareholder's funds	7,149	10,009

First Utility Limited

Balance sheet
31 December 2013

	Notes	2013 £'000	2012 £'000
Fixed assets			
Intangible assets	9	193	210
Tangible assets	10	11,479	7,578
		11,672	7,788
Current assets			
Stocks	11	188	280
Debtors – due within one year	12	28,309	25,637
Debtors – due after one year	12	715	291
Cash at bank and in hand		10,311	12,948
		39,523	39,156
Creditors: amounts falling due within one year	13	(44,014)	(36,777)
Net current (liabilities)/assets		(4,491)	2,379
Creditors: amounts falling due after more than one year	14	(33)	(158)
Net assets		7,149	10,009
Capital and reserves			
Called up share capital	15	-	-
Profit and loss account	16	7,149	10,009
Total shareholder's funds		7,149	10,009

These financial statements were approved by the Board of Directors and authorised for issue (Company registration no. 5070887) on 13 June 2014.

Signed on behalf of the Board of Directors,

D S Braham
Director

1. **Accounting policies**

The principal accounting policies adopted are described below. They have all been applied consistently throughout the year and the preceding year.

Basis of preparation

These financial statements have been prepared on a consistent basis under the historical cost convention and in accordance with applicable law and United Kingdom Generally Accepted Accounting Practices ("UK GAAP").

Going concern

The principal risks associated with the Company are discussed in the Strategic report on pages 2 to 5. After making enquiries and reviewing cash flow forecasts and available facilities for a period of at least 12 months from the data of these financial statements, the Company's Directors have a reasonable expectation at the time of approving these financial statements, that the Company has adequate resources to continue in operational existence for the foreseeable future. This judgement has been formed taking into account the principal risks and uncertainties that the Group faces which have been outlined in more detail in the financial statements of Impello PLC. For this reason the Directors continue to adopt the going concern basis in preparing the financial statements.

Turnover

Turnover is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Turnover includes amounts receivable for goods and services provided in the normal course of business, net of trade discounts, VAT and other sales related taxes.

For energy supply, turnover is recognised on the basis of electricity and gas supplied during the period. For those customers awaiting actual meter reads an estimate is made of the sales value of units and terms supplied between the change of supply date and year-end. Any unbilled amounts are included in trade receivables to the extent they are considered recoverable.

Goodwill

Goodwill arising on acquisitions represents the difference between the fair value of the consideration paid and the fair value of the identifiable assets and liabilities acquired. Impairment tests on the carrying value of goodwill are undertaken:

- at the end of the first full financial year following acquisition; and
- in other years if events or changes in circumstances indicate that the carrying value may not be recoverable.

Acquired goodwill is capitalised and amortised through the profit and loss account over the directors' estimate of its useful economic life, being a period of four years.

Research and development

Expenditure on pure and applied research is charged to the profit and loss account in the year in which it is incurred. Development costs are also charged to the profit and loss account in the year of expenditure, unless individual projects satisfy all of the following criteria:

- the project is clearly defined and related expenditure is separately identifiable;
- the project is technically feasible and commercially viable;
- current and future costs are expected to be exceeded by future sales; and
- adequate resources exist for the project to be completed.

1. Accounting policies (continued)

In such circumstances the costs are carried forward and amortised over a period not exceeding five years commencing in the year the Company starts to benefit from the expenditure.

Fixed assets

Fixed assets are stated at cost, net of depreciation and provision for impairment. The carrying values of fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

Depreciation and amortisation is provided to write off the cost, less estimated residual values, of all fixed assets, evenly over their expected useful lives. Depreciation and amortisation is calculated at the following rates:

Trademark and licences	-	20% to 50% per annum
Goodwill	-	25% per annum
Leasehold improvements	-	over term of lease
Computer and telecom equipment	-	20% to 33% per annum
Software development	-	20% to 33% per annum
Fixtures and fittings	-	25% per annum
Meters	-	10% per annum

Stocks

Stocks are valued at the lower of cost and net realisable value. Cost is based on the cost of purchase on a first in first out basis. Net realisable value is based on estimated selling price less additional costs to completion and disposal. All stock held at year end relate to metering equipment.

Taxation

Current tax, including UK Corporation tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date.

A net deferred tax asset is regarded as recoverable and therefore recognised, only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted. Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

Leased assets

Assets held under finance leases and other similar contracts, which confer rights and obligations similar to those attached to owned assets, are capitalised as tangible fixed assets and are depreciated over the shorter of the lease terms and their useful lives. The capital elements of future lease obligations are recorded as liabilities, while the interest elements are charged to the profit and loss account over the period of the leases to produce a constant rate of charge on the balance of capital repayments outstanding.

Rentals on operating leases are charged to the profit and loss account on a straight-line basis over the term of the lease.

Financial instruments

The Company uses derivative financial instruments to hedge its exposures to changes in market prices arising from energy purchases.

1. **Accounting policies (continued)**

Forward hedge contracts to purchase energy are accounted for on an accruals basis, with gains and losses recorded in the profit and loss account in the period in which the supply of power occurs and measured at cost.

Bank borrowings

Interest-bearing loans and overdrafts are recorded as the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accrual basis in profit or loss using the effective interest rate method and are added to the carrying amount of the instrument to the extent they are not settled in the period in which they arise.

2. **Turnover**

Turnover is wholly attributable to the principal activity of the Company and arises solely within the United Kingdom.

3. **Information regarding directors and employees**

	2013 £'000	2012 £'000
Directors' remuneration		
Emoluments	1,496	754

	2013 £'000	2012 £'000
Remuneration of the highest paid director		
Emoluments	394	326

The highest paid director did not exercise any share options in either the current or prior year.

	No.	No.
Average number of persons employed (including directors)		
Admin & Support	154	108
Operations	144	109
Sales	14	8
	312	225

	£'000	£'000
Staff costs during the year (including directors)		
Wages and salaries	12,278	8,840
Social security costs	1,395	1,010
	13,673	9,850

Staff costs cover services to other group companies. Included in the staff costs above is an amount of £nil (2012: £nil) relating to costs that have been capitalised as intangible assets and £2,721,741 (2012 : £1,825,426) relating to costs that have been capitalised as tangible assets.

During the period the Company offered no pension arrangements for employees.

4. Other operating income

	2013 £'000	2012 £'000
Facilities and service charge to fellow subsidiary undertaking	243	819

5. Operating profit

This is stated after charging/(crediting):

	2013 £'000	2012 £'000
Depreciation		
- owned assets	1,624	763
- held under finance leases	118	90
(Loss)/profit on disposal of fixed assets	-	(38)
Amortisation	182	107
Operating leases		
- hire of other assets	10	41
- land and buildings	379	388
Research and development		
- current year expenditure	208	98
- amortisation of deferred expenditure	104	53
Auditor's remuneration		
- fees payable to the Company's auditor for the audit of the Company's annual accounts	56	57
- fees payable to the Company's auditor for the audit of other group companies	19	5
- fees payable to the Company's auditor for non audit services	10	31

Auditor's remuneration for the parent Company of £5,500 (2010: £5,200) is borne by First Utility Limited and is included above.

6. Exceptional items

	2013 £'000
Termination of contract with Morgan Stanley	1,628
Termination of Developer acquisition channel	1,971
	3,599

During the year ended 31 December 2013 the Group terminated its trading contract with Morgan Stanley and entered in to a new agreement with Shell Energy Europe Limited. As a result of this fundamental restructure of the wholesale trading agreement a number of exceptional items were mainly related to the novation of contracts. There were further exceptional costs of £3.6m incurred in the parent company Imepllo Plc in relation to the termination of this arrangement. Please see the Group financial statements for further information. In the same financial period the Group took the decision to fully exit the developer acquisition channel which gave rise to further exceptional items including a significant increase in the provision for debt.

7. Interest payable and similar charges

	2013 £'000	2012 £'000
Bank interest	247	6
Finance leases	46	50
	293	56

8. Taxation credit/(charge) on (loss)/profit on ordinary activities

	2013 £'000	2012 £'000
Current tax		
UK corporation tax on results for the year	-	-
Deferred tax		
Origination and reversal of timing differences (note 17)	595	(302)
Effect of decrease in tax rate on opening asset	(152)	(179)
Taxation credit/(charge) on (loss)/profit on ordinary activities	443	(481)

The tax assessed for the year is higher than the standard rate of corporation tax in the UK. The differences are explained below:

	2013 £'000	2012 £'000
(Loss)/Profit on ordinary activities before tax	(3,303)	1,644
(Loss)/Profit on ordinary activities at the standard rate of corporation tax in the UK of 23.25% (2012 : 24.5%)	(768)	(403)
Effects of:		
Expenses not deductible for tax purposes	50	(21)
Depreciation in excess of capital allowances and other timing differences	(283)	70
Tax losses utilised brought forward	-	354
Tax losses carried forward recognised as deferred tax asset	1,001	-
Current tax credit for year	-	-

9. Intangible fixed assets

	Software development £'000	Trademark and licences £'000	Goodwill £'000	Total £'000
Cost				
At 1 January 2013	613	245	487	1,345
Additions	-	165	-	165
At 31 December 2013	613	410	487	1510
Amortisation				
At 1 January 2013	459	189	487	1,135
Provided for in the year	104	78	-	182
At 31 December 2013	563	267	487	1,317
Net book value				
At 31 December 2013	50	143	-	193
At 31 December 2012	154	56	-	210

10. Tangible fixed assets

	Leasehold improvements £'000	Software, computer and telecom equipment £'000	Meters £'000	Fixtures and fittings £'000	Total £'000
Cost					
At 1 January 2013	30	8,508	3,036	312	11,886
Additions	-	5,341	90	213	5,644
Disposals	-	(761)	-	-	(761)
At 31 December 2013	30	13,088	3,126	525	16,769
Depreciation					
At 1 January 2013	30	3,335	858	85	4,308
Provided for in the year	-	1,358	298	86	1,742
Disposals	-	(760)	-	-	(760)
At 31 December 2013	30	3,933	1,156	171	5,290
Net book value					
At 31 December 2013	-	9,155	1,970	354	11,479
At 31 December 2012	-	5,173	2,177	228	7,578

Included in the net book value of meters above, are assets held under finance leases with a net book value of £331,617 at 31 December 2013 (2012 : £437,016).

First Utility Limited

Notes to the financial statements
Year ended 31 December 2013

11. Stocks

Amounts falling due within one year:

	2013 £'000	2012 £'000
Finished goods and goods for resale	188	280
	188	280

There is no material difference between the balance sheet value of stocks and their replacement cost.

12. Debtors

Amounts falling due within one year:

	2013 £'000	2012 £'000
Trade debtors	2,324	6,496
Other debtors	601	887
Taxation and social security	2,639	
Prepayments and accrued income	17,391	15,985
Amounts owed by fellow subsidiary undertakings	903	1,134
Amounts owed by parent company	2,840	
Deferred tax asset (note 17)	1,611	1,135
	28,309	25,637

Amounts falling due after one year:

	2013 £'000	2012 £'000
Prepayments	715	257
Deferred tax asset (note 17)	-	34
	715	291

The Company has given a fixed and floating charge over its assets to its principal trading counterparty for amounts owed under the trading contract.

Notes to the financial statements
Year ended 31 December 2013

13. Creditors: amounts falling due within one year

	2013 £'000	2012 £'000
Obligations under finance leases	301	309
Trade creditors	1,829	4,076
Amounts owed to parent undertaking	-	430
Taxation and social security	-	332
Other creditors	-	-
Accruals	37,899	31,630
Deferred income	3,985	-
	44,014	36,777

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

	2013 £'000	2012 £'000
Obligations under finance leases	33	158

	2013 £'000	2012 £'000
Obligations under finance leases		
Within one year	300	309
Between one and two years	33	124
Between two and five years	-	33
	333	466

15. Called up share capital

	2013 £'000	2012 £'000
Authorised:		
100 (2010: 100) ordinary shares of £1 each	-	-
Called up and allotted		
2 (2010: 2) ordinary shares of £1 each	-	-

16. Profit and loss account

	2013 £'000	2012 £'000
At 1 January	10,009	8,846
Retained loss/profit for the year	(2,860)	1,163
At 31 December	7,149	10,009

17. Deferred tax asset

	2013 £'000	2012 £'000
Included in debtors falling due within one year (note 12)	1,611	1,135
Included in debtors falling due after one year (note 12)	-	34
	1,611	1,169

Movement in temporary timing differences during the year were as follows:

	2012 £'000	Credited to profit and loss account £'000	2013 £'000
Fixed asset timing differences	116	(130)	(14)
Losses	559	807	1,366
Other short term timing differences	494	(235)	259
	1,169	443	1,611

Deferred tax assets have been recognised in 2013, as the Directors anticipate suitable taxable profits will arise in the foreseeable future from which the reversal of the above timing differences can be deducted.

18. Financial commitments

As at 31 December, the Company had commitments as set out below:

	2013 £'000	2012 £'000
Contracted but not provided for		
Energy contracts	230,174	122,623
	230,174	122,623

The commitments at 31 December 2013 will be realised during the period from 1 January 2013 until the contracts expire in 2017.

19. Commitments under operating leases

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

	2013		2012	
	Land and buildings £'000	Other £'000	Land and buildings £'000	Other £'000
Operating leases which expire:				
Within one year	-	11	8	32
Between one and two years	-	6	-	16
Between two and five years	331	-	311	4
	331	17	319	52

20. Derivatives not included at fair value

The Company has derivatives which are not included at fair value in the financial statements. The difference between fair value and cost is as follows:

	2013 £'000	2012 £'000
Energy contracts	(12,739)	(6,531)

The Company uses the derivatives to hedge its exposures to changes in market prices arising from energy purchases. The fair values are based on market values at the balance sheet date.

21. Ultimate parent company

At 31 December 2013 the Company's ultimate parent Company and controlling entity was Impello PLC, a Company registered in England and Wales, which is the parent of both the smallest and largest groups of which the Company is a member. Copies of that Company's consolidated financial statements may be obtained from the registered office shown on page 1.

22. Related party transactions

In accordance with FRS 8 'Related Party disclosures', the Company is exempt from disclosing transactions with entities that are part of the group or investees of the group qualifying as related parties, as it is a wholly owned subsidiary of a parent Company who prepares consolidated financial statements which are publicly available (see note 21).

23. Cash flow statement

The Company has used the exemption under Financial Reporting Standard 1, "Cash Flow Statements", not to produce a cash flow statement as 90% or more of the voting rights are controlled within the group and the consolidated financial statements of Impello PLC are publicly available (see note 21).