Derwent Cogeneration Limited

Directors' report and financial statements
Registered number 02650621
31 March 2014

Contents

Company information

Directors	IR Morgan D Leich JA Downes P Shanley R Okaniwa		
Alternate directors	M Sugizaka PH Dobson A Poulsom	(alternate to R Okaniwa) (alternate to IR Morgan & JA Downes) (alternate to P Shanley)	
Secretary	J Reid S Fairbairn	(Resigned 3 March 2015) (Appointed 3 March 2015)	
Registered office	1 Holme Lane Spondon Derby RG1 8BU		55 Vastern Road (As of 3 March 2015) Reading Berkshire DE21 7EP
Registered number	02650621		
Auditors	KPMG LLP St Nicholas House Park Row Nottingham NG1 6FQ		
Bankers	Lloyds TSB Plc		
Solicitors	Clifford Chance LLP		

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 March 2014.

Principal activities

The company's principal activity was to generate electricity and steam for sale, using a purpose built 214MW gas fired power station in Derby. Operations at the plant ceased on 31st December 2012.

Results and dividends

The power station became fully operational in 1995. The company was involved in decommissioning and marketing the plant. and has made a profit for the year of £0.1 million *(2013: loss of £8.5 million)*.

A dividend of £400 per ordinary share was paid during the year *(2013: £600)*. The directors have proposed no dividend in respect of the current financial year *(2013: £400 per ordinary share)*.

Directors

The directors who held office during the year were as follows:

IR Morgan	
D Leich	
JA Downes	
P Shanley	
H Koga	(Resigned 4 July 2014)
R Okaniwa	(Appointed 4 July 2014)

Alternate directors

PH Dobson	(alternate to IR Morgan and JA Downes)
AS Poulsom	(alternate to P Shanley)
M Sugazagi	(alternate to R Okaniwa)

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 the 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

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

By order of the board

I. R. Morgan.

I Morgan
Director

Dated: 16 March 2015

Strategic report

Business review and future prospects

Following the successful completions of all contracts at 31st December 2012 the directors commenced a controlled wind down of the company. A number of discussions have taken place with potential acquirors of the equipment and options are currently being considered for the future of the plant following closure. An assessment of the company's ability to pay future liabilities has been undertaken and the Directors are satisfied that they can be satisfied as they fall due.

Throughout the year the Company has maintained rigorous Environmental, Health and Safety standards and will continue to do so during the wind down process.

By order of the board

I R. Morgan.

I Morgan
Director

Dated: 16 March 2015

Statement of directors' responsibilities in respect of the directors' report, the strategic report and the financial statements

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

Company law requires the directors to prepare financial statements for each financial period. 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. As explained in note 1, the directors do not believe it is appropriate to prepare these financial statements on a going concern basis.

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.

Report of the independent auditors to the members of Derwent Cogeneration Limited

We have audited the financial statements of Derwent Cogeneration Limited for the year ended 31 March 2014 set out on pages 6 to 16. The financial statements have not been prepared on a going concern basis for the reasons set out in note 1 to the financial statements. 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 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 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 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

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 March 2014 and of its profit 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 matter prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

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

- 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.

Philip Charles *(Senior Statutory Auditor)*

for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
St Nicholas House
Park Row
Nottingham NG1 6FQ

Dated: 16 March 2015

Profit and loss account
for the year ended 31 March 2014

		Note	2014 £000	2014 £000	2013 £000	2013 £000
Turnover		2		-		32,471
Cost of sales				-		(31,762)
Gross profit				-		709
Other income		3		-		1,495
Administrative income/(expenses)	- other		67		(4,114)	
	- exceptional costs	5	-		(9,708)	
Total administrative income/(expenses)				67		(13,822)
Operating profit/(loss)				67		(11,618)
Finance income (net)		4		26		71
Profit/(loss) on ordinary activities before taxation		5		93		(11,547)
Tax on profit/(loss) on ordinary activities		8		(21)		3,085
Profit/(loss) on ordinary activities after taxation		16		72		(8,462)

There were no recognised gains or losses in either the current or preceding year other than those disclosed in the profit and loss account, and therefore no separate statement of total recognised gains and losses has been presented.

There is no material difference between the result reported in the profit and loss account and the result on an unmodified historical cost basis.

Balance sheet
as at 31 March 2014

	Note	2014 £000	2014 £000	2013 £000	2013 £000
Current assets					
Tangible fixed assets	*10*	-		-	
Stocks	*11*	-		-	
Debtors	*12*	**1,854**		3,796	
Cash at bank and in hand		**2,846**		3,987	
		4,700		7,783	
Creditors: amounts falling due within one year	*13*	**(2,408)**		(3,563)	
Net current assets			**2,292**		4,220
Total assets less current liabilities			**2,292**		4,220
Net assets			**2,292**		4,220
Capital and reserves					
Called up equity share capital	*15*		**5**		5
Profit and loss account	*16*		**2,287**		4,215
Equity shareholders' funds	*17*		**2,292**		4,220

These financial statements were approved by the board of directors on 16 March 2015 and were signed on their behalf by:

I. L. Morgan

I Morgan
Director

Company registered number : 02650621

Cash flow statement
for the year ended 31 March 2014

	Note	2014 £000	2013 £000
Net cash inflow/(outflow)from operating activities	*18*	**833**	(4,013)
Net cash inflow from returns on investments and servicing of finance	*19*	**26**	71
Taxation		**-**	(117)
Capital expenditure and financial investment	*19*	**-**	(2)
Net cash inflow/(outflow) before management of liquid resources and financing		**859**	(4,061)
Equity dividends paid	*9*	**(2,000)**	(3,000)
Decrease in cash in the year	*20*	**(1,141)**	(7,061)

Reconciliation of net cash flow to movement in net funds
for the year ended 31 March 2014

	Note	2014 £000	2013 £000
Decrease in cash in the year		**(1,141)**	(7,061)
Movement in net funds in the year		**(1,141)**	(7,061)
Net funds at 1 April	*20*	**3,987**	11,048
Net funds at 31 March	*20*	**2,846**	3,987

Notes
(forming part of the financial statements)

1 Accounting policies

The financial statements are prepared in accordance with applicable UK law and accounting standards. A summary of the principal accounting policies, all of which have been applied consistently throughout the year and the preceding year, are described below. The financial statements have been prepared under the historical cost convention.

Basis of preparation

Break up basis

The company's contracts for the sale of both electricity and steam expired in December 2012 and the directors commenced a controlled wind down of the company. The Directors have considered a number of options for the future of the plant and the Directors are considering disposal of the plant assets to various third parties. The Directors have prepared forecasts for a period of at least twelve months following the date of approval of these financial statements which show that the company has sufficient resources to settle its liabilities as they fall due. However, following the cessation of production in December 2012 the directors have not prepared the financial statements on a going concern basis.

Under the break up basis the assets are carried at their estimated net realisable value and additional liabilities arising on cessation of the business are recognised in the financial statements. Assets and liabilities have all been classified as current.

Fixed assets

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment. A review for impairment of a fixed asset is carried out if events or changes in circumstances indicate that the carrying amount of the fixed asset may not be recoverable. To the extent that the carrying amount exceeds the recoverable amount the fixed asset is written down. The impairment loss is recognised in the profit and loss account.

Taxation

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

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, 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 substantially enacted by the balance sheet date.

Turnover

Turnover comprised the value of sales, excluding trade discounts, VAT and other sales related taxes, of steam and electricity provided in the normal course of business

Stocks

Stocks are stated at the lower of cost and net realisable value

Notes *(continued)*

1 Accounting policies *(continued)*

Leases

Rentals under operating leases are charged on a straight line basis over the lease term

Pensions

The company operated a defined contribution scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period

Carbon allowances

The company has been allocated free carbon emission allowances under the EU Emissions Trading Scheme, and is further obliged to provide carbon emission certificates in relation to all carbon emissions from the operation of the power station. To the extent the free allowances are used to offset the obligations arising, no charge is made to the profit and loss account. However, the company provides for any shortfall between the obligation arising and free allowances granted as carbon is emitted, based on the estimated cost of purchase of such allowances. The company recognises carbon allowances granted in the period at nominal value (£nil value). Any allowances purchased are recorded at cost.

Dividends on shares presented within shareholders' funds

Dividends unpaid at the balance sheet date are only recognised as a liability at that date to the extent that they are appropriately authorised and are no longer at the discretion of the company. Unpaid dividends that do not meet these criteria are disclosed in the notes to the financial statements

2 Analysis of turnover

Contributions to turnover and gross profit arose wholly within the United Kingdom. In the opinion of the directors all turnover was derived from the company's principal business. Turnover can be analysed as follows:

	2014	2013
	£000	£000
Electricity	-	13,952
Steam	-	16,543
Ancilliary services	-	1,976
	-	32,471

3 Other income

	2014	2013
	£000	£000
Carbon credit income	-	1,495
	-	1,495

Notes *(continued)*

4 Finance income (net)

	2014	2013
	£000	£000
Interest receivable and similar income:		
Other interest receivable and similar income	26	71

5 Profit/(loss) on ordinary activities before taxation

	2014	2013
	£000	£000
Loss on ordinary activities before taxation is stated after charging:		
Exceptional costs	-	9,708
Maintenance expenditure	-	255
Operating lease rentals - plant and machinery	-	8
- other	1	16
Auditors' remuneration		
- audit of these financial statements	15	29

The exceptional costs in the prior year relate to the impairment of the remaining net book value of plant and machinery and spares parts to their estimated net resale value (see note 10 and 11).

6 Staff costs

	2014	2013
	£000	£000
Wages and salaries	83	1,424
Social security costs	5	170
Other pension costs (note 23)	9	101
	97	1,695

	Number	Number
The monthly average number of employees during the year was as follows:		
Production staff	-	19
Administration, research, sales and marketing	1	6
	1	25

7 Directors' emoluments

No emoluments were paid to the directors in the current year *(2013: £nil)*.

Notes *(continued)*

8 Tax on profit/(loss) on ordinary activities

	2014 £000	2013 £000
Current tax		
UK corporation tax charge/(credit)	**21**	(1,651)
Adjustments in respect of prior years	**1,631**	(1,132)
Total current tax	**1,652**	(2,783)
Deferred tax (note 14)	**(1,631)**	(302)
Tax on profit/(loss) on ordinary activities	**21**	(3,085)

Factors affecting current tax charge/(credit)

The tax assessed on loss on ordinary activities for the year is higher *(2013: higher)* than the standard rate of corporation tax of 23% *(2013: 24%)*. The differences are reconciled below:

	2014 £000	2013 £000
Profit/(loss) on ordinary activities before taxation	**93**	(11,547)
Tax on profit/(loss) on ordinary activities at the standard rate of 23% *(2013: 24%)*	**21**	(2,771)
Effect of:		
Excess depreciation over accelerated capital allowances	**-**	1,308
Difference in terminal loss relief and current tax rate	**-**	(188)
Adjustments in respect of prior years	**1,631**	(1,132)
Current tax charge/(credit)	**1,652**	(2,783)

9 Dividends paid and proposed

	2014 £000	2013 £000
Dividends paid	**2,000**	3,000

There were no dividends proposed and not paid at the year end *(2013: £nil)*.

Notes *(continued)*

10 Tangible fixed assets

	Buildings £000	Auxiliary boiler £000	Generating plant £000	Motor vehicles £000	Fixtures and fittings £000	Total £000
Cost:						
At 1 April 2013	1,150	1,735	136,310	30	755	139,980
At 31 March 2014	1,150	1,735	136,310	30	755	139,980
Accumulated depreciation:						
At 1 April 2013	1,150	1,735	136,310	30	755	139,980
At 31 March 2014	1,150	1,735	136,310	30	755	139,980
Net book value:						
At 31 March 2014	-	-	-	-	-	-
At 31 March 2013	-	-	-	-	-	-

Cost includes interest capitalised during the original building of the site of £14,678,567 *(2013: £14,678,567)*.

The company's contracts to supply steam and electricity expired in December 2012. The directors have estimated net realisable value of the company's fixed assets and as a result have recorded an impairment charge in the year of £nil *(2013: impairment of £7,483,000)*.

11 Stocks

	2014 £000	2013 £000
Spare parts	-	-
	-	-

Spare part stock at the year end is stated net of a realisable value provision of £2,225,000 *(2013: £2,225,000)* which is included within exceptional costs.

12 Debtors

	2014 £000	2013 £000
Corporation tax	-	1,651
Other debtors	**223**	2,145
Deferred tax (note 14)	**1,631**	-
	1,854	3,796

Notes *(continued)*

13 Creditors: amounts falling due within one year

	2014 £000	2013 £000
Trade creditors	-	14
Amounts due to shareholders (note 22)	-	149
Accruals and deferred income	**2,408**	3,400
	2,408	3,563

14 Deferred taxation

	2014 £000	2013 £000
Deferred taxation	-	-
The deferred tax asset comprises:		
Estimated final corporation tax asset for terminal losses	**1,631**	-
	1,631	-

There is no unprovided tax in either year. The movement in the deferred tax provision is as follows:

	2014 £000	2013 £000
As at 1 April	-	302
Credited to profit and loss (note 8)		
- Effect of business cessation	-	(302)
- Adjustment in respect of prior years	**1,631**	-
As at 31 March	**1,631**	-

15 Called up share capital

	2014 £000	2013 £000
Called up, allotted and fully paid:		
5,000 ordinary shares of £1 each	**5**	5

Notes *(continued)*

16 Profit and loss account

	2014 £000	2013 £000
As at 1 April	**4,215**	15,677
Profit/(loss) for the financial year	**72**	(8,462)
Dividends paid	**(2,000)**	(3,000)
As at 31 March	**2,287**	4,215

17 Reconciliation of movements in equity shareholders' funds

	2014 £000	2013 £000
Profit/(loss) for the financial year	**72**	(8,462)
Dividend paid	**(2,000)**	(3,000)
Net movement in equity shareholders' funds	**(1,928)**	(11,462)
Opening equity shareholders' funds	**4,220**	15,682
Closing equity shareholders' funds	**2,292**	4,220

18 Reconciliation of operating profit/(loss) to cash flow from operating activities

	2014 £000	2013 £000
Operating profit/(loss)	**67**	(11,618)
Impairment/depreciation	**-**	9,708
Decrease in debtors	**1,921**	3,459
Decrease in creditors	**(1,155)**	(5,562)
	833	(4,013)

19 Analysis of headings netted in the cash flow statement

	2014 £000	2013 £000
Returns on investments and servicing of finance:		
Interest received	**26**	71
Net cash flow from returns on investments and servicing of finance	**26**	71
Capital expenditure and financial investment:		
Payments to acquire tangible fixed assets	**-**	(2)
Net cash flow from capital expenditure and financial investment	**-**	(2)

Notes *(continued)*

20 Analysis of net funds

	Opening balance £000	Cash flow £000	**Closing balance £000**
Cash	3,987	(1,141)	**2,846**
Net funds	3,987	(1,141)	**2,846**

21 Financial commitments

	Land and buildings 2014 £000	**Other 2014 £000**	Land and buildings 2013 £000	Other 2013 £000
Annual commitments under non-cancellable operating leases are as follows:				
Within one year	-	-	-	-
In the second to fifth years inclusive	-	-	-	-
More than five years	**30**	-	30	-
	30	-	30	-

22 Related party transactions

The company has three shareholders: SSE Generation Limited (49.5%); IPM Energy Company Limited (33%); and Acordis Beheer BV (17.5%). The company conducts business transactions on a normal basis with, and receives a number of services from, shareholder companies or members of their groups. The costs of such services are charged to the company.

The following transactions have occurred with related parties:

(a) Electricity

The company used to generate electricity which was purchased by Scottish and Southern Energy plc ('SSE'), a parent company of one of the shareholders. The company had a contract with the SSE group which set out the terms under which the company receives payments from SSE in respect of electricity supply. During the year the total sales to the SSE group amounted to £nil *(2013: £13,871,000)*. Amounts due from the SSE group at the year end were £nil *(2013: £nil)* and within other debtors is an amount of £nil *(2013:£1,662,000)* previously held in an Escrow account which the SSE group had unrestricted access to settle any liabilities incurred on behalf of the company.

(b) Gas

During the year, gas was purchased from SSE. The company purchased gas in the year amounting to £235,000 *(2013: £31,084,000)*. Amounts due to SSE for gas purchases at the end of the year were £nil *(2013: £149,000)*.

(c) Lease payments

Leasing charges on land are payable to Acordis Beheer. Total amounts payable to Acordis Beheer during the year were £30,984 *(2013: £29,169)* and amounts outstanding at year end were £nil *(2013 : £nil)*.

23 Pensions

The company operates a defined contribution scheme for the benefit of employees. The assets of the scheme are held separately from those of the company in independently administered funds.

The pension cost for the year was £9,054 *(2013: £101,000)* and £nil (*2013: £nil)* was outstanding at the balance sheet date.