DB ENERGY COMMODITIES LIMITED

Company number: 06902827

REPORT AND FINANCIAL STATEMENTS

For the year ended 31 December 2013

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COMPANIES HOUSE

DB ENERGY COMMODITIES LIMITED
Incorporated in England & Wales
Registered No: 06902827

Registered Office: Winchester House, 1 Great Winchester Street, London, EC2N 2DB

DIRECTORS as at 31 December 2013

Stephen Cook
Evan Richards
Sridev Ramaswamy
Ian Patterson
Richard McCarthy

SECRETARY:

Adam Rutherford

AUDITOR:

KPMG LLP

Objectives

The Company's primary objective is to enable the Deutsche Bank (DB) Group to conduct trading activities in Power, Natural gas, Base Metals and Emissions.

The Company was established to obtain physical trading licences in Spain and Eastern Europe as part of the commodities business of Deutsche Bank AG, London Branch. The products traded by the Company include financial and physical power swaps, forwards, futures and transmission contracts traded as over the counter bilateral contracts or exchange cleared contracts. The product range does not include option trading. Positions held by the Company include physical inventory of both Base Metals and Emissions certificates.

Risks and Uncertainties

The Company is a wholly owned subsidiary of Deutsche Bank A.G.

The Directors are responsible for the overall management of the risks faced by the Company. These risks are reviewed and managed by the Directors on a quarterly basis during the Board Risk Committee meetings. The key risks faced by the Company are operational, credit and market risk.

Credit and Market Risk

The Company holds the commodity risks for Base Metals and Emissions and credit risk is held by Deutsche Bank AG, London Branch. Power and Natural gas commodities risk is held by Deutsche Bank AG, London Branch and the credit risk by the Company.

Operational Risk

The approach to Operational Risk follows the Group Operational Risk framework which covers all entities in the DB Group. Risks are monitored and reviewed on a regular basis by the Board Risk committee and the individual business risk committees.

Current Period Performance

EUR '000	Year Ended Dec 2013	Year Ended Dec 2012
Profit / (Loss) after tax	-3,789	17,431
Balance Sheet Assets	4,589,292	4,932,247

The Company made a loss in financial year 2013, the reduction of €21m compared to the prior year is pimarilarly driven by a decrease in net *trading income, offset by a reduction in the Company's net funding cost due to a decrease in trading activities.*

The Balance sheet decrease of €344m is mainly due to the unwinding of the Base Metals business.

In terms of business performance:
- Emissions and energy revenue reduced year-on-year due to reduced activities with the long term view to exit; and
- Base Metals revenue for the Company has decreased in Europe due to increase competition, however this is offset by increase revenue in Asia which is reported in the Company for the first period.
- During 2013 Base Metals financing transaction for which the FVO election was applied have been migrated into the Company. As at the date of this report, these positions have been settled.

Financing is sourced solely from Deutsche Bank AG, London Branch.

Key Performance Indicators (KPIs)

The Directors use Profit before Tax as the KPI of the Company.

Future Outlook

Deutsche Bank announced a change in its Commodities product offerings in December 2013. The commodities businesses that will continue are Precious Metals and Correlation and Index Trading. The impact for DB Energy Commodities Limited is the closure of Base Metals, Emissions and Energy Trading activities. However there are existing transactions within the business that will continue to be wound down over the upcoming period, this includes certain transactions within the DB Group.

DBEC has closed its Base Metals Financing position post year end and has not incurred trading losses. The company plans to complete the wind-down of Emissions and European Gas and Power by second quarter of 2015.

By order of the Board of Directors this 8th day of September 2014

A Rutherford
Secretary

Registered office
Winchester House
1 Great Winchester Street
London
EC2N 2DB
Company number: 06902827

Change in structure of the Directors' Report

As prescribed in the 2013 Amendment to the Companies Act, the Company is required to prepare both a Directors' Report and a Strategic Report for the year ended 31st December 2013. The following sections which were previously part of the Directors' Report are now covered in the Strategic Report:

- Activities and Review of Business
- Risks and Uncertainties
- Results
- Future Outlook

Directors

The Directors of the Company who held office during the year and subsequent to the year ended 31 December 2013 were as follows:

Caroline Nicholls (Resigned 8th February 2013)
Stephen Cook
Evan Richards (Resigned 10th July 2014)
Sridev Ramaswamy (Appointed 8th February 2013)
Ian Patterson (Appointed 8th February 2013)
Richard McCarthy (Appointed 8th February 2013)

The board has approved the appointment of the directors set out below. Appointment will not be effective until their consent is received post training.

Frank Kuhnke
Mark Sheridan

There have been no further changes during the year or subsequent to the year end.
Adam Rutherford continued as Secretary of the company during the year.

Political or charitable contributions

No political or charitable contributions were made during the financial year ending 31 December 2013 (2012: €nil).

Dividend

The Directors recommend that no dividend is paid for the year ended 31 December 2013. No dividend was paid or proposed for the previous year 2012.

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

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 estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006.

They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

DISCLOSURE OF INFORMATION TO AUDITORS

The Directors who held office at the date of approval of this Directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware; and each Director has taken all steps that they ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

AUDITORS

KPMG Audit Plc notified the Company on 12th March 2014 that they ceased to act as auditor of the Company due to the instigation of the orderly wind-down of its the business. KPMG LLP was appointed as auditor of the Company on cessation of KPMG Audit Plc acting as auditor.

Pursant to Section 487 of the Companies Act 2006 the auditors will be deemed to be appointed and KPMG LLP will therefore continue in office.

By order of the Board of Directors this 8th day of September 2014

A Rutherford
Secretary

Registered office

Winchester House
1 Great Winchester Street
London
EC2N 2DB

Company number: 06902827

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DB ENERGY COMMODITIES LIMITED

We have audited the financial statements of DB Energy Commodities Limited (the Company) for the year ended 31 December 2013 set out on pages 8 to 16. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK 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 auditors' 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 auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 4, 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 to 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 (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's web-site at www.frc.org.uk/auditscopeukprivate.

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 loss for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act of 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.

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.

Mike Heath

Mike Heath (Senior Statutory Auditor)
For and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London E14 5GL
Dated: 9 September 2014

PROFIT AND LOSS ACCOUNT

For the year ended 31 December 2013

	Note	2013 € 000's	2012 € 000's
Net Trading Income	4	42,091	85,269
Interest Income		7,376	8,134
Interest Expense		(5,804)	(26,200)
Net Interest Income (Expense)		1,572	(18,066)
Other Expenses	5	(48,600)	(43,683)
PROFIT / (LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION		(4,937)	23,520
Tax (charge) / credit on ordinary activities	6	1,148	(6,089)
PROFIT / (LOSS) FOR THE FINANCIAL YEAR AFTER TAXATION		(3,789)	17,431

The loss for the year has arisen from continuing activities.

The notes on pages 11 to 16 form part of these accounts.

BALANCE SHEET

As at 31 December 2013

	Note	2013 € 000's	2012 € 000's
CURRENT ASSETS			
Inventory	7	664,796	2,942,393
Debtors	8	3,185,626	1,936,141
Cash at bank		738,870	53,714
		4,589,292	4,932,247
CREDITORS: amounts falling due within one year			
Creditors	9	(4,537,887)	(4,877,380)
		(4,537,887)	(4,877,380)
NET CURRENT ASSETS AND NET ASSETS		51,405	54,867
Called up share capital	10	46,500	46,500
Profit and loss account		4,905	8,367
SHAREHOLDER'S FUNDS		51,405	54,867

The notes on pages 11 to 16 form part of these accounts.

These financial statements were approved by the Board of Directors on 8th September 2014

Signed by STEPHEN COOK
for and on behalf of the Board of Directors

Company number: 06902827

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS
For the year ended 31 December 2013

	Profit & Loss Account	Ordinary Share Capital	Total
	€	€	€
Balance at 1 January 2013	8,694	46,500	55,194
Loss for the year	(3,789)	-	(3,789)
Balance at 31 December 2013	4,905	46,500	51,405

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS
For the year ended 31 December 2012

	Profit & Loss Account	Ordinary Share Capital	Total
	€	€	€
Balance at 1 January 2012	(9,064)	46,500	37,436
Profit for the year	17,431	-	17,431
Prior Year correction	327		
Balance at 31 December 2012	8,694	46,500	54,867

The notes on pages 11 to 16 form part of these accounts.

1 ACCOUNTING POLICIES

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements, except as noted below.

The Company is exempt from the application of FRS 29 'Financial Instruments: Disclosures' as it is a subsidiary undertaking which is 100% owned within the DB Group. The consolidated financial statements for Deutsche Bank AG which comply with IFRS 7 (the equivalent of FRS 29) are publicly available.

Basis of preparation

These financial statements have been prepared in accordance with the Companies Act 2006, UK applicable accounting standards and applicable Statements of Recommended Practice. The particular accounting policies are described below.

As a wholly-owned subsidiary of DB UK Holdings Limited, the Company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with entities which form part of the group or investees of the group qualifying as related parties.

(a) CONVENTION

These financial statements are prepared in accordance with the historical cost convention, modified to incorporate the revaluation of financial assets and financial liabilities held at fair value through the profit and loss and all derivative contracts which are held at fair value, as detailed below.

(b) FINANCIAL INSTRUMENTS

The Company classifies its financial assets and liabilities into the following categories:

(i) Financial assets and financial liabilities at fair value through profit and loss.

Financial assets and financial liabilities are classified at fair value through profit and loss if held for trading or otherwise designated by the Company upon initial recognition.

A financial asset or financial liability is classified as held for trading if it is acquired principally for the purpose of selling or repurchasing in the short term, or is part of a portfolio of financial instruments that are managed together for short term profit taking, or is a derivative.

Certain financial instruments are also classified as held at fair value through profit and loss where such classification eliminates or significantly reduces a measurement inconsistency, or where such instruments are managed and performance is evaluated on a fair value basis.

(ii) Loans and receivables

Loans and receivables consists of non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than those the Company intends to sell immediately or in the short term and are not classified as fair value through profit and loss or as available for sale.

Loans and receivables are initially recognised at fair value, including any directly attributable transaction costs less fees received and subsequently measured at amortised cost using the effective interest method, less any impairment charges.

(c) PHYSICAL INVENTORY

Physical Inventory balances such as LME Grade Metals (Copper, Nickel, Tin etc) and Carbon Emission Reduction Certificates are stored in Bonded Warehouses and Inventories are valued at quoted market prices and all changes in the fair value are recognised in the profit and loss account within trading income and trading expense.

The Directors decided that, from 1 December 2011, the Inventory of the Company, which comprises of Base Metals and Emission Certificates held within current assets, should be stated at market value and that any profits and losses arising from this revaluation from cost be taken to the profit and loss account. This is not in accordance with Schedule 1 to the Companies Act 2006 The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (SI 2008 No. 410) which requires when physical inventory carried at fair value that the resulting revaluation differences so arising be taken to a revaluation reserve.

The Directors consider that the requirements under Schedule 1 to the Companies Act 2006 The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (SI 2008 No. 410) to record any revaluation differences so arising within revaluation reserve would fail to give a true and fair view of the profit for the year for the reasons set out below.

(c) PHYSICAL INVENTORY (Continued)

In the view of the Directors, the inventory held by the Company serves primarily as an economic hedge for the derivative contracts entered into by the Company with the inventory forming part of the trading strategy of the Company, therefore in the view of the Directors, it is more appropriate to record any changes in valuation of the inventory through profit and loss rather than through revaluation reserve. As the movements of the fair value of the derivative contracts are recorded through profit and loss, the Directors consider that in order to give a true and fair view, the movements in the fair value of the inventory, that forms part of the trading strategy, should also be reflected in the profit and loss.

The effect of these departures on the financial statements is not possible to quantify as the transaction by transaction analysis required is not readily available.

(d) DERIVATIVE CONTRACTS

Derivative contracts including physical power swaps, forward and futures contracts, held for the purpose of trading, are valued at quoted market prices and all changes in the fair value are recognised in the profit and loss account within trading income and trading expense.

(e) TAXATION

The charge for taxation is based on profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS19.

(f) CASH FLOW STATEMENT

The Company is exempt from the requirement to prepare a cash flow statement under Financial Reporting Standard 1 (Revised 1996) as it is a wholly owned subsidiary undertaking of a company which prepares consolidated financial statements which are publicly available.

(g) FUNCTIONAL CURRENCY

These Financial Statements have been prepared in EUR as this is the functional currency. As the currency of the primary economic environment in which Deutsche Bank AG, London operates is EUR and the Company's activities are carried out primarily as an extension of Deutsche Bank AG, London Branch's activities the local currency of the Company is EUR.

(h) FOREIGN EXCHANGE

Transactions in foreign currencies are translated into EUR at rates of exchange at the transaction date. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the rates ruling at that date. These translation differences are dealt with in the profit and loss account.

(i) GOING CONCERN

The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

(j) RENT

Warehouse costs are accounted for on an accrual basis.

2 DIRECTORS' REMUNERATION

	2013	2012
	€ 000's	€ 000's
Director Emoluments	339	628
Amounts Receivable under long term schemes	1,390	241
Total	1,729	869
Company contributions to defined benefit pension schemes	-	-
Company contributions to money purchase pension schemes	20	11
Compensation for loss of office	-	-
	20	11

During the year, 1 director received shares or payments under long term incentive schemes totalling €1,389,875.
(2012: 1 director received shares or payments under long term incentive schemes totaling €241,222).

The aggregate of emoluments and amounts receivable under long term incentives schemes of the highest paid director was €1,729,026 and the pension contributions of €20,033.

(2012: The aggregate of emoluments and amounts receivable under long term incentive schemes of the highest paid director was €869,308 and the pension contributions of €11,045)

	Number of Directors	
	2013	2012
Retirement benefits are accruing to the following number of Directors under:		
Money Purchase Schemes	1	1
Defined Benefit Schemes	-	-

No Directors exercised any share options under long term incentive schemes.

3 ADMINISTRATIVE EXPENSES

The Company has no full time employees. The staff involved in the Company's operations are all employees of the Deutsche Bank Group. The total staff costs have been borne by a Deutsche Bank Group company without recharge, no staff costs have therefore been included in these financial statements. Other exchange related expenses are borne by Deutsche Bank AG London Branch.

	2013	2012
	€ 000's	€ 000's
Auditor's remuneration:		
Audit of these financial statements	61	62
Audit of prior year financial statements		47
	61	109

Auditors' remuneration for services to the Company has been borne by another Group undertaking. The 2012 auditors' remuneration for statutory audit services relate solely to amounts paid to KPMG Audit Plc. The 2013 amounts relate solely to amounts paid to KPMG LLP

NOTES TO THE ACCOUNTS
For the year ended 31 December 2013

4 NET TRADING INCOME	2013 € 000's	2012 € 000's
Base Metals Trading	31,050	50,725
Environmental Finance Trading	11,116	34,544
Power and Gas Trading	(75)	-
	42,091	85,269

Income is generated in Europe and Asia.

5 OTHER EXPENSES	2013 € 000's	2012 € 000's
Central DB Treasury Charge	(10,181)	(9,630)
Other Expenses to Group Undertakings	(38,419)	(34,053)
	(48,600)	(43,683)

6 TAXATION	2013 € 000's	2012 € 000's
(a) Analysis of tax on loss on ordinary activities		
Current taxation	1,148	(6,089)
Corporation tax charge for the year		

	2013 €	2012 €
(b) Current tax reconciliation		
Profit/(Loss) on ordinary activities	(4,937)	23,520
Tax on profit/(loss) on ordinary activities at standard rate 23.25%	1,148	(5,762)
Adjustment in respect of prior years		(327)
Total current tax charge	1,148	(6,089)

Reductions in the UK corporation tax rate from 26% to 24% (effective from 1st April 2012) and to 23% (effective from 1st April 2013) were substantially enacted on the 26th March 2013 and the 3rd July 2012 respectively. Further reduction to 21% (effective from 1st April 2014) and 20% (effective from 1st April 2015) were substantially enacted on 2nd July 2013. This will reduce the company's future current tax charge accordingly.

7 Physical Inventory : Breakdown of Inventory by Business	2013	2012
	€ 000's	€ 000's
Base Metals	417,738	2,885,154
Environmental Finance Certificates	247,058	57,238
	664,796	2,942,392

8 DEBTORS	2013	2012
	€ 000's	€ 000's
FVO Loans with Group Undertakings	1,716,728	-
Tax receivable	1,148	3,586
Other Debtors:		
Amounts held in margin accounts	38,522	75,303
Rent Prepayments	5,404	37,135
Other	9,062	16,250
Derivative Trading:		
Base Metals with Group Undertakings	203,641	182,809
Environmental Finance Certificates with Group Undertakings	449,988	805,249
EU Power & Gas with Group Undertakings	485,491	415,894
EU Power & Gas with External Parties	275,642	399,915
	3,185,626	1,936,141

9 CREDITORS	2013	2012
	€ 000's	€ 000's
Amounts owed to Deutsche Bank AG, London Branch	2,822,133	3,330,013
Group relief payable	-	6,089
Other Creditors:		
Rent Accrual	352	2,111
Other	21,821	67,191
Derivative Trading:		
Base Metals with Group Undertakings	239,484	179,185
Environmental Finance Certificates with Group Undertakings	693,089	476,983
EU Power & Gas with Group Undertakings	271,735	415,893
EU Power & Gas with External Parties	489,273	399,915
	4,537,887	4,877,380

10 SHARE CAPITAL

	2013 £ 000's	2012 £ 000's
Authorised:		
Ordinary shares of £1 each	39,934	39,934
Allotted, called up and fully paid:		
Ordinary shares of £1 each	39,934	39,934

	2013 € 000's	2012 € 000's
Authorised:		
Ordinary shares of £1 each	46,500	46,500
Allotted, called up and fully paid: Ordinary shares of £1 each	46,500	46,500

On incorporation, the Company authorised and issued 1 fully paid up share at par to DB UK Holdings Limited.
On 29th November 2011, the Company authorised and issued an additional 39,933,688 fully paid up share at par to DB UK Holdings Limited.

11 ULTIMATE PARENT COMPANY AND OTHER PARENT UNDERTAKINGS

DB UK Holdings Limited, a company incorporated in the UK, is the Company's immediate controlling entity.

Deutsche Bank AG, a joint stock corporation with limited liability incorporated in the Federal Republic of Germany, is the Company's ultimate controlling entity, also being the ultimate parent company and the parent undertaking of the largest and smallest group for which group financial statements are drawn up.

Copies of the group financial statements prepared in respect of Deutsche Bank AG may be obtained from the Company Secretary, Deutsche Bank AG, London branch, Winchester House, 1 Great Winchester Street, London EC2N 2DB.

12 RELATED PARTY TRANSACTIONS

As permitted by FRS 8, no disclosure is made on transactions or balances with members of the Deutsche Bank AG group.

13 POST BALANCE SHEET EVENTS

Deutsche Bank announced a change in its Commodities product offerings in December 2013. The commodities businesses that will continue are Precious Metals and Correlation and Index Trading. The impact for DB Energy Commodities Limited is the closure of Base Metals, Emissions and Energy Trading activities. However there are existing transaction within the business that will continue to wound down over the upcoming period, this includes certain transaction within the DB group.

DBEC has closed its Base Metals Financing position post year end and has not incurred trading losses. The company plans to complete the wind-down of Emissions and European Gas and Power by second quarter of 2015.