

# **GDF SUEZ Teesside Limited**

## **Annual Report and Financial Statements**

For the year ended 31 December 2015



**Director**

S Pinnell

**Secretary**

S Gregory

**Auditor**

Deloitte LLP

Chartered Accountants and Statutory Auditor

2 New Street Square

London

EC4A 3BZ

United Kingdom

**Bankers**

Barclays Bank PLC

50 Pall Mall

London

SW1A 1QF

**Registered Office**

Level 20

25 Canada Square

London

E14 5LQ

## Strategic report

Registered No: 02464040

The director presents the Strategic report of GDF Suez Teesside Limited for the year ended 31 December 2015. In preparing the Strategic Report, the director has complied with S414(c) of the Companies Act 2006.

### Principal activities, review of the business and future developments

The principal activity of the Company up until April 2015 was the generation of electricity and the supply of gas to third party offtakers from the gas pipeline. In preparation for possible future redevelopment, a power station demolition programme commenced in April 2013. The Company continued to operate and maintain the gas pipeline, providing gas transportation and supply services to two offtakers connected to the pipeline and maximise the income from surplus EU Emission Trading Scheme certificates. Since the Company was acquired by the ENGIE group (formerly GDF Suez group) the Company's long term plan has been to review redevelopment opportunities at the Teesside Power Station site. As current market conditions remain depressed due to oversupply of generation, the ENGIE group revised their long term plan to redevelop the Teesside Power Station site. The Company undertook a programme to prepare the site for return to the site owners and prepare the gas pipeline for decommissioning or sale, at the end of the lease term in July 2015. The gas transportation and supply agreements ceased in April 2015. The Net Book Value of the pipeline was impaired in the prior year by £5,623,000 to £Nil. On the 7 August 2015, the gas pipeline was sold for a nominal £1 fee. As a result, these financial statements have been prepared on the basis that the Company is no longer a going concern. Further details are included in Note 1 to the financial statements.

The Company's key financial and other performance indicators during the year were as follows:

	2015	2014	Change %
Revenue (£'000)	63	3,791	(98)
Gross (loss) / income (£'000)	(653)	5,057	(113)
Profit before interest and tax (£'000)	1,064	2,304	(54)

Revenue has decreased by 98% in 2015 compared to 2014. The decrease in revenue is primarily due to the sale of EU Emission Trading Scheme (EUETS) certificates in 2014, not repeated in the current year (2015: £nil, 2014: £3,543,000). Additionally, the company ceased trading in April 2015, when it ceased to supply gas to third party offtakers from the gas pipeline.

The Company recorded a gross loss of £653,000 (2014: profit £5,057,000) mainly due to the aforementioned final income from EU Emission Trading Scheme (EU ETS) certificates received in 2014 (2015: £nil, 2014: £3,543,000), and the non domestic rates refund of prior year costs of £3,332,000 due to a successful appeal of the Rateable Value attributed to the power station and pipelines, received in 2014. The loss on operations before interest and tax in 2015 reduced to a profit of £1,064,000 (2014: £2,304,000) due mainly to the reduction in revenue and increase in cost of sales detailed above, offset by a credit in exceptional operating costs (2015: credit £1,802,000 2014: charge £1,982,000) due to the receipt of further scrap sales from the demolition process and demolition costs in 2015 having been being fully provided in 2014.

On 24 April 2015, the Company received a capital injection of £87,000,000 from its immediate parent company following a rights issue of 2 new ordinary shares of £1 each on the basis of one new share for every 70,965,051 ordinary shares of £1 each registered in the name of the ordinary shareholder of the Company named in the register of members on 24 April 2015 for a total subscription price of £87,000,000, representing an aggregate premium of £86,999,998.

On 24 April 2015 the Company repaid £141,736,066 of outstanding loan capital and accrued interest to Electrabel Invest Luxembourg SA.

On 31 July 2015 the Teesside Power Station site lease expired and the site was handed back to the landlord.

On 7 August 2015 the gas pipelines, Above Ground Installations (AGIs) and ancillary apparatus were sold for a nominal £1.

The profit after tax, and capital injection in 2015 resulted in an decrease in the Company's net liabilities during the year to net liabilities of £70,668,000 (2014: £162,997,000), including cash and short term deposits of £2,858,000 (2014: £58,822,000).

The Director's current intention is to liquidate the Company on completion of all outstanding issues. Further details are included in note 1 to the financial statements.

## Strategic report (continued)

Registered No: 02464040

### Principal risks and uncertainties facing the Company

With the demolition of the power station and sale of the gas pipeline, the key risk to the Company is the loss of staff and corporate memory. The Company will continue to be managed by regional functional teams, with access to document archives and details of outstanding issues.

It is noted that HMRC have issued closure notices in respect of enquiries for 2006 to 2008 tax returns with specific reference to the operations of Teesside Recoveries and Investments Limited ("TRAIL"). In 2013, a provision for £75,996,000 being the tax and accrued interest on disputed taxable profits of the operations of Teesside Recoveries and Investments Limited was recognised. Following the enactment of the accelerated payments legislation in the Finance Act 2014, on 18 December 2014, HMRC issued accelerated payment notices to the Company for £60,016,000. The accelerated payment was made to HMRC on 18 March 2015 by the original owners of the Company. The Company recognised the reduction in the TRAIL provision by the accelerated payment amount and recognised a non-current liability for the same amount with the ultimate shareholders. The original sellers of the Company to the current shareholders, continue to appeal the case with HMRC.

The Company's treasury policies seek to reduce and minimise financial risk and ensure sufficient liquidity for foreseeable needs. Virtually all transactions are in £ sterling, however, where appropriate the group hedges foreign exchange transactions to minimise exposure to foreign exchange movements.

Management information systems provide the executive management team and director with relevant and timely reports that identify significant deviations from approved plans and include regular re-forecasts for the year, in order to facilitate timely analysis and appropriate decisions and actions.

There is a ENGIE group instruction manual setting out policies and procedures with which the UK companies are required to comply. The executive management team are responsible for ensuring that the UK companies observe and implement the policies and procedures set out in the manual which is regularly reviewed and updated.

### Events since the balance sheet date

There have been no other events since the balance sheet date which should be considered for a proper understanding of these financial statements.

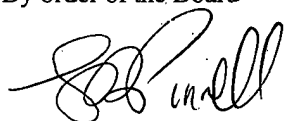
### Employees

The Company operates a framework for employee information and consultation which complies with the requirements of the information and consultation of employees regulations 2005. During the year, the policy of providing employees with information, including information relating to the economic and financial factors effecting the performance of the Company, has been continued through the newsletter in which employees have also been encouraged to present their suggestions and views on the group's performance. Regular meetings are held between local management and employees to allow a free flow of information and ideas.

### Environmental policy

The Company is committed to reducing its impact on the environment. As part of this commitment the Company actively promotes and encourages energy efficiency and recycling wherever possible.

By order of the Board



S Pinnell, Director

27 September 2016

## Director's report

Registered No: 02464040

The director present his annual report and the audited financial statements of the Company for the year ended 31 December 2015.

### Matters included in the Strategic report

In accordance with s414(C) (11) of the Companies Act, included in the Strategic Report is information relating to financial risk management and future developments which would otherwise be required by Schedule 7 of the 'large and medium sized companies and groups (accounts and reports) regulation 2008' to be contained in a Director's Report

### Results and dividends

The results for the year after taxation amounted to a profit of £5,329,000 (2014: loss of £5,496,000). This is all attributable to the members of the Company.

The director is unable to recommend the payment of a dividend (2014: same).

### Going concern

As a result of the demolition of the power station site, expiry of the site lease, cessation of commercial operations in April 2015 and sale of the gas pipeline, these accounts have been prepared on the basis that the Company is no longer a going concern. The Director's current intention is to liquidate the Company on completion of all outstanding issues. Further details are included in note 1 to the financial statements.

### Directors

The directors who served during the year ended 31 December 2015 and thereafter were:

P W Evans	(Resigned 13 April 2016)
S D Pinnell	(Appointed 01 January 2016)
S Riley	(Resigned 31 December 2015)

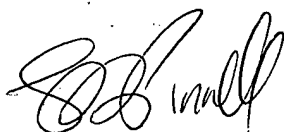
### Auditor

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

The director who was a member of the board at the time of approving the director's report is included in the list above. Having made enquiries of fellow directors and of the Company's auditor, the director confirms that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- he has taken all the steps he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

By order of the Board



S Pinnell

Director

27 September 2016

## Director's responsibilities statement

The director is 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 International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under Company law the director 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, International Accounting Standard 1 requires that director:

- properly selects and apply accounting policies;
- presents information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provides additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- makes an assessment of the Company's ability to continue as a going concern.

The director is 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 GDF SUEZ Teesside Limited**

We have audited the financial statements of GDF Suez Teesside Limited for the year ended 31 December 2015 which comprise the Income Statement, the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, the Statement of Cashflows and the related notes 1 to 23. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

## **Respective responsibilities of director and auditor**

As explained more fully in the Director's Responsibilities Statement, the director is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

## **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the director; and the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the financial statements 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.

## **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2015 and of its loss for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 1 to the financial statements, which explains that the financial statements have been prepared on a basis other than that of a going concern.

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

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

## Independent auditor's report to the members of GDF SUEZ Teesside Ltd (continued)

### Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.



Makhan Chahal (Senior Statutory Auditor)

for and on behalf of Deloitte LLP, Chartered Accountants and Statutory Auditor  
London, United Kingdom

29th September 2016

## Income statement

	Note	2015 £'000	2014 £'000
<b>Revenue</b>	3	63	3,791
Cost of sales		(716)	1,266
<b>Gross (loss) / profit</b>		(653)	5,057
Distribution costs		-	(5)
Administrative expenses		(85)	(766)
Net operating costs - exceptional	4	1,802	(1,982)
Other operating income	4	-	-
<b>Operating profit</b>	4	1,064	2,304
Finance revenue	6	98	256
Finance costs	7	(1,604)	(4,816)
Valuation gains on fair value hedges – commodity contracts	17	-	-
<b>Loss before taxation</b>		(442)	(2,256)
Tax credit / (charge)	8	5,771	(3,240)
<b>Profit / (loss) for the year</b>		5,329	(5,496)

All amounts relate to discontinued activities.

## Statement of comprehensive income

		2015	2014
	Note	£'000	£'000
Profit / (loss) for the year		5,329	(5,496)
<b>Other comprehensive (expense) / income</b>			
Other comprehensive expense, net of tax		-	-
<b>Total comprehensive expense for the year</b>		<b>5,329</b>	<b>(5,496)</b>

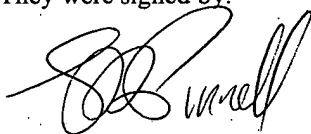
All of the above expense is attributable to the owners of the Company.

## Statement of financial position

	Note	At 31 December 2015 £'000	At 31 December 2014 £'000
<b>Non-current assets</b>			
Property, plant and equipment	9	-	-
Deferred tax asset	8	-	-
<b>Total non-current assets</b>		-	-
<b>Current assets</b>			
Trade and other receivables	11	270	1,425
Cash and short term deposits	12	2,858	58,822
<b>Total current assets</b>		3,128	60,247
<b>Current liabilities</b>			
Trade and other payables	13	(309)	(1,227)
Interest bearing loans and borrowings	14	-	(141,000)
Corporation tax		(13,368)	(18,716)
Provisions	15	(103)	(2,285)
<b>Total current liabilities</b>		(13,780)	(163,228)
<b>NET CURRENT LIABILITIES</b>		<b>(10,652)</b>	<b>(102,981)</b>
<b>Non-current liabilities</b>			
Interest bearing loans and borrowings	14	(60,016)	(60,016)
<b>NET LIABILITIES</b>		<b>(70,668)</b>	<b>(162,997)</b>
<b>Capital and reserves</b>			
Share capital	18	141,930	141,930
Share premium		94,000	7,000
Retained loss		(306,598)	(311,927)
<b>TOTAL DEFICIT</b>		<b>(70,668)</b>	<b>(162,997)</b>

The financial statements of GDF Suez Teesside Limited, registered number 02464040, were approved by the Director and authorised for issue on 27 September 2016.

They were signed by:



S Pinnell  
Director

## Statement of changes in equity

for the years ended 31 December 2015 and 31 December 2014

	Equity Share Capital £'000	Share Premium £'000	Retained Losses £'000	Total Deficit £'000
At 1 January 2014	141,930	7,000	(306,431)	(157,501)
Loss for the year	-	-	(5,496)	(5,496)
At 31 December 2014	141,930	7,000	(311,927)	(162,997)
At 1 January 2015	141,930	7,000	(311,927)	(162,997)
Share issue	-	87,000	-	87,000
Profit for the year	-	-	5,329	5,329
At 31 December 2015	141,930	94,000	(306,598)	(70,668)

## Statement of cash flows

	Note	2015 £'000	2014 £'000
<b>Operating activities</b>			
Profit / (loss) after taxation		5,329	(5,496)
<i>Adjustments to reconcile profit after taxation to net cash flows from operating activities</i>			
Depreciation of property, plant and equipment		-	687
Impairment of property, plant and equipment		-	5,623
Amortisation of intangible assets		-	6
Finance income		(98)	(256)
Finance cost		1,604	4,816
Income tax charge		(5,771)	3,240
Increase/(decrease) in provisions		(2,182)	1,013
Decrease in trade and other receivables		1,149	5,329
Decrease in trade and other payables		(613)	(2,208)
<b>Cash (used) / generated from operations</b>		<b>(580)</b>	<b>12,754</b>
Interest paid		(1,491)	(3,021)
Interest received		104	254
Tax received		3	1,699
<b>Net cash flows from operating activities</b>		<b>(1,964)</b>	<b>11,686</b>
Repayment of borrowings	14	(141,000)	-
Proceeds on issue of shares		87,000	-
<b>Net cash flows used in financing activities</b>		<b>(54,000)</b>	<b>-</b>
<b>Net (decrease) / increase in cash and cash equivalents</b>		<b>(55,964)</b>	<b>11,686</b>
<b>Cash and cash equivalents at 1 January</b>		<b>58,822</b>	<b>47,136</b>
<b>Cash and cash equivalents at 31 December</b>	12	<b>2,858</b>	<b>58,822</b>

## Notes to the financial statements

### 1. Authorisation of financial statements and statement of compliance with IFRSs

GDF SUEZ Teesside Limited is a private limited company incorporated and domiciled in England & Wales.

The Company's financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union as they apply to the Financial Statements of the Company for the year ended 31 December 2015. The principal accounting policies adopted by the Company are set out in note 2.

#### Going concern

As explained in the Strategic report, the ENGIE group revised their plan to redevelop the Teesside Power Station Site and a programme was completed to return the site to the owners at the expiry of the site lease term on 31 July 2015. The Company also gave notice to the gas transportation and supply customers that these services would cease in April 2015. The gas pipeline was decommissioned and sold to a third party on 7 August 2015 for a nominal £1 fee. As required by IAS 1, Presentation of financial statements, the director has prepared the financial statements on the basis that the Company is no longer a going concern which includes, where appropriate, writing down the Company's assets to net realisable value. No material adjustments arose as a result of ceasing to apply the going concern basis.

A provision has also been made for any onerous contractual commitments at the balance sheet date. The financial statements do not include any provision for the future cost of terminating the business of the Company except to the extent that such were committed at the balance sheet date. In the opinion of the director, the Company's assets are stated at net realisable value.

### 2. Accounting policies

#### a) Basis of preparation

The Company's financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union as they apply to the financial statements of the Company for the year ended 31 December 2015 and applied in accordance with the Companies Act 2006. The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 31 December 2015.

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

The financial statements have been prepared on the historic cost basis except for the revaluation of financial instruments that are measured at fair value at the end of each reporting period, as explained in the accounting policies below. Historic cost is generally based on the fair value of the consideration given in exchange for the assets.

The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 31 December 2015 which have been applied consistent in the current and preceding year.

## Notes to the financial statements (continued)

### 2. Accounting policies (continued)

#### b) Change in accounting policies

At the date of authorisation of these financial statements, the Group has not applied the following new and revised IFRSs that have been issued but are not yet effective and in some cases had not yet been adopted by the EU:

- IFRS 9 Financial Instruments
- IFRS 15 Revenue from Contracts with Customers
- IFRS 11 (amendments) Accounting for Acquisitions of Interests in Joint Operations
- IAS 1 (amendments) Disclosure Initiative
- IAS 7 (amendments) Disclosure Initiative
- IAS 16 and IAS 38 (amendments) Clarification of Acceptable Methods of Depreciation and Amortisation
- IAS 27 (amendments) Equity Method in Separate Financial Statements
- IFRS 10 and IAS 28 (amendments) Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
- IFRS 10, IFRS 12 and IAS 28 (amendments) Investment Entities: Applying the Consolidation Exemption
- IFRS 16 Leases
- IAS 12 (amendments) Recognition of Deferred Tax Assets for Unrealised Losses
- Annual Improvements to IFRSs: 2012-2014 Cycle Amendments to: IFRS 5 Non-current Assets Held for Sale and Discontinued Operations, IFRS 7 Financial Instruments: Disclosures, IAS 19 Employee Benefits and IAS 34 Interim Financial Reporting

The director does not expect that the adoption of the standards listed above will have a material impact on the financial statements of the Company in future periods.

Beyond the information above, it is not practicable to provide a reasonable estimate of the effect of these standards until a detailed review has been completed.

#### c) Critical accounting judgements and key sources of estimation uncertainty

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates.

The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements:

##### *Decommissioning Provision*

Parameters having a significant influence on the amount of dismantling provision, include the timing of expenditure and the discount rate applied to cash flows, as well as the actual level of the expenditure. These parameters are based on information and estimates deemed to be appropriate by the Company at the current time. To the Company's best knowledge, there is no information suggesting that the parameters used taken as a whole are not appropriate. Further, the Company is not aware of any developments that are likely to have a material impact on the provision made.

## Notes to the financial statements (continued)

### 2. Accounting policies (continued)

#### c) Judgements and key sources of estimation uncertainty (continued)

##### *Taxation*

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

#### d) Significant accounting policies

##### **Property, plant and equipment**

Plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses. Such cost includes the cost of replacing part of the plant and equipment and borrowing costs for long term construction projects if the recognition criteria are met. When significant parts of fixed assets are required to be replaced in intervals, the Company recognises such parts as individual assets with specific useful economic lives and charges depreciation respectively. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the fixed asset as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in the profit and loss account as incurred. The present value of the expected cost for the dismantling of the asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met. Refer to note 15, Provisions, for further information about the measurement of the decommissioning provision.

Depreciation is charged at rates which will write-off the cost or valuation of the assets over their expected useful lives. Depreciation is charged from the month following acquisition on the following basis:

Initial Power Station assets and long leasehold buildings	-	Fully depreciated in the prior year
Office equipment	-	Fully depreciated in the prior year
Subsequent Power Station asset additions	-	Fully depreciated in the prior year

An item of fixed assets and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit and loss account when the asset is derecognised.

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end, and adjusted prospectively, if appropriate.

The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

##### **Impairment of non-financial assets**

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount in order to determine the extent of the impairment loss. An asset's recoverable amount is the higher of an asset's, or cash-generating unit's, fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses of continuing operations are recognised in the income statement in those expense categories consistent with the function of the impaired asset.

For assets excluding goodwill, 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, not to exceed the carrying amount that would have been determined, net of depreciation, had no impairment losses been recognised for the asset or cash generating unit in prior years. A reversal of impairment is recognised immediately in the income statement.

## Notes to the financial statements (continued)

### 2. Accounting policies (continued)

#### d) Significant accounting policies (continued)

##### Financial Assets

##### i) Initial recognition and measurement

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit and loss, loans and receivables, held to maturity investments, available for sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial assets at initial recognition.

All financial assets are recognised initially at fair value plus, in the case of investments not at fair value through profit and loss, directly attributable transaction costs.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace are recognised on the trade i.e., the date that the Company commits to purchase or sell the asset.

##### ii) Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

##### iii) Financial assets at fair value through profit or loss

Financial assets at fair value through profit and loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit and loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships as defined by IAS 39.

Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets at fair value through profit and loss are carried in the statement of financial position at fair value with changes in fair value recognised in the income statement.

The Company has not designated any financial assets upon initial recognition as at fair value through profit and loss.

The Company evaluates its financial assets at fair value through profit and loss (held for trading) and whether the intent in the near term is still appropriate. When the Company is unable to trade these financial assets due to inactive markets and managements' intent significantly changes to do so in the foreseeable future, the Company may elect to reclassify these financial assets in rare circumstances. The reclassification to loans and receivables, available for sale or held to maturity depends on the nature of the asset. This evaluation does not affect any financial assets designated as fair value through profit and loss using the fair value option at designation. The Company did not reclassify any financial assets in the current period.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value through the profit and loss. These embedded derivatives are measured at fair value with changes in fair value recognised in the income statement. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

##### *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest rate (EIR) method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance revenue in the income statement. The losses arising from impairment are recognised in the income statement in other operating expenses.

##### *De-recognition of financial assets*

The financial assets (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when (i) the rights to receive cash flows from the asset have expired, or (ii) the Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

## Notes to the financial statements (continued)

### 2. Accounting policies (continued)

#### d) Significant accounting policies (continued)

##### *Financial Assets (continued)*

##### iii) Financial assets at fair value through profit or loss (continued)

###### *Impairment of financial assets*

The Company assesses at each reporting date whether there is any objective evidence that a financial asset or group of financial assets is impaired.

###### *Assets carried at amortised cost*

For financial assets carried at amortised cost the Company first assesses individually whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not been incurred). The present value of the estimated future cash flows is discounted at the financial assets original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income in the income statement.

Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Company. If, in subsequent years, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to other operating expense in the income statement.

##### **Financial liabilities**

###### **i) Initial recognition and measurement**

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit and loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial assets at initial recognition.

All financial liabilities are recognised initially at fair value and in the case of loans and borrowings, plus directly attributable transaction costs.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace are recognised on the trade i.e., the date that the Company commits to purchase or sell the asset.

###### **ii) Subsequent measurement**

The subsequent measurement of financial assets depends on their classification as follows:

##### **Financial assets at fair value through profit or loss**

Financial liabilities at fair value through profit and loss includes financial liabilities held for trading and financial liabilities designated upon initial recognition at fair value through profit and loss. Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the income statement.

## Notes to the financial statements (continued)

### 2. Accounting policies (continued)

#### d) Significant accounting policies (continued)

##### Financial liabilities (continued)

##### Financial assets at fair value through profit or loss (continued)

Financial assets at fair value through profit and loss are carried in the balance sheet at fair value with changes in fair value recognised in the income statement.

##### *Interest bearing loans and borrowings*

Obligations for loans and borrowings are recognised when the Company becomes party to the related contracts and are measured initially at the fair value of consideration received less directly attributable transaction costs.

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the EIR method.

Gains and losses arising on the repurchase, settlement or otherwise cancellation of liabilities are recognised respectively in finance revenue and finance cost.

##### *De-recognition of financial assets*

A liability is generally derecognised when the contract that gives rise to it is settled, sold, cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, such that the difference in the respective carrying amounts together with any costs or fees incurred are recognised in profit or loss.

##### *Offsetting of financial instruments*

Financial assets and financial liabilities are offset and the net amount reported in the consolidated balance sheet if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

##### *Fair values*

The fair value of financial instruments that are traded in active markets at the reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm's length transactions; reference to the current fair value of another instrument that is substantially the same; discounted cash flow analysis or other valuation models.

An analysis of fair values of financial instruments and further details as to how they are measured are provided in note 17.

##### **Derivative financial instruments and hedging**

The Company enters into wholesale purchase commitments to satisfy demand forecasts associated with its supply contracts. The movements in fair value of some of these commitments qualify as derivative financial instruments due to the terms and conditions attached to the related supply contracts. Such derivative financial instruments are initially recognised at fair value on the date on which such a wholesale purchase commitment is entered into and are subsequently re-measured at fair value at each reporting date. For each such event, the related supply contract acts as a natural hedge to the wholesale purchase commitment. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

For those derivatives designated as hedges and for which hedge accounting is desired, the hedging relationship is formally designated and documented at its inception. This documentation identifies the risk management objective and strategy for undertaking the hedge, the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how effectiveness will be measured throughout its duration. Such hedges are expected at inception to be highly effective in offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the reporting period for which they were designated.

## Notes to the financial statements (continued)

### 2. Accounting policies (continued)

#### d) Significant accounting policies (continued)

##### Derivative financial instruments and hedging (continued)

For the purpose of hedge accounting, hedges are classified as:

- fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment; or
- cash flow hedges when hedging exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction; or
- hedges of a net investment in a foreign operation.

Any gains or losses from changes in the fair value of derivatives that do not qualify for hedge accounting are taken to the income statement. The treatment of gains and losses arising from revaluing derivatives designated as hedging instruments depends on the nature of the hedging relationship, as follows:

##### *Fair value hedges*

For fair value hedges, the carrying amount of the hedged item is adjusted for gains and losses attributable to the risk being hedged; the derivative is re-measured at fair value and gains and losses from both are taken to the income statement. For hedged items carried at amortised cost, the adjustment is amortised through the income statement such that it is fully amortised by maturity. When an unrecognised firm commitment is designated as a hedged item, this gives rise to an asset or liability in the balance sheet, representing the cumulative change in the fair value of the firm commitment attributable to the hedged risk.

The Company discontinues fair value hedge accounting if the hedging instrument expires or is sold, terminated or exercised, the hedge no longer meets the criteria for hedge accounting or the Company revokes the designation.

##### *Cash flow hedges*

For cash flow hedges, the effective portion of the gain or loss on the hedging instrument is recognised directly as other comprehensive income, while the ineffective portion is recognised in the income statement. Amounts taken to other comprehensive income are transferred to the income statement when the hedged transaction affects profit or loss, such as when a forecast sale or purchase occurs. Where the hedged item is the cost of a non-financial asset or liability, the amounts taken to equity are transferred to the initial carrying amount of the non-financial asset or liability.

If a forecast transaction is no longer expected to occur, amounts previously recognised in equity are transferred to profit and loss. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, amounts previously recognised in other comprehensive income remain in other comprehensive income until the forecast transaction occurs and are transferred to the income statement or to the initial carrying amount of a non-financial asset or liability as above. If the related transaction is not expected to occur, the amount is taken to the income statement.

##### Trade and other receivables

Trade receivables, which generally have 14-30 day terms, are recognised and carried at the lower of their original invoiced value and recoverable amount. Where the time value of money is material, receivables are carried at amortised cost. Provision is made when there is objective evidence that the group will not be able to recover balances in full. Balances are written off when the probability of recovery is assessed as being remote.

##### Cash and cash equivalents

Cash and short term deposits in the balance sheet comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less. For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

## Notes to the financial statements (continued)

### 2. Accounting policies (continued)

#### d) Significant accounting policies (continued)

##### Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

##### *Current tax*

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. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

##### *Deferred tax*

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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 asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited in other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

##### *Current tax and deferred tax for the year*

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

##### Sales tax

Revenues, expenses and assets are recognised net of the amount of sales tax except:

- Where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- Receivables and payables that are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

##### Provisions

A provision is recognised when the Company has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, expected future cash flows are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability.

Where the Company expects some or all of a provision to be reimbursed, for example under an insurance policy, the reimbursement is recognised as a separate asset but only when recovery is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement. Where discounting is used, the increase in the provision due to unwinding the discount is recognised as a finance cost.

## Notes to the financial statements (continued)

### 2. Accounting policies (continued)

#### d) Significant accounting policies (continued)

##### Investments

Investments in subsidiary undertakings are stated at cost, less any provisions for impairment that might be necessary.

##### Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue recognised:

##### *Sale of goods*

Revenue represents amounts received for goods provided in the normal course of business excluding discounts, VAT and other sales related taxes. Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on supply of energy to the customer.

##### *Services*

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company, the revenue can be reliably measured and the risks and rewards of the supply have passed to the buyer.

##### *Finance income*

Revenue is recognised as interest accrues using the effective interest rate (EIR) method. The EIR is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to its net carrying amount.

##### Leases

Leases where the lessor retains a significant portion of the risks and benefits of ownership of the asset are classified as operating leases and rentals payable are charged to income in equal annual amounts over the lease term.

##### Pension costs

The Company operates a defined contribution scheme.

Contributions to the defined contribution scheme are charged in the period in which they arise.

##### Share-based payments

##### *Equity settled transactions*

Equity settled share based payments to employees are measured at the fair value of the equity instruments at the grant date. The fair value excludes the effect of non-market-based vesting conditions.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Company's best estimate of the number of equity instruments that will ultimately vest. The income statement expense or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled transaction award are modified, the minimum expense recognised is the expense as if the terms had not been modified, if the original terms of the award are met. An additional expense is recognised for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification.

## Notes to the financial statements (continued)

### 2. Accounting policies (continued)

#### d) Significant accounting policies (continued)

##### Share-based payments (continued)

##### Equity settled transactions (continued)

Where an equity-settled award is cancelled, it is treated as if it vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the entity or the employee are not met. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph. All cancellations of equity-settled transaction awards are treated equally.

#### Exceptional Items

The Company presents as exceptional items on the face of the income statement, those material items of income and expense which, because of the nature of the events giving rise to them, merit separate presentation to allow shareholders to understand better the elements of financial performance in the year, so as to facilitate comparison with prior periods and to assess better trends in financial performance.

### 3. Revenue

All revenue arose in the UK from the supply and transportation of gas along the gas pipeline.

### 4. Operating profit/(loss)

This is stated after charging/(crediting):

	2015 £'000	2014 £'000
Depreciation of property, plant and equipment	-	687
Impairment of property, plant and equipment	-	5,623
Restructuring – severance costs due to site closure	347	1,139
Release of severance provision	(179)	(863)
Demolition and decommissioning costs	1,775	1,438
Net decommissioning provision movement	(2,003)	834
Income from sale of demolition scrap	(1,742)	(6,189)
Operating (income) / costs – exceptional	(1,802)	1,982
Fees paid to the auditor for the audit of the Company's annual accounts	19	50
Fees paid to the auditor for the audit of the Company's annual accounts – prior years adjustment	(42)	-
Operating lease rentals:		
- land & buildings	507	775
Intangibles amortisation	-	6

As part of the group impairment review, the impaired site value was valued using a net realisable value approach. This valuation gave rise to an impairment of property plant and equipment in the prior year of £5,623,000.

Following the decision to reduce the TEC from 1,875MW to 45MW in April 2011 in response to poor market conditions, and the subsequent decision to demolish the power station, the number of employees was reduced from 104 to 41 in 2012 and further reduced to 5 in December 2014 and to nil in November 2015, through a redundancy and severance scheme. The exceptional costs include the severance costs due under the scheme. The costs in relation to the onerous lease of the land & buildings are included within the demolition and decommissioning costs

## Notes to the financial statements (continued)

### 5. Directors' remuneration and staff costs

	2015 £'000	2014 £'000
Staff costs:		
Wages and salaries	291	459
Social security costs	37	55
Other pension costs	30	77
	<u>358</u>	<u>591</u>

In 2015, all payroll costs have been allocated against demolition and decommissioning costs, within exceptional operating costs as their continued employment relates solely to the preparation of the site for demolition and decommissioning.

The monthly average number of employees during the year was 3 (2014: 8).

	2015 Number	2014 Number
Administration	-	2
Operational	3	6
	<u>3</u>	<u>8</u>

No director of the Company received remuneration from the Company during the year.

### 6. Finance revenue

	2015 £'000	2014 £'000
Bank interest received	98	256
	<u>98</u>	<u>256</u>

### 7. Finance cost

	2015 £'000	2014 £'000
Inter-company loan interest	1,187	3,015
Interest on provision for tax litigation	417	1,801
	<u>1,604</u>	<u>4,816</u>

## Notes to the financial statements (continued)

### 8. Taxation

	2015 £'000	2014 £'000
(a) Tax charge		
<b>Current income tax:</b>		
UK corporation tax credit on loss for the year	(5,253)	(355)
Adjustments in respect of previous periods	(518)	(2,991)
Total current income tax credit	(5,771)	(3,346)
<b>Deferred tax:</b>		
Write off deferred tax asset	-	6,586
<b>Tax (credit) / charge in the income statement</b>	<b>(5,771)</b>	<b>3,240</b>
	2015 £'000	2014 £'000
(b) Reconciliation of total tax charge		
<b>Loss before tax</b>	<b>(442)</b>	<b>(2,256)</b>
Loss multiplied by standard rate of corporation tax of 20.25% (2014: 21.5%)	(90)	(485)
Adjustments in respect of prior periods – current tax	(518)	(2,991)
Tax effect of non-deductible or non-taxable items	44	130
Deferred tax not previously recognised	(5,207)	-
Deferred tax asset written off	-	6,586
<b>Tax (credit) / charge</b>	<b>(5,771)</b>	<b>3,240</b>
(c) Deferred tax		
An analysis of the movements in deferred tax is as follows:		
	2015 £'000	2014 £'000
Deferred tax asset at 1 January	-	6,586
Deferred tax charge in income statement for the year (note 8a)	-	-
Deferred tax asset written off	-	(6,586)
Deferred tax asset at 31 December	-	-

In 2014 HMRC issued closure notices in respect of enquiries for 2006 to 2008 tax returns with specific reference to the operations of Teesside Recoveries and Investments Limited ("TRAIL"). A provision for £75,996,000 being the tax (£60,016,000) and accrued interest (£15,980,000) on disputed taxable profits of the operations of Teesside Recoveries and Investments Limited was recognised. The accelerated payment was made to HMRC on 18 March 2015 by the previous owners of the Company. The Company recognised the reduction in the TRAIL provision by the accelerated payment amount and recognised a non-current liability for the same amount with the ultimate shareholders. The original sellers of the Company to the current shareholders, continue to appeal the case with HMRC.

On 26 March 2015, the Finance Act 2015 received the Royal Assent which enacted the change in the corporate tax rate in the UK from 21% to 20% from 1 April 2015 and 1 April 2016.

In 2014, the deferred tax asset as at 31 December 2013 was written off, due to the uncertainty over its recovery.

## Notes to the financial statements (continued)

### 9. Property, plant and equipment

	<i>Long leasehold buildings</i>	<i>Power Station, plant and equipment</i>	<i>Office equipment</i>	<i>Total</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
<b>Cost</b>				
At 1 January 2015	-	20,227	-	20,227
Disposal	-	(20,227)	-	(20,227)
At 31 December 2015	-	-	-	-
<b>Accumulated Depreciation</b>				
At 1 January 2015	-	20,227	-	20,227
Charge for the year	-	-	-	-
Impairment losses	-	-	-	-
Disposal	-	(20,227)	-	(20,227)
At 31 December 2015	-	-	-	-
<b>Net book amount at 31 December 2015</b>	-	-	-	-

	<i>Long leasehold buildings</i>	<i>Power Station, plant and equipment</i>	<i>Office Equipment</i>	<i>Total</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
<b>Cost</b>				
At 1 January 2014	1,806	649,971	1,241	653,018
Disposal	(1,806)	(629,744)	(1,241)	(632,791)
At 31 December 2014	-	20,227	-	20,227
<b>Accumulated Depreciation</b>				
At 1 January 2014	1,806	643,661	1,241	646,708
Charge for the year	-	687	-	687
Impairment losses	-	5,623	-	5,623
Disposal	(1,806)	(629,744)	(1,241)	(632,791)
At 31 December 2014	-	20,227	-	20,227
<b>Net book amount at 31 December 2014</b>	-	-	-	-

## Notes to the financial statements (continued)

### 10. Investments

	<i>Subsidiary undertakings £'000</i>
At 31 December 2015 & 31 December 2014	-
<i>Subsidiary undertakings</i>	

The Company continued to hold shares in Teesside Energy Trading Limited ("TETL") which is incorporated in England and Wales. The Company owns 1 ordinary share of £1, being 100% of the issued share capital of TETL.

TETL had no transaction during the year.

### 11. Trade and other receivables

	<i>2015 £'000</i>	<i>2014 £'000</i>
Trade receivables	31	690
Cash collateral placed with suppliers	237	577
Prepayments and accrued income	2	152
Interest Receivable	-	6
	<u>270</u>	<u>1,425</u>

For terms and conditions relating to related party receivables, refer to note 22.

Trade receivables are generally on 14-30 days terms and are non-interest bearing within those terms. Trade receivables are shown net of a provision for impairment.

As at 31 December 2015, trade receivables with a nominal value of £152,000 (2014: £207,000) were impaired and fully provided for. Movements in the provision for impairment of receivables were as follows:

	<i>2015 £'000</i>	<i>2014 £'000</i>
At 1 January	207	207
Credit for the year	(55)	-
At 31 December	<u>152</u>	<u>207</u>

As at 31 December, the analysis of trade receivables that were past due but not impaired is as follows:

			<i>Past due but not impaired</i>		
	<i>Total £'000</i>	<i>Neither past due nor impaired £'000</i>	<i>&lt;30 days £'000</i>	<i>30-270 days £'000</i>	<i>&gt;270 days £'000</i>
2015	31	31	-	-	-
2014	690	460	-	195	35

Trade and other receivables are reviewed on a monthly basis by management to determine whether they are impaired. If they are deemed to be impaired then a provision is made to reflect this.

## Notes to the financial statements (continued)

### 12. Cash and short-term deposits

	2015 £'000	2014 £'000
Cash at bank and in hand	2,858	58,822

Cash at bank earns interest at floating rates based on daily bank deposit rates.

### 13. Trade and other payables

	2015 £'000	2014 £'000
Trade payables	11	279
Accrued interest	238	542
Other taxation and social security	22	94
Accruals and deferred income	38	312
	309	1,227

For terms and conditions relating to related party payables, refer to note 22.

### 14. Interest bearing loans and borrowings

	2015 £'000	2014 £'000
<b>Current</b>		
Amount owed to group undertaking	-	141,000
<b>Non-current</b>		
Amount owed to group undertaking	60,016	60,016

#### *Loan owed to group undertakings*

On 25 April 2008 the Company entered into a loan agreement with Electrabel Invest Luxembourg SA to borrow £141,000,000. The interest rate charged on the loan is set at 3 month LIBOR + 1.60% and the loan was repaid in full on 24 April 2015.

Following the payment of the accelerated payment notice of £60,016,000 to HMRC by the original sellers on 18 March 2015, the provision for £75,996,000 being the tax and accrued interest on disputed taxable profits of the operations of Teesside Recoveries and Investments Limited has been reduced by the amount of the payment and replaced by a non-current liability of the same amount due to the Company's ultimate shareholders, who have the benefit of a tax indemnity from the original sellers.

## Notes to the financial statements (continued)

### 15. Provisions

	2015 £'000	2014 £'000
<b>Current</b>		
At 1 January	2,285	1,272
Movement in the year	(2,182)	1,013
At 31 December	103	2,285
Total current and non- current at 31 December	103	2,285

#### *Dismantling provision*

Due to the decision to commence the power station demolition programme in April 2013, the dismantling provision has been reclassified as a current provision. The estimated costs in 2013 to prepare the power station for demolition were £3,772,000.

In 2014, the dismantling provision was fully utilised (£1,272,000) against the costs to prepare the power plant for demolition, including staff costs associated with those works. At the end of 2014, £2,285,000 additional provision was created, following a review of the estimated cost of completing the demolition works. At the end of 2015, £103,000 of the provision remains.

### 16. Financial risk management objectives and policies

The Company's principal financial instrument is the intercompany loan. The main purpose of this instrument is to raise finance for the Company's operations. The Company has various financial assets such as trade receivables, cash and short-term deposits, which arise directly from its operations, in addition to loans to and from fellow subsidiaries.

Forward contracts to supply and purchase commodities are also designated as financial instruments.

The main risk arising from the Company's financial instruments is interest rate risk. There are no significant liquidity, foreign currency or credit risks.

#### **Interest rate maturity profile of financial assets and liabilities**

The following table sets out the carrying amount, by maturity, of the Company's financial instruments that are exposed to interest rate risk.

<i>Year ended 31 December 2015</i>	<i>Within 1 year £'000</i>	<i>1 - 5 years £'000</i>	<i>Total £'000</i>
Cash and short term deposits	2,858	-	2,858
Amounts owed to group undertakings	-	(60,016)	(60,016)
<i>Year ended 31 December 2014</i>	<i>Within 1 year £'000</i>	<i>1 - 5 years £'000</i>	<i>Total £'000</i>
Cash and short term deposits	58,822	-	58,822
Amounts owed to group undertakings	(141,000)	-	(141,000)

#### **Interest rate risk**

Only loans from fellow subsidiary undertakings and group undertakings bear interest at floating rates. Floating rate interest on financial instruments varies according to the underlying reference rate.

The other financial assets and financial liabilities of the Company are non-interest bearing and therefore are not subject to interest rate risk.

## Notes to the financial statements (continued)

### 16. Financial risk management objectives and policies (continued)

#### Interest rate risk table

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Company's profit before tax (through the impact on floating rate borrowings). The calculation relates to the loan owing to a group undertaking repaid on 24 April 2015 (see note 14):

	<i>Increase/decrease in 3 month libor rate</i>	<i>Effect on profit before tax £'000</i>
2015 and 2014	+0.25%	(120)
	-0.25%	120

#### Credit risk

The Company trades only with recognised, creditworthy third parties. It is the Company's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. The Company utilises credit insurance for trade with third parties meeting certain criteria. In addition, receivable balances are monitored on an ongoing basis with the result that the Company's exposure to bad debts is not significant.

With respect to credit risk arising from the other financial assets of the Company, which comprise cash and cash equivalents and trade and other receivables, the exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying value of these assets as at the balance sheet date.

#### Liquidity risk

The availability of a £70m ENGIE group cash pooling facility which was replaced from 14 December 2010 with a cash pooling facility with Electrabel Finance and Treasury Management BV minimises the risk of a shortage of funds.

#### Commodity price risk

The Company is no longer commercially active and has no commodity price risks.

The maturity profile of the financial liabilities of the Company as at 31 December 2015 and 31 December 2014 based on contractual undiscounted payments is as follows:

	On Demand	Less than 3 months	3 to 12 months	1 to 5 years	>5 years	Total
<i>Year ended 31 December 2015</i>	£'000	£'000	£'000	£'000	£'000	£'000
Amounts owed to group undertakings	-	-	-	60,016	-	60,016
Interest element of interest bearing loans	-	-	-	238	-	238
Trade and other payables	-	71	-	-	-	71

	On Demand	Less than 3 months	3 to 12 months	1 to 5 years	>5 years	Total
<i>Year ended 31 December 2014</i>	£'000	£'000	£'000	£'000	£'000	£'000
Amounts owed to group undertakings	-	-	141,000	60,016	-	201,016
Interest element of interest bearing loans	-	542	-	-	-	542
Trade and other payables	-	685	-	-	-	685

#### Capital management

The Company's primary capital management objective is to maintain a strong credit rating and healthy capital ratios.

The ENGIE group monitors capital on a consolidated basis using return on capital employed (ROCE), which is operating profit divided by net assets.

## Notes to the financial statements (continued)

### 17. Financial instruments

Set out below is a comparison by category of carrying amounts and fair values of all of the Company's financial instruments, that are carried in the financial statements. Note that in all cases the fair value is equal to the carrying value of those assets and liabilities.

	2015 £'000	2014 £'000
<i>Financial Assets</i>		
Cash and short term deposits	2,858	58,822
Trade receivables	31	690
<i>Financial Liabilities</i>		
Amounts owed (to) / from group undertakings		
- non-current	(60,016)	(60,016)
- current		141,000
Trade payables	(11)	(278)

### Fair value hierarchy

As at 31 December 2015, the Company held the following financial instruments measured at fair value:

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.
- Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.
- Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

All assets and liabilities measured at fair value at 31 December 2015 and 31 December 2014 were determined using level 2 valuation techniques.

During the reporting period ending 31 December 2015, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

### 18. Authorised and issued share capital

	2015 £'000	2014 £'000
<i>Authorised</i>		
141,930,104 ordinary shares of £1 each (2014: 141,930,102)	141,930	141,930
<i>Called up, allotted and fully paid</i>		
141,930,104 ordinary share of £1 each (2014: 141,930,102)	141,930	141,930

## Notes to the financial statements (continued)

### 19. Share-based payments

#### 'Shares+ for all'

ENGIE SA Group operated two separate 'Shares+ for all' free share allocation plans for all its employees in the group. All employees employed by the Company at 30 April 2009 respectively were eligible for the 'Shares+ for all' free share allocation plan:

#### 'Link 2010'

The ENGIE SA group offered employees the chance to participate in the Link 2010 Classic Scheme under which they could, subject to a number of restrictions, buy shares in ENGIE SA. The purchase price of shares under this scheme was £13.16 a 20% discount on the market price. Shares are non transferable for 5 years and bonus shares will be awarded on a 1 for 1 basis for the first 10 shares purchased, and a 1 for 4 basis for the next 40 shares awarded once the 5 years have passed subject to those employees continuing in employment until 24 August 2015.

The expense recognised for share-based payments in respect of employee services received up to 31 December 2015 is £Nil (2014: £Nil). All of this expense arises from equity-settled share-based payment transactions.

The following table illustrates the movement in the number (No.) of shares granted in the year together with the weighted average fair value ("WAFV") at the grant date:

	2015 No.	2015 WAFV	2014 No.	2014 WAFV
Outstanding at 1 January	100	23.42	2,225	19.64
Free shares issued	-	-	-	-
Reduction due staff leavers and qualification criteria	(100)	23.42	(2,125)	19.56
Outstanding at 31 December	-	-	100	23.42

In accordance with IFRS 2, the Company estimated the fair value of goods or services received during the period by reference to the fair value of the equity instruments rewarded as consideration for such goods or services. Fair value was estimated at the grant date, representing the date the Board of Directors approved the award. The fair value of shares awarded corresponds to the market price of the shares at the grant date, adjusted for :-

- the estimated loss of dividends during the two-year vesting period, and
- the non-transferability period applicable to the shares.

The following table lists the inputs to the model used for the year ended 31 December 2015:

	2015	2014
Reference price of the shares (£)	-	23.42
Current price of the underlying share (£)	-	13.97
Average expected period of non-transferability (years)	-	1
Dividend yield (%)	-	6.0%
Risk free interest rate (%)	-	7.6%

The period of non-transferability, the dividend yield and the risk free interest rate were incorporated into the measurement of fair value. No other features were incorporated into the measurement of fair value.

### 20. Pension arrangements

The Company operates a defined contribution pension scheme, the assets of which are held separately from those of the Company. Employer's contributions to the scheme during the year were £30,000 (2014: £77,000). At 31 December 2015, contributions of £nil (2014: £ nil) were unpaid.

## Notes to the financial statements (continued)

### 21. Other financial commitments

#### (i) Operating leases

The Company has entered into a commercial operating lease on certain properties with a duration of 25 years. Land & Building commitments leases in 2014 related to the Teesside Power Station site, which expired on 31 July 2015.

Future minimum rentals payable under non-cancellable operating leases are as follows:

	2015 £'000	2014 £'000
<b>Land &amp; Buildings</b>		
Not later than one year	-	330
After one year but not more than five	-	-
	-	330

### 22. Related party transactions

The following transactions have been included within the Company's financial statements.

#### Ultimate parent undertaking

The Company's ultimate parent undertaking is ENGIE SA, as disclosed in note 23.

Related party transactions with ENGIE SA group are shown in the following table.

#### Transactions with fellow group undertakings within ENGIE SA group

GDF SUEZ Marketing Limited, GDF SUEZ Solutions Limited, International Power Limited, IPM Energy Trading Limited and GDF SUEZ Shotton Limited are companies registered in England and Wales and their ultimate parent undertaking is ENGIE SA.

Electrabel SA and Electrabel Invest Luxembourg SA are companies registered in Belgium in which their ultimate parent undertaking is ENGIE SA.

GDF International SAS is a company registered in France in which their ultimate parent undertaking is ENGIE SA.

GDF Suez International Holdings BV is a company registered in The Netherlands in which their ultimate parent undertaking is ENGIE SA.

Teesside Energy Trading Limited ('TETL'), a company registered in England and Wales, is a 100% owned subsidiary of GDF SUEZ Teesside Limited. TETL was dormant throughout the year.

2015	Sales £'000	Purchases £'000	Interest payable £'000	Amount owed from £'000	Amount owed to £'000
GDF SUEZ Marketing Limited	-	-	-	-	-
GDF SUEZ Solutions Limited	19	-	-	-	-
International Power Limited	-	97	-	-	-
IPM Energy Trading Limited	-	-	-	-	-
GDF International SAS	-	-	119	-	30,127+
GDF Suez International Holdings BV	-	-	119	-	30,127+
Electrabel Invest Luxembourg SA	-	-	953	-	-

^ included within prepayments and accrued income in Note 12

+ consists of £30,008,000 loan and £119,000 accrued interest

## Notes to the financial statements (continued)

### 22. Related party transactions (continued)

2014	Sales £'000	Purchases £'000	Interest payable £'000	Amount owed from £'000	Amount owed to £'000
GDF SUEZ Marketing Limited	-	23	-	5 <sup>^</sup>	-
GDF SUEZ Solutions Limited	-	123	-	-	-
International Power Limited	-	97	-	-	-
IPM Energy Trading Limited	3,543	-	-	-	-
GDF International SAS	-	-	-	-	30,008
GDF Suez International Holdings BV	-	-	-	-	30,008
Electrabel Invest Luxembourg SA	-	-	3,015	-	141,542 <sup>+</sup>

<sup>^</sup> included within prepayments and accrued income in Note 12

<sup>+</sup> consists of £141,000,000 loan and £542,000 accrued interest

#### Terms and conditions of transactions

The purchases from ENGIE SA (formerly GDF SUEZ SA) relate to fees charged in relation to provision of corporate guarantees. The transactions with GDF SUEZ Marketing Limited, GDF SUEZ Solutions Limited and Electrabel SA are made at normal prices and with terms and conditions comparable with an arm's length transaction. The sales and purchase transaction with these entities are for the sale and purchase of electricity and gas.

On 25 April 2008 the Company entered into a loan agreement with Electrabel Invest Luxembourg S.A. for borrowing of £141,000,000. The interest rate charged on the loan was set at 3 month LIBOR + 1.60% and the loan was repaid in full on 25 April 2015.

### 23. Controlling party and ultimate parent undertaking

The immediate parent undertaking is Stopper Finance BV, a company registered in The Netherlands.

The ultimate holding and controlling parent undertaking of the immediate parent is ENGIE SA (formerly GDF SUEZ SA), a company registered in France. The largest and smallest group in which the results of the Company were consolidated for the year ended 31 December 2013 was that headed by ENGIE SA. Copies of ENGIE SA's group financial statements can be obtained from ENGIE SA, Tour T1, 1 place Samuel de Champlain, Faubourg de l'Arche, 92930 Paris La Défense, France.

The Company is not required to produce group financial statements as it is a subsidiary undertaking excluded from consolidation.