

**E.ON UK COGENERATION LIMITED**  
**STRATEGIC REPORT, DIRECTORS' REPORT AND FINANCIAL STATEMENTS**  
**for the Year Ended 31 December 2015**

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COMPANIES HOUSE

**Registered No: 02730697**

**E.ON UK COGENERATION LIMITED**  
**STRATEGIC REPORT**  
**for the Year Ended 31 December 2015**

The directors present their strategic report of the Company for the year ended 31 December 2015.

**Fair review of the business**

Continuing difficult trading conditions have hindered the results of the Company and the performance for the year has not met expected levels. This is reflected in the loss on ordinary activities before taxation of £2,072,000 (2014: loss of £6,966,000).

At 31 December 2015, a review of the appropriateness of the carrying value of the Company's plant portfolio was undertaken. This resulted in no impairment charge (2014: charge of £3,951,000) and an impairment reversal of £4,198,000 (2014: reversal of £2,615,000) being recognised during the year.

The Company continues to review its contractual obligations and there are no plans at present to initiate any new combined heat and power ('CHP') development projects.

At 31 December 2015, the Company had net assets of £4,051,000 (2014: net assets of £6,065,000). Further information regarding the financial position of the Company at the year end is provided in the directors' report.

**Principal risks and uncertainties**

The management of the business and the execution of the Company's strategy are subject to a number of risks.

The key business risks and uncertainties affecting the Company are considered to relate to asset performance, credit risks and inflation. The management of risks is undertaken at the E.ON SE consolidated ('group') level. Further discussion of these risks and uncertainties, in the context of the group as a whole, is provided within the financial review section of the group's annual report which does not form part of this report.

**Key performance indicators ('KPIs')**

The Board of Management of E.ON SE manages the group's operations on a divisional basis. For this reason, the Company's directors believe that analysis using KPIs for the Company is not necessary or appropriate for an understanding of the development, performance or position of the business of the Company. The development, performance and position of the Regional Unit UK division of E.ON SE, which includes the Company, are discussed within the group's annual report which does not form part of this report. The directors do not believe there are any further relevant KPIs that are not already disclosed within these financial statements.

Approved by the Board of Directors on 22 September 2016 and signed on its behalf by:



**J T Lightfoot**  
Director

E.ON UK Cogeneration Limited  
Company No: 02730697  
Westwood Way  
Westwood Business Park  
Coventry  
CV4 8LG

**E.ON UK COGENERATION LIMITED  
DIRECTORS' REPORT  
for the Year Ended 31 December 2015**

The directors present their report and the audited financial statements of the Company for the year ended 31 December 2015.

**Directors of the Company**

The directors who held office during the year and up to the date of signing these financial statements are given below:

J T Lightfoot (appointed 28 January 2016)  
J A Ireton (appointed 22 August 2016)  
M G Wake (appointed 22 August 2016)  
D A Leiper (resigned 28 January 2016)  
R Matthies (resigned 31 May 2016)  
R J Pennells (resigned 18 May 2016)

**Principal activity**

The Company's principal activity during the year and at the year end was the sale of energy and related services including the operation of CHP plant.

**Results and dividends**

The Company's loss for the financial year is £2,014,000 (2014: loss of £5,483,000). No interim dividends were paid during the year (2014: £nil). The directors do not recommend the payment of a final dividend (2014: £nil).

The directors believe that the present level of activity will be sustained in the current year.

**Financial risk management**

***Objectives and policies***

The Company, in common with other E.ON SE subsidiaries, must comply with the E.ON SE's group finance guidelines that set out the principles and framework for managing group-wide finances. The Company also utilises the E.ON UK plc operational treasury team which services the treasury requirements of the business. Further information on the E.ON SE group's policies and procedures is available in the financial statements of the E.ON SE group.

**Price risk, credit risk, liquidity risk and cash flow risk**

The management of risks is undertaken at the E.ON SE group level. Further discussion of these risks and uncertainties, in the context of the group as a whole, is provided within the financial review section of the group's annual report which does not form part of this report.

**Political donations**

No political donations were made during the year (2014: £nil).

**Directors' indemnities**

The Company maintains liability insurance for its directors and officers. This is a qualifying third party indemnity provision for the purposes of the Companies Act 2006. This insurance cover was in force during the year and is still in force at the date of approving the financial statements.

**Going concern**

Notwithstanding the fact that the Company is loss making and has net current liabilities, the directors have prepared the financial statements on the going concern basis. The directors have received confirmation from E.ON UK plc, the principal UK trading subsidiary of the E.ON UK group, of its intention to financially support the Company such that the Company can meet its obligations as they fall due for a period of at least twelve months from the date of the auditors' approval of these financial statements.

**E.ON UK COGENERATION LIMITED**  
**DIRECTORS' REPORT**  
**for the Year Ended 31 December 2015 (continued)**

**Disclosure of information to auditors**

Each director has taken steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information. The directors confirm that there is no relevant information that they know of and which they know the auditors are unaware of.

**Statement of directors' responsibilities**

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

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

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

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

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

Approved by the Board of Directors on 22 September 2016 and signed on its behalf by:



**J T Lightfoot**  
Director

E.ON UK Cogeneration Limited  
Company No: 02730697  
Westwood Way  
Westwood Business Park  
Coventry  
CV4 8LG

## **Independent Auditors' Report to the Members of E.ON UK COGENERATION LIMITED**

### **Report on the financial statements**

#### **Our opinion**

In our opinion, E.ON UK Cogeneration Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the Company's affairs as at 31 December 2015 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

#### **What we have audited**

The financial statements, included within the Strategic Report, Directors' Report and Financial Statements (the "Annual Report"), comprise:

- the balance sheet as at 31 December 2015;
- the profit and loss account for the year then ended;
- the statement of changes in equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

#### **Opinion on other matter prescribed by the Companies Act 2006**

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

#### **Other matters on which we are required to report by exception**

##### **Adequacy of accounting records and information and explanations received**

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- 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.

We have no exceptions to report arising from this responsibility.

##### **Directors' remuneration**

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

**Independent Auditors' Report to the Members of  
E.ON UK COGENERATION LIMITED (continued)**

**Responsibilities for the financial statements and the audit**

**Our responsibilities and those of the directors**

As explained more fully in the statement of directors' responsibilities set out on page 3, 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 & Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

**What an audit of financial statements involves**

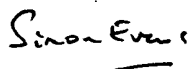
We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. 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.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

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.



Simon Evans (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Birmingham

Date 22 September 2016

**E.ON UK COGENERATION LIMITED**  
**PROFIT AND LOSS ACCOUNT**  
for the year ended 31 December 2015

	<i>Note</i>	Year ended 31 December 2015 £000	Year ended 31 December 2014 £000
Turnover	2	18,074	23,903
Cost of sales		(11,658)	(17,090)
<b>Gross profit</b>		<b>6,416</b>	<b>6,813</b>
Administrative expenses		(12,516)	(12,580)
Reversal of impairment of fixed assets	3	4,198	2,615
Impairment of fixed assets	3	-	(3,951)
Other operating income		40	213
<b>Operating loss</b>	3	<b>(1,862)</b>	<b>(6,890)</b>
Interest receivable and similar income	5	41	107
Interest payable and similar charges	6	(251)	(183)
<b>Loss on ordinary activities before taxation</b>		<b>(2,072)</b>	<b>(6,966)</b>
Tax on loss on ordinary activities	7	58	1,483
<b>Loss for the financial year</b>		<b>(2,014)</b>	<b>(5,483)</b>

The Company has no recognised gains or losses for the year, other than the results above and therefore no separate statement of comprehensive income has been presented.

The notes on pages 9 to 22 form part of these financial statements.

**E.ON UK COGENERATION LIMITED**  
**BALANCE SHEET**  
as at 31 December 2015

	Note	2015 £000	2014 £000
<b>Fixed assets</b>			
Intangible assets	8	-	1
Tangible assets	9	24,242	24,522
		<u>24,242</u>	<u>24,523</u>
<b>Current assets</b>			
Stocks	10	2,538	2,757
Debtors	11	38,505	46,490
		<u>41,043</u>	<u>49,247</u>
Creditors: amounts falling due within one year	12	(54,780)	(59,895)
<b>Net current liabilities</b>		<u>(13,737)</u>	<u>(10,648)</u>
<b>Total assets less current liabilities</b>		<u>10,505</u>	<u>13,875</u>
<b>Provisions for liabilities</b>	13	(6,454)	(7,810)
<b>Net assets</b>		<u>4,051</u>	<u>6,065</u>
<b>Capital and reserves</b>			
Called up share capital	14	-	-
Profit and loss account		4,051	6,065
<b>Total shareholders' funds</b>		<u>4,051</u>	<u>6,065</u>

The financial statements on pages 6 to 22 were approved by the Board of Directors on 22 September 2016 and signed on its behalf by:



**J T Lightfoot**  
Director  
E.ON UK Cogeneration Limited  
Company No: 02730697

The notes on pages 9 to 22 form part of these financial statements.



**E.ON UK COGENERATION LIMITED**  
**STATEMENT OF CHANGES IN EQUITY**  
**for the year ended 31 December 2015**

	Called up share capital £000	Profit and loss account £000	Shareholders' Funds £000
At 1 January 2014	-	11,548	11,548
Loss and total comprehensive expense for the financial year	-	(5,483)	(5,483)
At 31 December 2014	-	6,065	6,065
Loss and total comprehensive expense for the financial year	-	(2,014)	(2,014)
<b>At 31 December 2015</b>	<b>-</b>	<b>4,051</b>	<b>4,051</b>

The notes on pages 9 to 22 form part of these financial statements.

**E.ON UK COGENERATION LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**for the year ended 31 December 2015**

## **1. Accounting policies**

### **General Information**

The Company sells energy and related services including the operation of CHP plant.

The Company is a private limited company and is incorporated and domiciled in the UK.

### **Basis of preparation of financial statements**

This is the first year that the Company has prepared financial statements in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' ('FRS 101'). Further information relating to the impact of the conversion is disclosed in note 18. These financial statements have been prepared under the going concern basis, historical cost convention and in accordance with the Companies Act 2006 as applicable to companies using FRS 101. The principal accounting policies, which have been applied consistently throughout the year, are set out below.

The Company has adopted disclosure exemptions in relation to the following:

- The requirements of IAS 1 Presentation of Financial Statements
- The requirements of IAS 7 Statement of Cash Flows
- The requirements of Paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors
- The requirements of Paragraph 17 of IAS 24 Related Party Disclosures (key management compensation)
- The requirements of IAS 24 Related party disclosures to disclose related party transactions entered into between two or more members of a group
- The requirements of IFRS 7 Financial Instruments: Disclosures
- The requirements of paragraphs 91 to 99 of IFRS 13 Fair value measurement (disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities)

### **Going concern**

Notwithstanding the fact that the Company is loss making and has net current liabilities, the directors have prepared the financial statements on the going concern basis. The directors have received confirmation from E.ON UK plc, the principal UK trading subsidiary of the E.ON group, of its intention to financially support the Company such that the Company can meet its obligations as they fall due for a period of at least twelve months from the date of the auditors' approval of these financial statements.

### **Critical accounting estimates and judgements**

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

### **Turnover**

Turnover predominantly comprises revenue from the sale of electricity and steam to industrial and commercial customers, along with other income streams directly related to the operation of the plant portfolio. Turnover is recognised when earned on the basis of a contractual agreement with the customer. It reflects the value of the volume supplied. Turnover excludes value added tax.

### **Intangible fixed assets**

Other intangibles relate to Levy Exemption Certificates (LECs) which are purchased from other group companies, capitalised at their acquisition cost and classified as an asset on the balance sheet. The consumption of LECs is recognised when they are sold on to other group companies.

**E.ON UK COGENERATION LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**for the year ended 31 December 2015 (continued)**

**Accrued income**

Income recognised in advance of receipt is debited to an accrued income account and recognised in the profit and loss account in the period to which it relates.

**Tangible assets**

Tangible assets are stated at original cost less accumulated depreciation and any provision for impairment. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use. Plant and machinery relate primarily to microgeneration assets.

Depreciation is provided on tangible fixed assets so as to write off the cost or valuation, less any estimated residual value, over their expected usefully economic lives as follows:

<b>Asset class</b>	<b>Depreciation method and rate</b>
Freehold land and buildings	Straight line basis over nil to 10 years
Plant and machinery	Straight line basis over 2 to 40 years

Estimated useful lives are reviewed periodically. No depreciation is provided on freehold land or assets in the course of construction.

**Impairment**

Impairments of assets are calculated as the difference between the carrying value of the asset and its recoverable amount, if lower. Recoverable amount is defined as the higher of fair value less costs to sell and estimated value in use at the date the impairment review is undertaken. Value in use represents the present value of expected future cash flows, discounted using a post-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. Where such an asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the income generating unit.

Impairments are recognised in the profit and loss account and, where material, are disclosed separately.

If the reasons for previously recognised impairment losses no longer exist, such impairment losses are reversed and recognised in the profit and loss account. Such reversal shall not cause the carrying amount to exceed the amount that would have resulted had no impairment taken place in previous years.

**Overhaul of generation plant**

Major periodic overhaul costs on generation plant are capitalised as part of generating assets and depreciated on a straight-line basis over their useful economic life, typically the period until the next major overhaul.

**Decommissioning costs**

The fair value of a liability arising from the decommissioning of an asset is recognised in the period in which it is incurred and a reasonable estimate of the fair value can be made. When the provision is recorded, the Company capitalises the costs of the provision by increasing the carrying amount of the tangible fixed assets. In subsequent periods, the provision is accreted to its present value and the carrying amount of the asset is depreciated over its useful life. Changes to estimates arise, particularly when there are deviations from original cost estimates or changes to the payment schedule or the level of relevant obligation. The provision must be adjusted in the case of both negative and positive changes to estimates. Such an adjustment is usually effected through a corresponding adjustment to tangible fixed assets and is not recognised directly in the profit and loss account.

**Stocks**

Stocks are valued at the lower of cost and net realisable value, after due regard for obsolete and slow moving stocks. Net realisable value is based on selling price less anticipated costs to completion and selling costs. In general, stocks are recognised in the profit and loss account on a weighted average cost basis. The Companies Act 2006 requires stocks to be categorised between raw materials, work in progress and finished goods. Stores are considered to be raw materials under this definition.

**E.ON UK COGENERATION LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**for the year ended 31 December 2015 (continued)**

**Foreign currency**

Transactions in foreign currencies are recorded at the exchange rate ruling at the date of the transaction, unless related or matching forward foreign exchange contracts have been entered into when the rate specified in that contract is used. Monetary assets and liabilities denominated in foreign currencies are retranslated at the closing rates at the balance sheet date. All exchange differences are included in the profit and loss account.

**Inter-company balances**

Inter-company payable and receivable trading balances within the E.ON SE group are consolidated at each period end into a single balance with each group company. These transactions are net settled. As a result the directors consider it appropriate to present inter-company balances within these financial statements on a net basis. Formal loan balances are settled and presented gross.

**Offsetting**

Financial assets and financial liabilities are offset and the net amount presented in the balance sheet, when the Company has a legally enforceable right to set off the recognised amounts and it intends either to settle on a net basis or realise the asset and settle the liability simultaneously.

**Provisions**

Provisions are recognised in the balance sheet when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

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

Future operating costs are not provided for.

Present obligations arising under onerous contracts are recognised and measured as provisions. An onerous contract is considered to exist where the Company has a contract under which the unavoidable costs of meeting the obligations under contract exceed the economic benefits expected to be received under it.

**Current and deferred income tax**

The tax credit for the year comprises current tax and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in shareholders' funds. In this case, the tax is also recognised in other comprehensive income or directly in shareholders' funds, respectively.

The current income tax credit is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in respect of the relevant years, in the countries where the Company operates and generates taxable income.

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; or arise from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

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 income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

**E.ON UK COGENERATION LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**for the year ended 31 December 2015 (continued)**

**Operating leases**

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the profit and loss account evenly over the term of the lease.

**Finance leases**

For assets leased out under a finance lease, the present value of the lease payments is recognised as a debtor at the amount of the net investment in the lease.

Lease payments receivable are apportioned between repayments of capital and interest so as to give a constant rate of return on the net investment in the lease.

**Pensions**

The Company contributes to a defined contribution pension scheme, and also a defined benefit group pension scheme operated by E.ON UK plc, the assets of which are invested in a separate trustee-administered fund. Further details of these schemes are available in E.ON UK plc's financial statements.

The Company is unable to identify its share of the underlying assets and liabilities of the group pension scheme. The Company has accounted for its contribution to the group pension scheme as if the scheme was a defined contribution scheme and accounts for contributions payable to the group pension scheme in the accounting period in which they fall due.

**2. Turnover**

The Company's turnover, all of which arises in the course of the Company's principal activity, arises in the UK.

**3. Operating loss**

Operating loss is stated after charging/(crediting):

	<b>2015</b>	<b>2014</b>
	<b>£000</b>	<b>£000</b>
Operating lease	130	76
Depreciation of owned assets (note 9)	3,152	3,743
Restructuring costs	-	99
Foreign currency losses/(gains)	4	(213)
Impairment of tangible fixed assets	-	3,951
Decommissioning provision	499	-
Reversal of impairment (note 9)	(4,198)	(2,615)
Stocks recognised as an expense	172	287
Write down of stocks	192	181

At 31 December 2015, a review of the appropriateness of the carrying value of the Company's plant portfolio was undertaken. The cash flows used in this impairment review were based on approved budgets and discounted at the E.ON UK plc group's cost of capital for CHP operations over a 4 year period. As a result of the review, no impairment charge (2014: £3,951,000) has been recorded in these financial statements and no tax credit or charge (2014: £797,000 credit) arose in respect of this item.

**E.ON UK COGENERATION LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**for the year ended 31 December 2015 (continued)**

Also as a result of the review, an impairment reversal of £4,198,000 (2014: £2,615,000) has also been recorded in these financial statements. The reversal arose as a result of improvements in expected future cash flows due to higher forecast sales than previously anticipated and changes to the plant closure dates. A tax charge of £840,000 (2014: £523,000 charge) arose in respect of this item.

The discount rate used to calculate this impairment is a post-tax rate of 6.3% (2014: 6.6%).

The operating loss at 31 December 2014, included restructuring costs of £99,000 which related to severance costs following a reorganisation of operations at three sites to make the business more efficient and agile in the then economic environment.

Following a review of decommissioning obligations, additional provisions at two leased sites of £499,000 (2014: £nil) have been recorded in these financial statements.

Auditors' remuneration of £12,500 (2014: £12,500) was borne by E.ON UK plc, the intermediate parent undertaking, and not recharged.

The directors received no emoluments from the Company during the year (2014: £nil).

#### **4. Employee information**

The average monthly number of employees (excluding directors) employed by the Company or the E.ON UK plc group in respect of the Company during the year is set out below. In addition, £661,000 (2014: £685,000) of central salary costs associated with CHP activities in the UK have been recharged to the Company.

	<b>2015 Number</b>	<b>2014 Number</b>
Production	<u>32</u>	<u>31</u>

The following salaries and related costs of employees, including directors and key management, were incurred during the year:

	<b>2015 £000</b>	<b>2014 £000</b>
Wages and salaries	2,036	2,142
Social security costs	175	168
Other pension costs	610	451
	<u>2,821</u>	<u>2,761</u>

#### **5. Interest receivable and similar income**

	<b>2015 £000</b>	<b>2014 £000</b>
Interest receivable from group undertakings	-	6
Other interest receivable	41	101
	<u>41</u>	<u>107</u>

**E.ON UK COGENERATION LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 31 December 2015 (continued)

**6. Interest payable and similar charges**

	2015 £000	2014 £000
Interest payable to group undertakings	126	8
Other interest payable	31	63
Interest - provision unwind	94	112
	<u>251</u>	<u>183</u>

**7. Tax on loss on ordinary activities**

	2015 £000	2014 £000
<b>Current tax:</b>		
UK corporation tax credit on losses for the year	(906)	(865)
Adjustment in respect of prior years	690	(2)
Total current tax credit	(216)	(867)
<b>Deferred tax:</b>		
Origination and reversal of timing differences	450	(612)
Adjustment in respect of prior years	(180)	(4)
Impact of change in tax rates	(112)	-
Total deferred tax charge/(credit)	158	(616)
Tax credit on loss on ordinary activities	<u>(58)</u>	<u>(1,483)</u>

**Factors affecting tax credit for the year**

The tax credit for the year is lower (2014: lower) than the standard rate of corporation tax in the UK for the year ended 31 December 2015 of 20.25% (2014: 21.50%). The differences are explained below:

	2015 £000	2014 £000
Loss on ordinary activities before taxation	(2,072)	(6,966)
Tax credit on loss on ordinary activities before taxation at 20.25% (2014: 21.50%)	(420)	(1,497)
<i>Effects of:</i>		
Initial recognition exemption impact	14	-
Impact of rate change	(162)	46
Income not subject to tax	-	(26)
Adjustment in respect of prior periods - deferred tax	(180)	(4)
Adjustment in respect of prior periods - current tax	690	(2)
<b>Tax credit for the year</b>	<u>(58)</u>	<u>(1,483)</u>

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**for the year ended 31 December 2015 (continued)**

The tax rate for the year is lower than the prior year due to changes in the UK corporation tax rate which decreased from 21% to 20% from 1 April 2015 resulting in a standard rate of corporation tax in the UK of 20.25% for the year ended 31 December 2015.

Reductions to the UK corporation tax rates were included in the Finance Act (No. 2) 2015. These reduce the main rate to 19% from 1 April 2017 and to 18% from 1 April 2020. These changes were substantively enacted at the balance sheet date and the deferred tax impact of these changes have been included in these financial statements. A further reduction in the UK corporation tax rate was announced in the March 2016 Budget Statement to reduce the rate to 17% from 1 April 2020 (instead of the previously announced 18% rate). This further change has not been substantively enacted at the balance sheet date and therefore the impact has not been included in these financial statements.

The proposed further reduction in the corporation tax rate to 17% from 1 April 2020 is expected to be enacted as part of the Finance Bill 2016. The overall effect of this further change, if applied to the deferred tax balance at the balance sheet date, would be to reduce the deferred tax liability provided at the balance sheet date by £56,000.

The corporation tax receivable has been reduced by £216,000 because of group relief surrendered to a fellow group undertaking for which a payment will be received (2014: receipt of £867,000). Accordingly no tax losses are available for carry forward.

**8. Intangible assets**

	Other intangibles £000	Total £000
<b>Cost</b>		
At 1 January 2015	1	1
Disposals	(1)	(1)
At 31 December 2015	-	-
<b>Accumulated amortisation</b>		
At 1 January 2015	-	-
At 31 December 2015	-	-
<b>Net book value</b>		
At 31 December 2015	-	-
At 31 December 2014	1	1

Other intangibles relate to LECs.



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**9. Tangible assets**

	Freehold land and buildings £000	Plant and machinery £000	Total £000
<b>Cost or valuation</b>			
At 1 January 2015	13	130,885	130,898
Disposals	-	(1,326)	(1,326)
At 31 December 2015	13	129,559	129,572
<b>Accumulated depreciation</b>			
At 1 January 2015	2	106,374	106,376
Charge for the year	2	3,150	3,152
Writeback to recoverable amount	-	(4,198)	(4,198)
At 31 December 2015	4	105,326	105,330
<b>Net book value</b>			
<b>At 31 December 2015</b>	9	24,233	<b>24,242</b>
At 31 December 2014	11	24,511	24,522

During the year changes in accounting estimates for the decommissioning provision resulted in disposals of £1,326,000 (2014: additions of £746,000) being recorded in these financial statements. The closing net book value includes £332,000 (2014: £1,724,000) relating to the assets associated to the cost of decommissioning the sites.

**10. Stocks**

	2015 £000	2014 £000
Fuel stocks	76	76
Stores	2,462	2,681
	<b>2,538</b>	<b>2,757</b>

Stores are stated net of provisions for impairment of £899,000 (2014: £707,000).

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for the year ended 31 December 2015 (continued)

**11. Debtors**

	2015 £000	2014 £000
Trade receivables	687	2,024
Amounts owed by group undertakings	35,274	41,420
Finance lease receivables (note 16)	-	790
Other debtors	2,322	1,979
Other taxation and social security	104	111
Prepayments and accrued income	118	166
	<u>38,505</u>	<u>46,490</u>

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

At 31 December 2014, amounts owed by group undertakings included a loan to E.ON UK plc of £3,192,000 which was unsecured, bore interest at a rate of LIBOR minus 5 basis points, rolled forward (in principle and interest) on a daily basis, and was drawn from a credit facility of £30,000,000 which expired in December 2015.

**12. Creditors: amounts falling due within one year**

	2015 £000	2014 £000
Bank loans and overdrafts	-	531
Trade payables	367	168
Amounts owed to group undertakings	52,278	56,304
Other taxation and social security	300	239
Accruals and deferred income	1,835	2,653
	<u>54,780</u>	<u>59,895</u>

Amounts owed to group undertakings include loans of €103,000 (2014: €130,000) and £51,453,000 (2014: £nil) which are unsecured, bear interest at a rate of LIBOR + 50 basis points, and roll forward (in principle and interest) on a daily basis. All other amounts are unsecured, interest free and repayable on demand.

**E.ON UK COGENERATION LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 31 December 2015 (continued)

**13. Provisions for liabilities**

	Deferred tax £000	Emissions obligations £000	Decommissioning provisions £000	Contract based provisions £000	Total £000
At 1 January 2015	2,008	579	4,665	558	7,810
Debited/(credited) to the profit and loss account	158	(28)	499	-	629
Utilised during the year	-	(195)	-	(590)	(785)
Accretion of discount	-	-	94	32	126
Reduction in tangible assets	-	-	(1,326)	-	(1,326)
<b>At 31 December 2015</b>	<b>2,166</b>	<b>356</b>	<b>3,932</b>	<b>-</b>	<b>6,454</b>

Decommissioning provisions comprise amounts set aside for the estimated costs of terminating power station grid connections, decommissioning and subsequent site restoration costs at UK power stations which will be utilised as each power station closes. The provision will be utilised when the sites are closed between 2019 and 2038.

Emissions obligations provisions represent amounts payable to national authorities for emissions made during the period. Emission obligations are settled on an annual basis.

Contract based provisions relate to one site where the contract value at 31 December 2014 was less than the finance lease asset. During 2015, the provision was fully utilised and the contract expired at 31 December 2015.

**Analysis of deferred tax**

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

	2015 £000	2014 £000
Accelerated capital allowances	2,889	2,895
Other timing differences	(723)	(887)
	<b>2,166</b>	<b>2,008</b>
Liability at beginning of year	2,008	2,624
Deferred tax charge/(credit) for the year (note 7)	158	(616)
<b>Liability at year end</b>	<b>2,166</b>	<b>2,008</b>

**E.ON UK COGENERATION LIMITED**  
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The Finance Act 2013 included legislation to reduce the main rate of corporation tax to 20% with effect from 1 April 2015. The Finance Act (No. 2) 2015 further reduced the main rate to 19% from 1 April 2017 and to 18% from 1 April 2020. The deferred tax liability at 31 December 2015 has been measured accordingly.

Within the deferred tax charge of £158,000, the amount that relates to the change in the tax rate is £112,000 credit.

There are no unused tax losses or tax credits.

**14. Called up share capital**

	2015 £000	2014 £000
<b>Allotted, called-up and fully paid</b>		
2 ordinary shares of £1 each	-	-

**15. Pension schemes**

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

The fund is valued every three years by a professionally qualified, independent actuary, the rates of contribution payable being determined by the actuary. In the intervening years the actuary reviews the appropriateness of the rates. The latest actuarial valuation of the scheme was at 31 March 2010. Discussions with regard to the 31 March 2013 valuation were ongoing, but a new valuation as at 31 March 2015 was initiated in order to reflect the group strategy that was announced by E.ON SE in late 2014. The 31 March 2013 valuation has become an administrative exercise to be completed when the outcome of the new valuation is agreed.

Due to the complexity of actuarial calculations and the number of different companies contributing to the scheme, the Company is unable to identify its share of the underlying assets and liabilities in the scheme. Consequently, the Company accounts for the scheme as a defined contribution scheme. The cost of contributions to the scheme in the year amounts to £610,000 (2014: £451,000).

Further details of the scheme are available in E.ON UK plc's financial statements. Due to a deficit in the scheme, E.ON UK plc made a special contribution of £65,000,000 in January 2015 and £50,000,000 in January 2016. At the point that the 2015 valuation is completed, a further schedule of contributions will be agreed. None of this cost is expected to be recharged to the Company.

**E.ON UK COGENERATION LIMITED**  
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**16. Additional disclosures on financial instruments**

Finance lease receivables

The finance lease granted by the Company arose on the provision of a CHP plant at one client site, which provides steam and power to one principal client. The lease ended in 2015 and a new contract began on 1 January 2016. The maturities of the finance leases are set out in the following table:

	2015 £000	2014 £000
<b>Net investment in finance leases comprises:</b>		
Total amounts receivable	-	831
Less: interest allocated to future periods	-	(41)
	-	790
Finance leases – gross receivables due within one year	-	790
	-	790

**17. Commitments**

**Operating lease commitments**

As at 31 December 2015, the Company had the following future minimum lease payments under non-cancellable operating leases for each of the following periods:

	2015 £000	2014 £000
<b>Land and buildings</b>		
Not later than one year	110	110
Later than one year and not later than five years	303	413
	413	523

**Other Commitments**

The Company is recharged for certain operating leases from E.ON UK plc. Further information on these lease commitments is available in the financial statements of E.ON UK plc.

**E.ON UK COGENERATION LIMITED**  
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**18. Explanation of transition to FRS 101**

As stated in note 1, these are the Company's first financial statements prepared in accordance with FRS 101.

The accounting policies set out in note 1 have been applied in preparing the financial statements for the year ended 31 December 2015, the comparative information presented in these financial statements for the year ended 31 December 2014 and in the preparation of an opening FRS 101 balance sheet at 1 January 2014 (the Company's date of transition).

In preparing its FRS 101 balance sheet, the Company has adjusted amounts reported previously in financial statements prepared in accordance with its old basis of accounting (UK GAAP). An explanation of how the transition from UK GAAP to FRS 101 has affected the Company's financial position, financial performance and cash flows is set out in the following tables and the notes that accompany the tables.

*Reconciliation of equity*

		1 January 2014			31 December 2014		
		Effect of			Effect of		
		transition to			transition to		
		FRS 101			FRS 101		
		£000	£000	£000	£000	£000	£000
	Note						
<b>Fixed assets</b>							
Intangible assets		14	-	14	1	-	1
Tangible fixed assets	(a)	27,321	(200)	27,121	24,522	-	24,522
		27,335	(200)	27,135	24,523	-	24,523
<b>Current assets</b>							
Stocks		2,890	-	2,890	2,757	-	2,757
Debtors: amounts falling due after one year	(a)	-	790	790	-	-	-
Debtors: amounts falling due within one year	(a)	45,190	988	46,178	45,889	601	46,490
		48,080	1,778	49,858	48,646	601	49,247
Creditors: amounts due within one year	(a)	(57,147)	(339)	(57,486)	(60,082)	187	(59,895)
<b>Net current liabilities</b>		(9,067)	1,439	(7,628)	(11,436)	788	(10,648)
<b>Total assets less current liabilities</b>		18,268	1,239	19,507	13,087	788	13,875
<b>Provisions for liabilities</b>	(a) and (b)	(5,677)	(2,282)	(7,959)	(6,280)	(1,530)	(7,810)
<b>Net assets</b>		12,591	(1,043)	11,548	6,807	(742)	6,065
<b>Capital and reserves</b>							
Profit and loss account		12,591	(1,043)	11,548	6,807	(742)	6,065
<b>Shareholders' equity</b>		12,591	(1,043)	11,548	6,807	(742)	6,065

*Notes to the reconciliation of equity*

a) Under UK GAAP a certain supply contract was treated as a fixed asset. IFRIC 4 and IAS 17 require such contracts to be recognised as leases. All relevant fixed assets were removed from the balance sheet and replaced with the appropriate finance lease assets and associated provision for these contracts.

The finance lease assets represent the amounts due from the lessee for the lease of the CHP asset split between current and future years. At 31 December 2014, the valuation of the contract was lower than the value of the finance lease asset and so a provision was recognised.

b) The Company has deferred tax balances. FRS 19 follows a 'timing difference' approach, whereas IAS 12 follows a 'temporary difference' approach which led to differences.

**E.ON UK COGENERATION LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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*Reconciliation of profit for 2014*

	Note	UK GAAP £000	2014 Effect of transition to FRS 101 £000	FRS 101 £000
Turnover	(a)	24,654	(751)	23,903
Cost of sales		(17,430)	340	(17,090)
<b>Gross profit</b>		<b>7,224</b>	<b>(411)</b>	<b>6,813</b>
Administrative expenses		(12,745)	165	(12,580)
Reversal of impairment of fixed assets		2,615	-	2,615
Impairment of fixed assets		(3,986)	35	(3,951)
Other operating income		213	-	213
<b>Operating loss</b>		<b>(6,679)</b>	<b>(211)</b>	<b>(6,890)</b>
Interest receivable and similar income		5	102	107
Interest payable and similar charges		(119)	(64)	(183)
<b>Loss on ordinary activities before taxation</b>		<b>(6,793)</b>	<b>(173)</b>	<b>(6,966)</b>
Tax on loss on ordinary activities	(b)	1,009	474	1,483
<b>Loss for the financial year</b>		<b>(5,784)</b>	<b>301</b>	<b>(5,483)</b>

*Notes to the reconciliation of profit*

a) Under UK GAAP a certain supply contract was treated as a fixed asset. IFRIC 4 and IAS 17 require these contracts to be recognised as finance leases and the following adjustments to be made:

A £751,000 reduction in Turnover which represents the reduction in income now recognised as lease payments received.

A £340,000 reduction in Cost of sales which represents the extent to which the contract valuation is below that of the finance lease asset resulting in a provision recognised at 31 December 2013 and utilised through the year.

A £165,000 reduction in depreciation expense and a £35,000 reduction in fixed asset impairment expense due to fixed assets associated with the finance leases no longer being recognised.

A £102,000 increase in interest receivable which represents the unwinding of the discount on the finance lease asset.

A £64,000 increase in interest payable which represents the accretion on the impairment provision recognised on the finance lease.

b) The Company has deferred tax balances. FRS 19 follows a 'timing difference' approach, whereas IAS 12 follows a 'temporary difference' approach which led to differences.

**19. Ultimate holding company**

The Company is controlled by E.ON UK CHP Limited. The ultimate parent undertaking and controlling party is E.ON SE, which is the parent company of the largest and smallest group to consolidate these financial statements. Copies of E.ON SE's financial statements are available from the offices of E.ON SE at the following address:

E.ON SE  
Brüsseler Platz 1  
45131 Essen  
Germany