Rugeley Power Limited
Company Number: 04212554

Annual Report and Financial Statements
For the year ended 31 December 2016

Directors

Mr D Alcock
Mr W Broos
Mr S Pinnell
Mr R Okaniwa

Secretary

Ms S.J. Gregory

Auditor

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

Bankers

Barclays Bank PLC
1 Churchill Place
London
E14 5HP

Registered Office

Level 20
25 Canada Square
London
E14 5LQ

Strategic report

The Directors present their Strategic report for the Company for the year ended 31 December 2016.

Principal activity

The Company owns a coal fired power station located in Rugeley, Staffordshire. It was commissioned in 1970 and has a total capacity of 1,050 MW, which includes two 25 MW open cycle gas-oil fuelled turbines.

Since the closure of the station in June 2016 the principal activity of the company is the decommissioning and possible demolition of the power plant.

Business review

Following a plant failure and lack of a capacity contract an announcement was made in February 2016 that Rugeley Power Station would cease operation in June 2016. During June a Project team was formed to guide Rugeley through its decommissioning and demolition phases. There were no financial KPI's set during this period.

Between April and November 2016 over 100 employees were made redundant leaving a remaining staff of 27 by October 2016. Work on decommissioning the plant progressed well throughout the year and was largely completed by the end March 2017 with demolition expected to commence September 2017.

In October 2016 invitations to tender were sent out to several demolition specialists at the end of March 2017 with the intention to appoint in July 2017, with works commencing in September 2017. In parallel to the demolition planning the Company has been reviewing options for the future development of the site including remediation work and planning requirements. The Company has also commissioned a series of environmental and engineering studies. These studies will give a better understanding of the state of the land across the wider site including the legacy effects of both the recent power generation and previous users.

Results and dividends

The results of the Company are as follows:

	31 December 2016 £'000	31 December 2015 £'000
Profit/(loss) for the financial year	£(70,025)	£7,146

The results of the Company are set out in the Profit and loss account on page 11 and show a loss on ordinary activities before taxation of £77,569,000 (2015: profit of £11,911,000) and a loss after taxation of £70,025,000 (2015: profit of £7,146,000).

The net assets of the Company at the end of 2016 were £16,957,000 (2015: net assets of £86,971,000). The year on year movement on net assets was due to the loss for the year.

The Directors do not recommend the payment of a dividend for the year (2015: nil).

Financial risk management policies and objectives

The principal risks and uncertainties facing the Company are broadly grouped as follows:

Going concern risk

As a result of the cessation of generation on 8th June 2016 these accounts have been prepared on the basis that the company is no longer a going concern. The directors' current intention is to first decommission the power plant; following which, demolition will take place.

Liquidity risk

Access to financial resources is key for the Company. The Company's capital structure and financial headroom are designed to address these risks. Most of the Company's debt finance comprises amounts owed to group undertakings.

Credit risk

The Company manages credit exposure to counterparties by establishing clearly defined limits, policies and procedures. The largest receivables relate to amounts lent to group undertakings for which the Company can demand repayment at any time. The Company also continually reviews receivable positions and the credit risk associated with these positions and the Company believes that payment default remains a low risk.

Currency risk

The volatility in the US Dollar (for coal) and Euro (for carbon emissions) exchange rates is also a risk to the Company, although this risk reduced very significantly following the cessation of generation. This volatility risk is mitigated by taking out forward foreign exchange contracts. Although not considered material, foreign exchange risk arising from the revaluation of USD and Euro bank account balances into sterling at closing exchange rates remains.

Market risk

Up to June 2016 the key business risk faced by the Company was the volatility in the market place for power, coal and carbon emission certificates. This was mitigated by the Company taking out forward contracts to effectively trade power, coal and carbon emission certificates at a fixed price and also by selling gas forward as a correlation hedge for power.

Events after the end of the reporting period

No significant events to report.

Future developments

Decommissioning of the power plant started following plant closure in June 2016, this is currently expected to finish around March 2017. Following this the power plant will then be demolished followed by redevelopment of the land. A number of development options are currently being reviewed.

Employees

Details of the number of employees can be found in note 5 of the financial statements.

By order of the Board

Simon Pinnell

Director

25 September 2017

Directors' report

The Directors present their report and the Company's audited financial statements for the year ended 31 December 2016.

The following information has been disclosed in the Strategic report:
- Principal activities
- Business review and future prospects
- Financial risk management policies and objectives
- Employees
- Future developments

Directors

The Directors of the Company who served during the year ended 31 December 2016 and subsequently were:

Mr D Alcock
Mr P Evans (resigned 13 April 2015)
Mr S Pinnell
Mr W Broos (appointed 13 April 2016)
Mr R Okaniwa

The company secretary who held office during the year was Ms H Berger (resigned 1 January 2016). Subsequent to the year end Sarah Gregory was appointed on 1 January 2016.

Directors' and officers' liability insurance

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, to indemnify them against certain liabilities which they may incur in their capacity as Directors or officers of the Company, including liabilities in respect of which the Company is itself unable to provide an indemnity by virtue of Section 232 of the Companies Act 2006.

Charitable donations

During the year the Company made no donations to local charities (2015: £447).

Political donations

The Company did not make any political donations during the year (2015: £nil).

Financial instruments

The Company enters into forward commodity contracts and other derivative instruments for trading purposes. Derivative contracts are financial instruments, such as forwards and futures, utilised in connection with trading activities. All such derivative contracts taken out by the Company are designated as economic hedges against the risks of moving market prices.

Under FRS 101 these derivatives are recognised on the balance sheet, their discounted fair value at the balance sheet date (split by the maturity date of the contracts) is disclosed in note 15. Subsequent to initial recognition, the fair values of financial instruments that are quoted in an active market are based on the bid prices for assets held and offer prices for liabilities held. If the market for a financial instrument is not active, its fair value is established using valuation techniques. These valuation techniques include comparison with similar instruments where market observable prices exists, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants.

Going concern

The Company's business activities, together with the factors likely to affect its future development, its financial position, financial risk management objectives, details of its financial instruments and derivative activities, and its exposure to liquidity, price and credit risk are described in the Strategic report and the Directors' report.

The Directors have considered the going concern basis and concluded that it is no longer appropriate to prepare these accounts on a going concern basis following the cessation of generation on 8th June. This is discussed further in the strategic report, the impact of this decision on the financial statements is that they are no longer prepared on a going concern basis.

Auditor

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

Directors' statement as to disclosure of information to the auditor

The Directors who were members of the board at the time of approving the Directors' report are listed above.

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.

By order of the Board,

Simon Pinnell

Director

25 September 2017

Directors' Responsibilities Statement

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 FRS 101 (Financial Reporting Standard 101) 'Reduced Disclosure Framework' as issued by the Financial Reporting Council. Under Company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable FRS 101 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 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.

Independent auditor's report

to the members of Rugeley Power Limited

We have audited the financial statements of Rugeley Power Limited for the year ended 31 December 2016, which comprise the Income Statement, the Balance Sheet, the Statement of Changes in Equity and the related notes 1 to 19. The financial reporting framework that has been applied in their preparation is applicable law and FRS 101 (Financial Reporting Standard 101) 'Reduced Disclosure Framework', as issued by the Financial Reporting Council.

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.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2016 and of its loss for the year then ended;
- have been properly prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Emphasis of matter – Financial statements prepared other than on a going concern basis

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 2 to the financial statements, which explains that the financial statements have been prepared on a basis other than that of a going concern.

Independent auditor's report (continued)

Opinion on other matter prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- 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; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic Report and the Directors' Report.

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.

Makhan Chahal

Makhan Chahal ACA (Senior Statutory Auditor)
for and on behalf of Deloitte LLP,
Statutory Auditor
London, UK
28th September 2017

Income Statement
for the year ended 31 December 2016

	Note	2016 £'000	2015 £'000
Revenue		84,369	265,561
Cost of sales		(67,143)	(184,372)
Gross profit		17,226	81,189
Operating costs (excluding exceptional charges)		(16,832)	(36,672)
Operating expenses – exceptional charges		(43,229)	(22,160)
Operating (loss)/ profit	3	(42,835)	22,357
Interest receivable and similar income	6	139	205
Interest payable and similar charges	7	(2,568)	(3,664)
Fair value (loss)/gain on commodity contracts	15	(32,305)	(6,987)
Profit/(loss) on ordinary activities before taxation		(77,569)	11,911
Taxation on profit /(loss) on ordinary activities	8	7,544	(4,765)
Profit/(loss) and total comprehensive income for the financial year		(70,025)	7,146

All realised profits and losses arise as a result of discontinued operations.

All comprehensive income is attributable to the owners of the parent.

The exceptional charges include costs incurred for the decommissioning and demolition of the power plant, and restructuring costs incurred in respect of redundancy.

There are no gains or losses other than those recognised above; as a result no Statement of Comprehensive Income has been prepared.

The notes on pages 14 to 29 form an integral part of these financial statements.

Registered No. 4212554

Balance sheet

at 31 December 2016

	Note	2016 £'000	2015 £'000
Non-current assets			
Property, Plant and Equipment	9	14,081	14,081
Financial assets – non-current	15	-	8,840
Investments	10	-	-
		14,081	22,921
Current assets			
Inventories	11	34	42,904
Debtors	12	96,264	117,739
Deferred tax asset	14	-	-
Financial assets – current	15	7,630	38,482
Cash at bank and in hand		(8)	156
Total current assets		103,920	199,281
Total assets		118,001	222,202
Current liabilities			
Creditors: amounts falling due within one year	13	(70,701)	(127,844)
Financial liabilities – current	15	-	(7,387)
Net current assets		**33,219**	**64,050**
Total assets less current liabilities		**47,300**	**86,971**
Creditors: amounts falling due after more than one year			
Provision	19	(30,343)	-
Net assets		**16,957**	**86,971**
Capital and reserves			
Called up share capital	16	1	1
Share premium account		129,000	129,000
Special reserve		20,439	20,439
Share based payment reserve		1,148	1,137
Retained earnings		(133,631)	(63,606)
EQUITY SHAREHOLDERS' FUNDS		**16,957**	**86,971**

The notes on pages 14 to 29 form an integral part of these financial statements.

The financial statements of Rugeley Power Limited, registered number 04212554, were approved and authorised for issue by the Board of Directors on 25 September 2017 and signed on its behalf by:

Ro Okaniwa

Director

Statement of changes in equity

for the year ended 31 December 2016 and 31 December 2015

	Share Capital £'000	Share Premium £'000	Profit and Loss account £'000	Special Reserve £'000	Share Based Payments £'000	Total equity £'000
At 1 January 2015	1	129,000	(70,752)	20,439	1,087	79,775
Profit for the year	-	-	7,146	-	-	7,146
Capital contribution for share based payments	-	-	-	-	50	50
Total comprehensive income for the year	1	129,000	(63,606)	20,439	1,137	86,971
At 31 December 2015	1	129,000	(63,606)	20,439	1,137	86,971
At 1 January 2016	1	129,000	(63,606)	20,439	1,137	86,971
Loss for the year	-	-	(70,025)	-	-	(70,025)
Capital contribution for share based payments	-	-	-	-	11	11
Total comprehensive income for the year	1	129,000	(133,631)	20,439	1,148	16,957
At 31 December 2016	1	129,000	(133,631)	20,439	1,148	16,957

The notes on pages 14 to 29 form an integral part of these financial statements.

Notes to the Financial Statements

for the year ended 31 December 2016

1. Authorisation of financial statements and statement of compliance with FRS 101

Rugeley Power Limited is a company incorporated in the United Kingdom under the Companies Act. The Company is a private Company limited by shares and is registered in England and Wales. The address of the registered office is given on page 2. The nature of the Company's operations and its principal activities are set out in the Strategic report on pages 3 to 5.

The financial statements of Rugeley Power Limited (the 'Company") for the year ended 31 December 2016 were authorised for issue by the board of directors on September 2017 and the balance sheet was signed on the board's behalf by S Pinnell and David Alcock.

The Company meets the definition of a qualifying entity under FRS 100 (Financial Reporting Standard 100), as issued by the Financial Reporting Council. Accordingly, in the year ended 31 December 2015 the Company underwent transition from reporting under UK GAAP to FRS 101 as issued by the Financial Reporting Council.

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

2. Accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been applied consistently to all years presented, unless otherwise stated.

2.1 Basis of Preparation

The Company meets the definition of a qualifying entity under FRS 100 (Financial Reporting Standard 100), as issued by the Financial Reporting Council. Accordingly, in the year ended 31 December 2015, the Company has undergone the transition from reporting under UK GAAP to FRS 101 as issued by the Financial Reporting Council. These financial statements (including prior year comparatives) have therefore been prepared in accordance with FRS 101 (Financial Reporting Standard 101) 'Reduced Disclosure Framework', as issued by the Financial Reporting Council and in accordance with applicable accounting standards. This transition has had a material effect on the financial statements.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to, financial instruments, capital management, presentation of comparative information in respect of certain assets, presentation of a cash flow statements, standards not yet effective, impairment of assets and related party transactions.

Where required, equivalent disclosures are given in the group accounts of ENGIE S.A. (formerly GDF SUEZ S.A.). The group accounts of ENGIE S.A. are available to the public and can be obtained as set out in note 19.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement purposes in these financial statements is determined on such a basis.

Notes to the Financial Statements

for the year ended 31 December 2016

2. Accounting policies (continued)

2.1 Basis of Preparation (continued)

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurements in its entirety, which are described as follows:

- Level 1 inputs are quoted process (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.
- Level 2 inputs are inputs, other than quoted process included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

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

The Company is no longer a going concern due to the cessation of generation on 8th June 2016. The decision to cease generation was made by the Board. Further details are included within the Strategic report.

As a result of the change in basis of preparation the companies' stocks have been written down to a net realisable value.

2.2 Changes in accounting policy and disclosures

The Directors do not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Company in future periods.

2.3 Judgements and key sources of estimation uncertainty

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenue and expenses during the year. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant, including expectations of future events that are believed to be reasonable under the circumstances. However, the nature of estimation means that actual outcomes could differ from those estimates.

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

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are disclosed below:

Critical judgements in applying the Company's accounting policies

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

2. Accounting policies (continued)

2.3 Judgements and key sources of estimation uncertainty (continued)

Fair value of financial instruments

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

Key sources of estimation uncertainty

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

Income tax

The Company is subject to routine tax audits and also a process whereby tax computations are discussed and agreed with the appropriate authorities. Whilst the ultimate outcome of such tax audits and discussions cannot be determined with certainty, management estimates the level of provisions required for both current and deferred tax on the basis of professional advice and the nature of current discussions with the tax authority concerned.

Recoverability of tangible fixed assets

Management have made key assumptions regarding the future technical availability of the power station, electricity prices, fuel costs, carbon cost and the UK inflationary environment which directly impact the future economic benefits to be derived from the tangible fixed assets. Changes in these assumptions will affect the estimated useful lives and residual value of the power stations and other tangible fixed assets. The Company reviews these estimates at each financial period end and also tests for impairment at least once a year or when a trigger event occurs if sooner.

2.4 Significant accounting policies

(a) Revenue recognition

Turnover principally comprises sales of electricity to the wholesale trading market for power in England and Wales. Turnover is expressed on a net basis after taking account of energy purchased from the market to fulfil sales contracts when plant was not operating at a level sufficient to fulfil such contracts for technical or commercial reasons.

Turnover is recognised on an accruals basis excluding VAT, and is recognised when it is earnt, not when the cash is received.

(b) Interest income

Interest income is recognised on a time-proportion basis using the effective interest method. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to its net carrying amount.

Notes to the Financial Statements

for the year ended 31 December 2016

2. Accounting policies (continued)

2.4 Significant accounting policies (continued)

(c) Interest expense

Interest expense is recognised on an accruals basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability to that liability's net carrying amount. Interest on loan amounts used for capital expenditure are capitalised according to the nature of the capital expenditure.

(d) Pension costs

The majority of pensions for the staff are funded through an industry-wide scheme, the Electricity Supply Pension Scheme ('ESPS'), which is a defined benefit scheme with assets invested in separate trustee administered funds. The ESPS is divided into sections. The staff of {Rugeley Power Limited/Deeside Power (UK) Limited} are part of the International Power section of the ESPS, which was opened to members on 1 April 2002. {Prior to this date, staff taken on in the Rugeley acquisition participated in another section of the ESPS, the Eastern Electricity section.}

Following a strategic review of the exposure to pension risk over the long-term and a period of consultation with employees and their representatives, the International Power section of the ESPS in the UK was closed to new members effective from 1 June 2008. Existing members continue to accrue future service benefits under this plan. Since 1 June 2008 all new UK employees have been eligible to become members of a defined contribution plan.

IAS19

As the Company has no direct employees, it has no direct IAS 19 liability. However, International Power Ltd. operates a group-wide defined benefit pension scheme providing benefits based on final pensionable pay and recharges the Company for the costs incurred relating to the staff who work at the Company. Accordingly the Company accounts for the scheme as if it were a defined contribution scheme.

During the year, International Power Ltd. has paid contributions to the International Power section of the ESPS ('the Scheme') as advised by its actuary (£22 million). Rugeley Power Limited contributed £1.0 million (2015: £1.2 million).

The Company has provided the following disclosures, which are in respect of the Scheme.

The valuation used for the IAS 19 disclosure at 31 December 2016 has been based on a full assessment of the liabilities of the International Power Group of the Electricity Supply Pension Scheme as at 31 March 2013, updated by independent qualified actuaries to reflect the requirements of IAS 19.

The amount of any funding deficit identified by the Scheme actuary is taken into account when determining the contribution rate applying to all employers participating in the Scheme. Following the 2013 funding valuation, the required future service contribution rate for the Company for the main section of the Scheme was 26.3% of pensionable pay.

International Power Ltd., the employer who sponsors the Scheme, has agreed to eliminate, through a recovery plan, the funding shortfall of the Scheme. In addition to the usual contributions to meet accruing benefits, a one-off contribution of £14.7 million was made during January 2014, and contributions of £11.4 million per annum will be made between 1 April 2014 and 31 March 2018.

Notes to the Financial Statements

for the year ended 31 December 2016

2. Accounting policies (continued)

2.4 Significant accounting policies (continued)

IAS19 (continued)

Financial Assumptions Used to Determine Benefit Obligation	2016 %	2015 %
Discount Rate	2.7	4.0
Rate of increase in salaries	3.8	3.7
Inflation rate	3.3	3.2
Rate of increase of pensions in payment	3.1	3.0
Rate of increase in deferred pensions	3.3	3.2

Scheme assets are stated at their market value at 31 December 2016.

Value	£m	£m
Equities	131	66
Bonds (Excluding pooled liability driven investment portfolio)	90	67
Real estate	24	23
Pooled liability driven investment portfolio	48	30
Other	26	28
	319	247

The following amounts were measured in accordance with the requirements of IAS 19:

	£m	£m
Total market value of assets	319	247
Present value of scheme liabilities	(334)	(259)
Deficit in the scheme	(15)	(12)
Related deferred tax asset	3	2
Net pension liability	(12)	(10)

(e) Foreign currencies

In preparing the financial statements, transactions in foreign currencies are translated into the functional currency (Pounds Sterling) using the exchange rates prevailing at the dates of the individual transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the exchange rate ruling at the reporting date are recognised in the profit and loss account. Non-monetary assets and liabilities are not carried at fair value are not subsequently restated and are carried at the rate of exchange at the date they are acquired (historical costs).

Notes to the Financial Statements

for the year ended 31 December 2016

2. Accounting policies (continued)

2.4 Significant accounting policies (continued)

(f) Income taxes

Income tax on the results for the year comprises current and deferred tax. Income tax is recognised in the Company's profit and loss account except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity. Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous periods.

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

In accordance with IAS 12 *Income taxes*, Deferred income tax is provided in full, using the liability method, on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements, with the following exceptions:

- Where the temporary difference arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss; and
- Deferred income tax assets are recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carried forward tax credits or tax losses can be utilised.

Deferred income tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply when the related asset is realised or liability is settled, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred incomes taxes relate to the same fiscal authority.

(g) Provisions

A provision is recognised in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of resources will be required to settle the obligation and the amount of that obligation has been reliably estimated. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Provisions are not recognised for future operating losses.

Where contractually obliged, the company creates provisions for the decommissioning of the power station and environmental restoration. The decommissioning and restoration provisions reflect the present value, at the balance sheet date, of the estimated cost. The provisions are reviewed at each balance sheet dates and are adjusted to reflect the present value of the expense expected to be realised for the settlement of the liability.

The future cost is recognised in the balance sheet as a decommissioning liability. The liability is released to the income statement as the costs are incurred throughout the year.

Notes to the Financial Statements

for the year ended 31 December 2016

1. Accounting policies (continued)

2.4 Significant accounting policies (continued)

(h) Property, Plant and Equipment

As the accounts have been prepared on a break up basis, Property, Plant and Equipment have been recognised at the lower of the remaining value in use or fair value less cost to sell at balance sheet date

(i) Impairment of tangible fixed assets

In accordance with IAS 36, the tangible fixed assets are reviewed for impairment at least once a year and whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Such indications may be based on events or changes in the market environment, or on internal sources of information.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units).

(j) Debt

Debt is initially stated at the amount of net proceeds after deduction of issue costs. The carrying amount is increased by the finance cost in respect of the accounting period and reduced by payments made in the period. Unless the interest is being capitalised, finance costs of debt are recognised in the profit and loss account based on the rates of interest applicable to the debt.

(k) Inventories

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

(l) Cash at bank and in hand

Cash at bank and in hand and short-term deposits in the balance sheet comprises cash on hand, deposits held at call with banks and short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

(m) Share capital

Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis.

Notes to the Financial Statements

for the year ended 31 December 2016

2. Accounting policies (continued)

2.4 Significant accounting policies (continued)

(n). Derivative financial instrument and hedging

The Company enters into forward commodity contracts and other derivative instruments for trading purposes. Derivative contracts are financial instruments such as forwards and futures, utilised in connection with trading activities. All such derivative contracts taken out by the Company are designated as economic hedges against the risks of moving market prices. Further details of these derivative financial instruments are disclosed in note 15.

Derivatives financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured to their fair value at each balance sheet date. The resulting gain or loss is recognised in profit and loss immediately.

A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability in the balance sheet. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

(o) Operating Profit

Operating profit is stated before interest income and interest payable.

3. Operating profit

This is stated after charging:

	2016 £'000	2015 £'000
Depreciation of owned assets	-	746
Net Exceptional costs		
- Restructuring costs	43,229	1,921
- Impairment of fixed assets and stocks	-	20,239
Staff costs (see note 5)	5,251	11,134
Fees paid to the Company's auditor for the audit of the financial statements	38	39

Exceptional costs in 2016 of £43,229,000 relate to the decommissioning and demolition of the power plant along with associated employee costs, and restructuring costs incurred in respect of redundancy.

Exceptional costs in 2015 of £22,160,000 relate to the impairment of fixed assets and consumable stock, and restructuring costs incurred in respect of redundancy.

Notes to the Financial Statements

for the year ended 31 December 2016

4. Auditor's Remuneration

Fees payable to Deloitte LLP and their associates for the statutory audit of the Company's annual accounts were £37,900 (2015: £38,790).

There were no fees payable by Rugeley Power Limited to Deloitte LLP for non-audit services.

5. Staff Costs

The Directors did not receive any fees or emoluments from the Company during the year (2015: £nil) directly attributable to their position within the Company. All Directors' fees or emoluments were paid by International Power Ltd. and the amount attributable to the qualifying services provided by the Directors to the Company cannot be reliably estimated.

The monthly average number of employees during the year was 83 (2015: 150).

	2016 Number	2015 Number
Administration	9	14
Operational	74	136
	83	150

	2016 £'000	2015 £'000
Wages and salaries	3,639	8,619
Social security costs	584	828
Other pension costs	1,017	1,648
Share-based payment	11	39
	5,251	11,134

6. Interest receivable and similar income

	2016 £'000	2015 £'000
Interest receivable from group undertakings	138	205
Other interest receivable	1	-
Total interest income	139	205

Notes to the Financial Statements

for the year ended 31 December 2016

7. Interest payable and similar charges

	2016 £'000	2015 £'000
Interest paid to group undertakings	1,924	3,014
Other interest expense	644	650
Total interest expense	2,568	3,664

8. Tax on profit on ordinary activities

The tax charge comprises:

	2016 £'000	2015 £'000
Tax Charge		
Current income tax:		
UK corporation tax on profits of the year	7,493	(5,635)
Adjustments in respect of previous periods	51	870
Total current income tax	7,544	(4,765)
Deferred tax: (note 14)		
Deferred income tax relating to the origination and reversal of temporary differences	9,058	(2,068)
Deferred income tax relating to exceptional items	(9,058)	2,068
Tax charge in the profit and loss	7,544	(4,765)

The Company earns its profits primarily in the UK. Therefore the tax rate used for tax on profit on ordinary activities is the average standard rate for UK corporation tax, currently 20% (2015: 20.25 %.)

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

Notes to the Financial Statements

for the year ended 31 December 2016

8. Tax on profit on ordinary activities continued

	2016 £'000	2015 £'000
Reconciliation of tax charge		
Profit before tax	(77,569)	11,911
Profit multiplied by rate of corporation tax of 20% (2015: 20.25%)	15,514	(2,412)
Capital allowances in advance of depreciation	2,166	2,523
Other timing differences	(46)	(243)
Expenses not allowable of tax	-	10
Prior year adjustment	51	870
Tax on write off of consumable stock	2,395	-
Non-deductible impairment of fixed assets	-	-
Depreciation of non-qualifying assets	-	-
Tax on exceptional	(6,075)	(4,098)
Tax on derivatives	(6,461)	(1,415)
Deferred income tax relating to the origination and reversal of temporary differences	9,058	(2,068)
Deferred income tax relating to exceptional items	(9,058)	2,068
Tax charge in the profit and loss	7,544	(4,765)

9. Tangible fixed assets

	Land and buildings £'000	Assets under construction £'000	Plant spares £'000	Fixtures, fittings £'000	Plant and machinery £'000	Total £'000
Cost						
At 1 January 2016	14,338	4,780	9,027	928	443,082	472,155
Additions	-	-	-	-	-	-
Reclassifications	-	-	-	-	-	-
At 31 December 2016	14,338	4,780	9,027	928	443,082	472,155
Accumulated depreciation						
At 1 January 2016	(257)	(4,780)	(9,027)	(928)	(443,082)	(458,074)
Charge for the year	-	-	-	-	-	-
Impairment	-	-	-	-	-	-
At 31 December 2016	(257)	(4,780)	(9,027)	(928)	(443,082)	(458,074)
Net book amount						
At 31 December 2016	14,081					14,081
At 31 December 2015	14,081	-	-	-	-	14,081

Notes to the Financial Statements

for the year ended 31 December 2016

9. Tangible fixed assets continued

Due to the announced closure of the site at the beginning of the year tangible fixed assets are being held at the historical value of the freehold land.

10. Investments

At 31 December 2016, the Company had the following directly held investments:

Fixed asset investments	Principal activity	Country of incorporation	Class of shares held	Proportion held
£2	Dormant company	England and Wales	Ordinary shares	100%

At 31 December 2015, the Company had the following directly held investments:

Fixed asset investments	Principal activity	Country of incorporation	Class of shares held	Proportion held
£2	Dormant company	England and Wales	Ordinary shares	100%

Investments	As at 1 January 2015 £	Additions £	Impairments £	As at 31 December 2015 £
Investments	2	-	-	2

Investments	As at 1 January 2016 £	Additions £	Impairments £	As at 31 December 2016 £
Investments	2	-	-	2

11. Inventories

	2016 £'000	2015 £'000
Raw materials and consumables	34	42,904
	34	42,904

Notes to the Financial Statements

for the year ended 31 December 2016

12. Debtors

	2016 £'000	2015 £'000
Trade debtors	-	-
Amounts owed by group undertakings for credit support purposes	29,700	34,700
Other amounts owed by group undertakings	61,912	72,220
Emissions credits	-	-
Corporation tax receivable	2,282	-
Prepayments	2,370	10,819
	96,264	117,739

Amounts owed by group undertakings are unsecured, subject to floating interest rates and are repayable on demand.

13. Creditors due within one year

	2016 £'000	2015 £'000
Trade creditors	740	276
Amounts owed to group undertakings	51,094	64,832
Deferred income and accruals	1,841	26,115
Corporation tax payable	-	5,376
Other creditors	26	14,245
Other loans	17,000	17,000
	70,701	127,844

Amounts owed to subsidiary undertakings are unsecured, subject to either floating interest rate plus margin or fixed rate interest and are repayable on demand or mature in the financial year ending 31 December 2017.

Interest on the loan with Mitsui Power Ventures of £17,000,000 was 3.24% above the LIBOR rate for the period.
Interest on the loan with IP Karagamo Holdings Limited of £51,000,000 was 3.24% above the LIBOR rate for the period.

Notes to the Financial Statements

for the year ended 31 December 2016

14. Deferred tax

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

	2016 £'000	2015 £'000
Deferred tax asset at 1 January	-	-
Deferred tax charge in profit and loss account for the year (note 8)	4,295	(2,068)
Exceptional item - Impairment	-	3,001
Exceptional – Restructuring expenses	4,763	13,157
De-recognition	(9,058)	(14,090)
Deferred tax (asset) at 31 December	-	-

15. Financial instruments

Fair values

Set out below is an analysis by category of the Company's financial instruments that are carried at fair value in the financial statements. Note that in all cases the fair value is equal to the carrying value of those assets and liabilities.

	2016 £'000	2015 £'000
Financial assets at fair value		
Fair value through profit and loss (FVTPL)	7,630	47,322
Financial liabilities at fair value		
Fair value through profit and loss (FVTPL)	-	7,387

Changes in value of financial instruments at fair value

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

	Year ended 2016 £'000	Year ended 2015 £'000
Financial assets at fair value		
Fair value through profit and loss (FVTPL)	(39,692)	(16,120)
Financial liabilities at fair value		
Fair value through profit and loss (FVTPL)	7,387	9,133

Notes to the Financial Statements

for the year ended 31 December 2016

15. Financial instruments continued

Hedging activities

Economic hedges

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

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

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

16. Share capital

	2016 £	2015 £
Authorised		
1,003 ordinary shares of £1 each	1,003	1,003
Called up, allotted and fully paid		
1,003 ordinary share of £1 each	1,003	1,003

17. Pension arrangements

The Company operates a defined contribution pension scheme, the assets of which are held separately from those of the Company. Employer's contributions to the scheme during the year were £96,962 (2015: £722,000).

Notes to the Financial Statements

for the year ended 31 December 2016

18. Related party transactions

As at 31 December 2016 and 31 December 2015, the Company was a wholly owned subsidiary of IPM Holdings (UK) Limited which is wholly owned by ENGIE SA. The Company has taken advantage of the exemption under paragraph 8(k) of FRS 101 and has therefore not disclosed transactions with fellow wholly owned subsidiaries.

International Power Limited 'IPR' continues to hold an indirect 75% interest and is therefore a related party. In the normal course of business Rugeley Power Limited purchased services amounting to £17.1m (2015: £12.5m) from IPR.

Mitsui Power Ventures Limited hold an indirect 25% interest and are therefore a related party. The company has a loan from Mitsui Power Ventures Limited of £17m which is included in the Rugeley Power Limited creditors due within one year at 31 December 2017.

19. Provision

	2015 £'000	Additions £'000	2016 £'000
Decommissioning and demolition provision	-	30,343	30,343

The provision relates to the closure, decommissioning and subsequent demolition of the Power Station. Costs within the provision include the expected cost of demolition contract based on an estimate provided by an industry specialist, internally incurred or third party contractor costs during decommissioning and demolition. The demolition project is expected to complete by the end of 2020 and the provision will unwind over this period.

20. Controlling party

The Company's immediate parent undertaking is IPM Holdings (UK) Limited, a Company registered in England and Wales, the registered address of which Level 20, 25 Canada Square, London E14 5LQ, United Kingdom.

The Directors consider the Company's ultimate parent undertaking and ultimate controlling party to be ENGIE S.A. (formerly GDF SUEZ S.A.), which was incorporated in France and is headquartered in Paris, France and which is the parent undertaking of the largest and smallest group in which the results of the Company are consolidated for the year ended 31 December 2016 and the year ended 31 December 2015. The consolidated financial statements of GDF SUEZ S.A. may be obtained from its registered office at 1 Place Samuel de Champlain, 92400 Courbevoie, Paris, France.