EDF ENERGY (COTTAM POWER) LIMITED

REGISTERED NUMBER: 04074196

ANNUAL REPORT AND FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

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YEAR ENDED 31 DECEMBER 2017

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Directors	Matthew Sykes Darren Ramshaw David Tomblin
Auditor	Deloitte LLP Hill House 1 Little New Street London United Kingdom EC4A 3TR
Registered office	90 Whitfield Street London England W1T 4EZ

STRATEGIC REPORT

The Directors present their Strategic Report for the year ended 31 December 2017.

Principal activity
The principal activity of the company is the operation of a coal fired power station at Cottam, Nottinghamshire. On 1 January 2018 the Company sold its power station to EDF Energy (Thermal Generation) Limited and it is the intention of the directors' to wind up the Company in the foreseeable future.

Review of the business
The loss for the year before taxation amounted to £142,865k (2016 loss: £42,621k) and the loss after taxation amounted to £118,177k (2016 loss: £34,907k).

EDF Energy (Cottam Power) Limited is a wholly-owned subsidiary of EDF Energy Holdings Limited (the "Group") which manages its operations on a group basis. For this reason, the Company's Directors believe that further key performance indicators for the Company are not necessary or appropriate for an understanding of the development, performance or position of the business. The performance of the Group, in particular the Generation Business Unit, which includes the Company, and future likely developments of the business is discussed in the Group's Annual Report which does not form part of this report.

Principal risks and uncertainties
The following is a discussion of the key risks facing the Company together with a summary of the Company's approach to managing those risks.

Liquidity risk is the risk that the Company does not have sufficient funds available for ongoing operations and is mitigated by continued support from EDF Energy plc, an intermediate parent company.

Regulatory risk relates to possible future changes in the regulation of carbon emissions from coal-fired power stations and the resulting impact that such a change could have on the Company's profitability especially with the implementation of Industrial Emission Directive (IED) from 1 January 2016. The Company manages this risk by constantly reviewing options to respond to the regulatory framework around carbon emissions and related matters.

Operational risk relates to the management and physical operation of a power station. In order to mitigate this risk, management continues to promote safety as a key focus across the Company. In addition, the Company has put in place appropriate plant and equipment and business interruption insurance to reduce the potential financial impact on operating risks.

EU Referendum
The UK Government has announced that the UK will leave the EU on 29 March 2019. EDF Energy has identified the key risks and is developing and deploying mitigating actions.

STRATEGIC REPORT (CONTINUED)

Going concern
The intention of the Directors is to wind up the Company, and as a result, the Directors have prepared the financial statements on the basis that the Company is no longer a going concern. No material adjustments have arisen as a result of ceasing to apply the going concern basis.

EDF Energy plc, the intermediate parent company, has agreed to continue to support the Company financially to meet liabilities as they fall due to the extent to which the Company is unable to meet these.

Approved by the Board on 26 September 2018 and signed on its behalf by:

David Tomblin
Director

DIRECTORS' REPORT

The Directors present their annual report and the financial statements for the year ended 31 December 2017.

Principal risks and uncertainties, going concern and a review of the business are discussed within the Strategic Report.

Directors
The Directors who held office during the year and to the date of this report were as follows:

Matthew Sykes

Darren Ramshaw

Gwen Parry-Jones (resigned 22 December 2017)

Michael Harrison (resigned 1 January 2018)

David Mitchell (resigned 5 February 2018)

The following Director was appointed after the year end:
David Tomblin (appointed 5 February 2018)

None of the Directors had a service contract with the Company in the current and prior year. They are all employed by associated companies within the group and no portion of their remuneration can be specifically attributed to their services to the Company. Details of total Directors' remuneration are available in the group accounts which are available to the public as set out in note 28.

No Director (2016: none) held any interest in the shares or debentures of the Company or the Group required to be disclosed under the Companies Act 2006.

Dividends
The Directors do not recommend payment of a dividend (2016: £nil).

Future developments
The future developments of the Company are outlined in the Principal activity section of the Strategic Report.

Political donations
The Company made no political donations in either the current or prior year.

Post balance sheet events
On 1 January 2018 EDF Energy (Thermal Generation) Limited acquired the 2,000MW coal-fired power station from EDF Energy (Cottam Power) Limited along with other associated trade and assets. EDF Energy (Thermal Generation) Limited also assumed an amount of EDF Energy (Cottam Power) Limited's liabilities with a fair value equal to that of the assets acquired.

Directors' liabilities
The Company has made qualifying third party indemnity provisions for the benefit of its Directors during the year and these remain in force at the date of this report.

DIRECTORS' REPORT (CONTINUED)

Disclosure of information to the auditor
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 auditor is aware of that information. The Directors confirm that there is no relevant information that they know of and of which they know the auditor is unaware.

This confirmation is given and should be interpreted in accordance with the provision of s.418 of the Companies Act 2006.

Reappointment of auditor
It is noted that under the provisions of the Companies Act 1985, the members have previously dispensed with the requirement to appoint auditors annually and that under the provisions of Section 487 of the Companies Act 2006, the current auditors are deemed to be re-appointed until such time that the directors or the members of the Company resolve otherwise. It is further noted that the Directors have been authorised to fix the remuneration of the auditors.

Approved by the Board on 26 September 2018 and signed on its behalf by:

....
David Tomblin
Director

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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including Financial Reporting Standard 101 "Reduced Disclosure Framework". 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 UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

Report on the audit of the financial statements

Opinion

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2017 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of EDF Energy (Cottam Power) Limited (the 'Company') which comprise:

- the Income Statement;
- the Balance Sheet;
- the Statement of Changes in Equity; and
- the notes 1 to 28.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

We draw attention to note 2 in the financial statements, which indicates that the financial statements have been prepared on a basis other than that of a going concern. Our opinion is not modified in respect of this matter.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF EDF ENERGY (COTTAM POWER) LIMITED (CONTINUED)

Other information
The Directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

Responsibilities of Directors
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, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report
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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF EDF ENERGY (COTTAM POWER) LIMITED (CONTINUED)

Report on other legal and regulatory requirements

Opinions on other matters 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
Under the Companies Act 2006 we are required to report in respect of the following matters 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.

We have nothing to report in respect of these matters.

....
Timothy Biggs, FCA (Senior Statutory Auditor)
For and on behalf of Deloitte LLP
Statutory Auditor

London, United Kingdom

26th September 2018

INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	2017 £ 000	2016 £ 000
Revenue	4	192,356	155,658
Fuel, energy and related purchases	5	(178,784)	(119,420)
Gross margin		**13,572**	36,238
Materials and contracting costs		(14,697)	(15,509)
Personnel expenses	7	(17,466)	(15,336)
Other operating expenses		(17,613)	(16,394)
Other operating income		1,224	-
Operating loss		**(34,980)**	(11,001)
Depreciation and amortisation		(26,540)	(24,922)
Impairment	8	(77,359)	-
Loss on disposal of property, plant and equipment		(19)	-
Loss before taxation and finance costs	9	**(138,898)**	(35,923)
Investment income	10	1,000	-
Finance costs	11	(4,967)	(6,698)
Loss before taxation		**(142,865)**	(42,621)
Taxation	12	24,688	7,714
Loss for the year		**(118,177)**	(34,907)

There were no recognised gains or losses during the current or prior year other than the profit/losses shown above. Accordingly, no separate statement of comprehensive income has been presented.

The above results were derived from discontinued operations in both the current and preceding year.

BALANCE SHEET
AT 31 DECEMBER 2017

	Note	2017 £ 000	2016 £ 000
Non-current assets			
Intangible assets	13	-	235
Property, plant and equipment	14	-	90,043
Investments in subsidiary undertakings	15	-	36
Deferred tax asset	16	-	10,883
		-	101,197
Current assets			
Inventories	17	-	9,014
Trade and other receivables	18	-	10,023
Current tax asset		-	24,318
Assets held for sale	19	138,663	-
		138,663	43,355
Total assets		138,663	144,552
Current liabilities			
Other liabilities	20	(216,393)	(199,896)
Short-term provisions	23	-	-
Obligations under finance lease	21	-	(29,785)
Borrowings	22	(120,000)	-
Liabilities held for sale	19	(138,663)	-
		(475,056)	(229,681)
Net current liabilities		(336,393)	(186,326)
Non-current liabilities			
Obligations under finance lease	21	-	(103,674)
Long-term provisions	23	-	(29,413)
		-	(133,087)
Total liabilities		(475,056)	(362,768)
Net liabilities		(336,393)	(218,216)

BALANCE SHEET
AT 31 DECEMBER 2017 (CONTINUED)

	Note	2017 £ 000	2016 £ 000
Capital and reserves			
Called up share capital	25	-	-
Retained losses		(336,393)	(218,216)
Shareholders' deficit		(336,393)	(218,216)

The financial statements of EDF Energy (Cottam Power) Limited (registered number 04074196) on pages 9 to 33 were approved by the Board and authorised for issue on 26 September 2018 and signed on its behalf by:

....
David Tomblin
Director

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2017

	Called up share capital £ 000	Retained losses £ 000	Total £000
At 1 January 2016	-	(183,309)	(183,309)
Loss for the year	-	(34,907)	(34,907)
At 31 December 2016	-	(218,216)	(218,216)
Loss for the year	-	(118,177)	(118,177)
At 31 December 2017	-	(336,393)	(336,393)

NOTES TO THE FINANCIAL STATEMENTS

1 General information

EDF Energy (Cottam Power) Limited is a private company limited by shares. It is incorporated in the United Kingdom under the Companies Act 2006 and is registered in England and Wales. The address of the Company's registered office is shown on the contents page.

Basis of preparation
The Company meets the definition of a qualifying entity under Financial Reporting Standard 101 (FRS 101) "Reduced Disclosure Framework". These financial statements were prepared in accordance with Financial Reporting Standard 101 (FRS 101) "Reduced Disclosure Framework".

Amendments to IFRSs that are mandatorily effective for the current year
The Company has adopted the amendments to IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation and the amendments to IFRSs included in the Annual Improvements to IFRSs 2012 - 2014 Cycle for the first time in the current year. The adoption of these amendments has had no impact on the Company's financial statements.

Adoption of new and revised International Financial Reporting Standards
At the date of authorisation of these financial statements, the following Standards and Interpretations were in issue but not yet mandatory and therefore not adopted; IFRS 15 Revenue from Contracts with Customers, IFRS 9 Financial Instruments and IFRS 16 Leases.

On 22 September 2016, the European Union (EU) adopted IFRS 15 "Revenue from Contracts with Customers", which will be mandatory for financial years beginning on or after 1 January 2018. The full retrospective approach will be applied for IFRS 15 and the impact of adopting this standard is not deemed to have a material impact in the Company's accounts.

The Company intends to apply the new rules introduced by IFRS 9 "Financial Instruments" from 1 January 2018. Application of this new standard is not expected to have any significant impacts on the financial statements at the transition date. Implementation of these provisions is currently ongoing in the Company.

IFRS 16 "Leases" was adopted by the European Union on 31 October 2017 and will be mandatory for financial years beginning on or after 1 January 2019. The Company has no plans for early application of this standard. Data collection and analysis works are being carried out and the Company is continuing its calculations regarding the impact of the first application of IFRS 16.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2 Accounting policies

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

The financial statements have been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for the asset. The financial statements are presented in pounds sterling as that is the currency for the primary economic environment in which the Company operates.

Summary of disclosure exemptions
The Company has taken advantage of the following disclosure exemptions under FRS 101:

a) The requirements of IFRS 7 Financial Instruments: Disclosures;
b) the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement;
c) the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:
(i) paragraph 79(a)(iv) of IAS 1;
(ii) paragraph 73(e) of IAS 16 Property, Plant and Equipment;
(iii) paragraph 118(e) of IAS 38 Intangible Assets;
(iv) paragraphs 76 and 79(d) of IAS 40 Investment Property;
(v) paragraph 50 of IAS 41 Agriculture;

d) the requirements of paragraphs 10(d), 10(f), 39(c) and 134-136 of IAS1 Presentation of Financial Statements;
e) the requirements of IAS 7 Statement of Cash Flows;
f) the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;
g) the requirements of paragraph 17 of IAS 24 Related Party Disclosures;
h) the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member; and
i) the requirements of paragraphs 130(f)(ii), 130(f)(iii), 134(d)-134(f) and 135(c)-135(e) of IAS 36 Impairment of Assets.

Where relevant, equivalent disclosures have been given in the Group accounts which are available to the public as set out in note 28.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2 Accounting policies (continued)

Going concern

The intention of the Directors is to wind up the Company, and as a result, the Directors have prepared the financial statements on the basis that the Company is no longer a going concern. No material adjustments have arisen as a result of ceasing to apply the going concern basis.

EDF Energy plc, the intermediate parent company, has agreed to continue to support the Company financially to meet liabilities as they fall due to the extent to which the Company is unable to meet these.

Exemption from preparing group accounts

The financial statements contain information about EDF Energy (Cottam Power) Limited as an individual company and do not contain consolidated financial information as the parent of a group. The company is exempt under section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements as it and its subsidiary undertakings are included by full consolidation in the consolidated financial statements of EDF Energy Holdings Limited, a company incorporated in United Kingdom.

Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and provision of services in the ordinary course of the company's activities. Revenue is shown net of sales/value added tax, returns, rebates and discounts and after eliminating sales within the company.

The company recognises revenue when:
- the amount of revenue can be reliably measured;
- it is probable that future economic benefits will flow to the entity; and
- specific criteria have been met for each of the company activities.

Taxation

Current tax

Current tax, including UK corporation tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted by the balance sheet date. The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2 Accounting policies (continued)

Deferred tax
Deferred tax is provided or recognised in full using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax arising from (1) the initial recognition of goodwill, (2) the initial recognition of assets or liabilities in a transaction (other than in a business combination) that affects neither the taxable profit nor the accounting profit, or (3) differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future, is not provided for.

Deferred tax assets are recognised to the extent it is more likely than not that future taxable profits will be available against which the temporary differences can be utilised. The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply for the period when the asset is realised or the liability is settled based on tax laws and rates that have been enacted or substantively enacted at the balance sheet date.

Current tax and deferred tax for the year
Current tax and deferred tax are recognised in the income statement, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current tax and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

Property, plant and equipment
Property, plant and equipment is stated in the statement of financial position at cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

The cost of property, plant and equipment includes directly attributable incremental costs incurred in their acquisition and installation.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2 Accounting policies (continued)

Depreciation

Depreciation is charged so as to write off the cost of assets, other than land and assets under construction over their estimated useful lives, as follows:

Asset class	**Depreciation method and rate**
Flue gas desulphurisation	Up to 20 years*
Outage/Overhaul	4 Years
Coal generation station	Over the remaining 3 year life of the power station (to 31 December 2020)
Vehicles, equipment and fittings	3 to 20 years*

*or over the remaining 3 year life of the power station (to 31 December 2020)

Assets recognised in the course of construction are included under assets under construction and will be depreciated when the plant is commissioned and ready for use.

EU Emissions trading scheme and Renewable Obligations Certificates

The Company recognises its free emissions allowances received under the National Allocation Plan at zero cost. Purchased emissions allowances are initially recognised at cost (purchase price) within intangible assets. A liability is recognised when the level of emissions exceeds the level of allowances granted. The liability is measured at the cost of purchased allowances up to the level of purchased allowances held, and then at the market price of allowances ruling at the balance sheet date. Movements are recognised within operating profit.

Intangible assets

IT software

IT software is initially recognised at cost and is amortised on a straight-line basis over a useful economic life of 3-8 years.

Investments

Fixed asset investments are shown at cost less any provision for impairment. Current assets investments are stated at the lower of cost and net realisable value.

An investment is derecognised on disposal. Gains or losses arising from derecognition of an investment, measured as the difference between the net disposal proceeds and the carrying amount of the investment, are recognised in profit or loss when the investment is derecognised.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2 Accounting policies (continued)

Trade receivables
Trade receivables are amounts due from customers for sales of commodities, goods and services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at the transaction price. They are subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for the impairment of trade receivables is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of the receivables.

Inventories
Inventories are stated at the lower of cost and net realisable value. Cost is determined using a weighted average method.

The cost of finished goods and work in progress comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. At each reporting date, inventories are assessed for impairment. If inventory is impaired, the carrying amount is reduced to its selling price less costs to complete and sell; the impairment loss is recognised immediately in the income statement.

Non-current assets and disposal groups classified as held for sale
Non-current assets and disposal groups classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell.

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than continuing use. This condition is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. The Group must be committed to the sale which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Trade payables
Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at the transaction price and subsequently measured at amortised cost using the effective interest method.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2 Accounting policies (continued)

Borrowing costs
Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are added to the cost of those assets until such time that the assets are substantially ready for their intended use. Qualifying assets are assets which take a substantial period of time to get ready for their intended use or sale.

In instances where the Company borrows funds specifically for the purpose of obtaining a qualifying asset, the borrowing costs incurred are the borrowing costs that are capitalised. In instances where the Company borrows funds generally and uses them for the purpose of obtaining a qualifying asset, a capitalisation rate is applied based on the weighted average cost of general borrowings during the period.

All other borrowing costs are recognised in the income statement in the period in which they are incurred.

Provisions
Provisions are recognised when the company has a present obligation (legal or constructive) as a result of a past event, it is probable that the group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the reporting date and are discounted to present value where the effect is material.

Leases
Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee.

Assets held under finance leases are recognised as non-current assets of the company at the lower of their fair value at the date of commencement of the lease and at the present value of the minimum lease payments. These assets are depreciated on a straight-line basis over the shorter of the useful life of the asset and the lease term. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance costs in the income statement and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2 Accounting policies (continued)

Impairment of non-financial assets
At each balance sheet date, the Company reviews the carrying amounts of its fixed assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss, if any. Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the investment.

Recoverable amount is the higher of the fair value less costs to sell and the value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-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.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in the income statement.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in the income statement.

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 (CONTINUED)

3 Critical accounting judgments and key sources of estimation uncertainty

In the application of the Company's accounting policies, described in note 2, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these 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.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Asset impairment
The Company performs impairment testing of tangible assets where there is an indication of potential impairment. Further information about impairment assets can be found in note 8. The impairment review involves a number of assumptions including discount rates, output values, asset lives and forward power prices.

Decommissioning provisions
The Company has provided for decommissioning on its power station. This provision is based on the experience of other companies within the EDF Group, adjusted for specific issues associated with each power station and are discounted to the present value of future payments. Expected future costs of decommissioning are monitored to ensure that the provision remains at an adequate level. Further information about decommissioning provisions can be found in note 23.

Critical judgements in applying accounting policies

There are no critical judgements that the Directors have made in the process of applying the accounting policies of the Company, that are deemed to have a significant effect on the amounts recognised in the financial statements.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4 Revenue

Revenue, which is stated net of value added tax, arises entirely in the United Kingdom and is attributable to the activity of the operation of a coal fired power station.

The analysis of the Company's revenue for the year from discontinued operations is as follows:

	2017 £ 000	2016 £ 000
Sales of goods and services	192,346	155,618
Other revenue	10	40
	192,356	155,658

Other revenue relates to miscellaneous electricity income.

5 Fuel, energy and related purchases

	2017 £ 000	2016 £ 000
Carbon certificates	61,500	29,121
Other energy related purchases	112,166	90,299
Transportation Costs	5,118	-
	178,784	119,420

Other energy related purchases includes amounts recharged from EDF Energy plc. In 2017 transportation costs include amounts recharged from EDF Energy plc.

6 Directors' remuneration

None of the Directors had a service contract with the Company in the current or prior year. They are all employed by associated companies within the Group and no portion of their remuneration can be specifically attributed to their services to the Company. Details of total Directors' remuneration is available in the Group accounts, which are available to the public as set out in note 28.

No Director (2016: none) held any interests in the shares or debentures of the Company or the Group required to be disclosed under the Companies Act 2006.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

7 Personnel expenses

The aggregate payroll costs were as follows:

	2017 £ 000	2016 £ 000
Wages and salaries	11,716	11,377
Social security costs	1,390	1,231
Pension costs	4,360	2,711
Severance	-	17
	17,466	15,336

The Company has no employees. The contracts for the majority of staff are with EDF Energy (Energy Branch) Limited. Senior staff contracts are with EDF Energy plc. The amount recharged for staff costs from other Group companies in the current year was £17,466k (2016: £15,336k).

The Company accounts for its share of group defined benefit pension schemes based on staff working on Company activities. Included above is a charge for such pension schemes of £4,360k (2016: £2,711k). The pension deficit associated with these staff sits with their employing company.

8 Impairment

	2017 £ 000	2016 £ 000
Impairment of property, plant, equipment and IT software	77,359	-

In 2017 the impairment charge of £77,359k (2016: nil) relates to the Coal plant at Cottam. In view of the continuing low dark spreads and low capacity market prices in 2017, the Coal plant was subjected to an impairment test. A recoverable amount of £16m was calculated based on the fair value less costs to sell, against a carrying value of £93.4m which resulted in an impairment of £77.4m. The fair value was estimated based on discounted cash flows over its expected useful life. The main assumptions used for the calculations were the discount rate 6.3% (2016: 6.4%).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

9 Loss for the year

Loss for the year has been arrived at after charging the following gains and losses:

	2017 £ 000	2016 £ 000
Depreciation expense (note 14)	26,530	24,898
Amortisation expense (note 13)	10	24
Impairment loss (note 8)	77,359	-
Loss on disposal of property, plant and equipment	19	-

In 2017 an amount of £38,791 (2016: £37,845) was paid to Deloitte LLP for audit services. This charge was borne by another Group company in both the current and prior year. In 2017, amounts payable to Deloitte LLP by the Company in respect of other assurance services was £nil (2016: £nil).

10 Investment income

	2017 £ 000	2016 £ 000
Other investment income	1,000	-

Other investment income relates to the release of an accrual for late payment interest on tax.

11 Finance costs

	2017 £ 000	2016 £ 000
Interest payable on loans from other Group companies	563	1,038
Finance charges payable under finance leases	3,666	4,836
Unwinding of discount on provisions	738	824
	4,967	6,698

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

12 Tax

(a) Tax credited in the income statement

	2017 £ 000	2016 £ 000
Current taxation		
UK corporation tax credit on loss made in the year	(20,021)	(10,298)
Adjustments in respect of previous years' reported tax (credits)/charges	(1,124)	1,238
Total current tax credit for the year	(21,145)	(9,060)
Deferred taxation		
Current year (credit)/charge	(2,773)	1,907
Adjustments in respect of previous years' reported tax credits	(864)	(1,162)
Effect of decreased tax rate on opening balance	94	601
Total deferred tax (credit)/charge for the year	(3,543)	1,346
Income tax credit reported in the income statement	(24,688)	(7,714)

(b) The tax on loss before tax for the year is higher (2016: higher) than the standard rate of corporation tax in the UK of 19.25% (2016: 20.00%).

The credit for the year can be reconciled to the loss in the income statement as follows:

	2017 £ 000	2016 £ 000
Loss before taxation	(142,865)	(42,621)
Tax at the UK corporation tax rate of 19.25% (2016: 20.00%)	(27,502)	(8,524)
Effect of:		
Other non-deductible expenses and non-taxable income	2,890	418
Group relief surrendered for nil consideration	1,496	-
Current year effect of deferred tax rate change	322	(285)
Adjustment to prior-year corporation tax (credit)/charge	(1,124)	1,238
Adjustment to prior-year deferred tax credit	(864)	(1,162)
Impact of decreased tax rate on opening deferred tax balance	94	601
Tax credit reported in the income statement	(24,688)	(7,714)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

12 Tax (continued)

(c) Other factors affecting the tax charge for the year:

Changes to the main rate of corporation tax were announced in Finance (No. 2) Act 2015. These comprised a reduction in the main rate of corporation tax for the financial year beginning 1 April 2017 from 20% to 19% and a further reduction for the financial year beginning 1 April 2020 from 19% to 18%.

Finance Act 2016 announced a reduction in the main rate of corporation tax for the financial year beginning 1 April 2020 from 18% to 17%.

The closing deferred tax balance at 31 December 2017 has been calculated at 17.25% (31 December 2016: 17.4%). This is the average tax rate at which the reversal of the net deferred tax asset is expected to occur.

13 Intangible assets

	EU Emissions trading certificates £ 000	IT software £ 000	Total £ 000
Cost or valuation			
At 1 January 2017	-	832	832
Additions	14,825	-	14,825
At 31 December 2017	14,825	832	15,657
Amortisation			
At 1 January 2017	-	597	597
Amortisation charge	-	10	10
Impairment	-	225	225
Transfer to held for sale	14,825	-	14,825
At 31 December 2017	14,825	832	15,657
Carrying amount			
At 31 December 2017	-	-	-
At 31 December 2016	-	235	235

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

14 Property, plant and equipment

	Land and buildings £ 000	Vehicles, equipment and fittings £ 000	Other property, plant and equipment £ 000	Overhaul generation asset £ 000	Assets under construction £ 000	Total £000
Cost						
At 1 January 2017	396,437	6,215	398,402	192,869	18,800	1,012,723
Additions	82	-	-	-	9,796	9,878
Change in decommissioning estimate	-	-	20,162	-	-	20,162
Disposals	(359)	-	(9,462)	(134,112)	-	(143,933)
Transfers	16,318	31	3,555	8,692	(28,596)	-
At 31 December 2017	412,478	6,246	412,657	67,449	-	898,830
Depreciation						
At 1 January 2017	385,860	4,174	349,830	182,816	-	922,680
Charge for the year	2,566	61	19,717	4,186	-	26,530
Eliminated on disposal	(344)	-	(9,458)	(134,112)	-	(143,914)
Impairment	7,996	2,011	52,568	14,559	-	77,134
Transfer to held for sale	16,400	-	-	-	-	16,400
At 31 December 2017	412,478	6,246	412,657	67,449	-	898,830
Carrying amount						
At 31 December 2017	-	-	-	-	-	-
At 31 December 2016	10,577	2,041	48,572	10,053	18,800	90,043

A finance lease related to land and buildings was terminated in the year resulting in a net book value of £nil (2016: £10.2m). Depreciation for the period to termination on the assets was £2.6m (2016: £1.0m).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

15 Investment in subsidiary undertakings

	£000
Cost	
At 1 January 2017	36
Disposals during the year	(36)
At 31 December 2017	-
Carrying amount	
At 31 December 2017	-
At 31 December 2016	36

During 2017, Jade Power Generation Limited was placed in voluntary liquidation and subsequently dissolved.

16 Deferred tax

The following are the major deferred tax liabilities and assets recognised by the Company and movements thereon during the current and prior reporting period:

	Accelerated capital allowances £000
At 1 January 2016	12,229
Credit/(charge) to income:	
- *current year*	(1,907)
- *adjustments in respect of previous years' reported tax charges*	1,162
- *effect of decreased tax rate on opening liability*	(601)
At 1 January 2017	10,883
Credit/(charge) to income:	
- *current year*	2,773
- *adjustments in respect of previous years' reported tax charges*	864
- *effect of decreased tax rate on opening liability*	(94)
Transfer to held for sale	(14,426)
At 31 December 2017	-

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

16 Deferred tax (continued)

	2017	2016
	£000	£000
Deferred tax assets	-	10,883

A deferred tax asset is recognised as the group is expected to be profit making in future accounting periods and any taxable loss arising in the company will be surrendered for group relief. The company is expected to receive payment for surrendered group relief at the standard rate of corporation tax in the period of surrender.

17 Inventories

	2017	2016
	£ 000	£ 000
Raw materials and consumables	45,069	9,014
Transfer to held for sale	(45,069)	-
	-	9,014

Cost of inventories recognised as expense during the year was £147,903k (2016: £93,675k).

18 Trade and other receivables

	2017	2016
	£ 000	£ 000
Trade receivables	209	240
Amounts owed by other Group companies	206	6,130
Prepayments	-	56
Accrued Income	439	-
Other debtors	1,625	3,597
Transfer to held for sale	(2,479)	-
	-	10,023

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

19 Assets and liabilities held for sale

On 22 December 2017, the Directors of the Company entered into an agreement to sell the 2,000MW coal-fired power station along with other associated trade and assets to EDF Energy (Thermal Generation) Limited. The disposal group was classified as held for sale on 22 December 2017, at which date the disposal group was available for immediate sale and the sale was highly probable.

The sale was completed subsequent to the year end on 1 January 2018 and the disposal group is presented as a discontinued operation and disposal group held for sale in the Financial Statements.

Assets and Liabilities held for sale at 31 December 2017 consisted of the fixed assets, trading assets and liabilities of the 2,000MW coal-fired power station within EDF Energy (Cottam Power) Limited as presented below:

	2017	2016
	£ 000	£ 000
Non-current assets		
Intangible assets (note 13)	14,825	-
Property, plant and equipment (note 14)	16,400	-
Deferred tax asset (note 16)	14,426	-
Current assets		
Inventories (note 17)	45,069	-
Trade and other receivables (note 18)	2,479	-
Current tax asset	45,464	-
Assets classified as held for sale	138,663	-
Non-current liabilities		
Long-term provisions (note 23)	(44,691)	-
Current liabilities		
Other liabilities (note 20)	(79,607)	-
Short-term provisions (note 23)	(14,365)	-
Liabilities classified as held for sale	(138,663)	-
Net assets classified as held for sale	-	-

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

20 Other liabilities

	2017 £ 000	2016 £ 000
Trade payables	3,240	4,674
Accruals	121,083	14,211
Amounts owed to other Group companies	171,677	181,011
Transfer to held for sale	(79,607)	-
	216,393	199,896

The Company is included in a cash concentration arrangement which physically offsets cash balances and overdrafts with other participating Group companies. In the current year the element of the Company overdraft of £44,193k (2016: £179,497k) which relates to the collective net overdraft balance is shown above within amounts owed to other Group companies and was not transferred to liabilities held for sale.

Amounts owed to other Group companies bears interest based on the LIBOR rate and is repayable on demand.

21 Obligations under finance leases

	Minimum lease payments		Present value of minimum lease payments	
	2017	2016	**2017**	2016
	£000	£000	**£000**	£000
Within one year	-	34,247	-	32,403
After one year but not more than five years	-	110,239	-	101,056
More than five years	-	-	-	-
	-	144,486	-	133,459
Less: future finance charges	-	(11,027)		
Present value of minimum lease payments	-	133,459		
Within one year	-	29,785		
After one year	-	103,674		

The finance lease between EDF Energy (Cottam Power) Limited and another EDF Group company was terminated early in December 2017.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

22 Borrowings

	2017 £ 000	2016 £ 000
Loans and borrowings		
Loans from other Group companies	120,000	-

Borrowings from other Group companies bear interest based on the LIBOR rate and are repayable on demand.

23 Provisions for liabilities

	Decommissioning £ 000	Carbon provision £ 000	Total £ 000
At 1 January 2017	23,791	5,622	29,413
Arising during the year	-	14,365	14,365
Utilised during the year	-	(5,622)	(5,622)
Unwinding of discount	738	-	738
Change in estimate	20,162	-	20,162
Transfer to held for sale	(44,691)	(14,365)	(59,056)
At 31 December 2017	-	-	-

The provisions for obligations under EU emissions represent the additional certificates required to cover the Group's carbon emissions. It is expected that this provision will be utilised in 2018 because the Group is required to provide carbon certificates on an annual basis.

The decommissioning provision is to provide for the future costs of decommissioning the generation assets including Cottam power station. This provision has been calculated on a discounted basis at a discount rate of 3.1% (2016: 3.2%), unwound over the current remaining period to decommissioning, currently estimated to be to 31 December 2020.

The provisions have been split as follows:

			2017			2016
	Current	Non-Current	Total	Current	Non-Current	Total
	£000	£000	£000	£000	£000	£000
Decommissioning	-	44,691	44,691	-	23,791	23,791
Carbon provision	14,365	-	14,365	-	5,622	5,622
Transfer to held for sale	(14,365)	(44,691)	(59,056)	-	-	-
	-	-	-	-	29,413	29,413

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

24 Commitments

Other financial commitments

The total amount of capital commitments not provided in the financial statements was £70,080k (2016: £60,149k).

25 Share capital

Allotted, authorised, called up and fully paid shares

	2017 No.	2017 £	2016 No.	2016 £
Ordinary shares of £1 each	100	100	100	100

The Company has one class of ordinary shares which carry no right to fixed income.

26 Related party transactions

The Company has taken advantage of the exemption in FRS 101 Reduced Disclosure Framework from disclosing transactions with other members of the Group, which would otherwise be required for disclosure under IAS 24.

27 Post balance sheet events

On 1 January 2018 EDF Energy (Thermal Generation) Limited acquired the 2,000MW coal-fired power station from EDF Energy (Cottam Power) Limited along with other associated trade and assets. EDF Energy (Thermal Generation) Limited also assumed an amount of EDF Energy (Cottam Power) Limited's liabilities with a fair value equal to that of the assets acquired.

28 Parent undertaking and controlling party

EDF Energy (Energy Branch) Limited holds a 100% interest in the Company and is considered to be the immediate parent company. EDF Energy Holdings Limited is the smallest group for which consolidated financial statements are prepared. Copies of that company's consolidated financial statements may be obtained from the registered office at 90 Whitfield Street, London, W1T 4EZ.

At 31 December 2017, Électricité de France SA, a company incorporated in France, is regarded by the Directors as the Company's ultimate parent company and controlling party. This is the largest group for which consolidated financial statements are prepared. Copies of that company's consolidated financial statements may be obtained from the registered office at Électricité de France SA, 22-30 Avenue de Wagram, 75382, Paris, Cedex 08, France.