

EP SHB LIMITED

Annual Report and Financial Statements

For the Year ended 31 December 2021

Registered Number - **02571241**

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COMPANIES HOUSE

Directors

Tarloke Singh Bains

Pavel Horský

Victoria Rose Pearson

Jan Špringl

Marek Spurný

Antonia Charlotte Stockton

Company Secretary

James Chiodini

Registered office

Byron House

7-9 St James's Street

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Independent Auditor

Deloitte LLP

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Contents	Page
Strategic Report	3
Directors' Report	7
Statement of directors' responsibilities	10
Independent Auditor's Report to members of EP SHB Limited	11
Statement of comprehensive income	15
Statement of Financial Position	16
Statement of Changes in Equity	17
Notes to the Financial Statements	18

EP SHB LIMITED
Strategic Report
For the Year ended 31 December 2021

The directors present their Strategic Report on the Company for the year ended 31 December 2021.

Principal activities

EP SHB Limited ("SHB" or "the Company") is a limited liability company incorporated and domiciled in England and Wales.

The Company's principal activity is the operation of a 1,285MW gas-fired electricity generating facility at Stallingborough, North Lincolnshire.

Results

The loss for the year ended 31 December 2021 was £24.0m; (2020 £46.9m profit). The loss for the year is primarily as a result of an extended outage due to an electrical fire on a transformer on 7 September (see below) curtailing the station capacity until it is replaced, which has led to the recognition of a £58.8m onerous contract provision relating to the Company's future obligation at the balance sheet date to buy back an over hedged position at significantly higher prices than originally contracted for.

Review of the business

The Company owns and operates a gas-fired power station located near Stallingborough, North Lincolnshire in North East England, with a total site capacity of 1,285 MW.

The Company generates and trades power through an internal agreement with EP UK Investments Limited ("EPUKI"), the Company's immediate parent and the nominated commodity trading business which holds the external commodity (power, gas etc) contracts. EPUKI charges a trading commission to the Company for this service.

In September 2021, whilst on load SHB Phase 2 incurred a fault to the steam turbine generator transformer. This led to an electrical fire which brought the station offline. The unit partially returned to service in February 2022, and a full return to service is currently expected to take place in October 2022. SHB has recognised a provision for onerous contracts to reflect an over-hedge in forward contracts that resulted from the loss of availability. The result of this event led to lower gross margin and generation than in the previous year, more than offsetting the impact of higher clean spark spreads.

On 4 October 2021, Ofgem opened an investigation into SHB's compliance with condition 20A of the Electricity Generation Standard Licence Conditions. The Company has fully cooperated with all requests for information to date and there is nothing further to report.

Key performance indicators

The Company's Key Performance Indicators during the year were as follows:

	2021	2020
Lost time Incidents	0	0
Gross Margin (£'000)	79,827	106,398
EBITDA (Earnings before Interest, tax, depreciation and amortisation) (£'000)	(7,363)	83,338
Gross generation (GWh)	5,427	7,262

EP SHB LIMITED
Strategic Report (continued)
For the Year ended 31 December 2021

Section 172 statement

Section 172 of the Companies Act 2006 requires directors of the Company to take into consideration the interests of stakeholders in their role of making decision on behalf of the Company. In doing this the Directors must have regard, amongst other matters to:

- the likely consequences of any decision in the long term;
- the interests of the company's employees;
- the need to foster the company's business relationships with suppliers, customers and others;
- the impact of the company's operations on the community and the environment;
- the desirability of the company maintaining a reputation for high standards of business conduct; and
- the need to act fairly as between members of the company.

The likely consequences of any decision in the long term

The Directors aim to promote the long-term success of the Company and recognise the importance of the Company's employees, customers, vendors and other stakeholders including the community, environment. Pursuant to the long-term plan of the Company, the Directors approve a financial forecast for the current year and a business plan for the next 5 years. The Directors contribute towards this process by identifying and managing emerging risks to the business using their appropriate knowledge and expertise of the industry.

The interests of the company's employees

The safety of employees, contractors and members of the public is paramount. There is a dedicated Health and Safety Executive (HSE) Committee in place which monitors the adequacy and effectiveness of the HSE systems, the HSE performance against appropriate standards and reviews all incidents. The main strengths and key focus of the Company is good relationship with employees and their loyalty. The Company maintain good and fair relations with the trade unions through regular meetings and discussions on labour, social and wage related issues. Similarly, respecting the human rights and implementing non-discriminatory guidelines are viewed as essential for securing employee-friendly working environment within the Company. Safety and quality management covers health protection at work, safety management system, technology, and human resources all of which are an integral part of the management of the Company. The Company upholds internationally recognised principles of good labour practice as well as all principles of the United Nations Global Compact in respect of Human rights, labour, environment and anticorruption and encourages its business partners to endorse the same commitment as specified in detail in the Company's procurement policies. The Company also provides general training programs on employee safety and when selecting or assessing potential suppliers, the Company also considers their approach and attitude towards security issues.

The need to foster the company's business relationships with suppliers, customers and others

The Directors recognise that fostering business relationships with key stakeholders such as customers and suppliers is essential to the Company's success. The Company has close relationships with customers, suppliers and industry partners to help position the Company as a trusted electricity generator. The Company along with its procurement team work with suppliers to meet the Company's supply needs in order to meet the requirements of the customers.

The impact of the company's operations on the community and the environment

To ensure conducting its business activities in an environmentally safe and responsible manner and to minimise their impact on the environment the Company has adopted a group-wide Environmental Policy. The Environmental Policy sets basic principles to be followed in terms of the climate change and carbon footprint reduction, protection of biodiversity, environmental management system, environmental impacts of the product portfolio, customer efficiency, regulatory compliance, renewable and clean energy promotion, resource and energy efficiency, waste management and end cycle management. The company has strong links to the local community and is in continual dialogue to deliver a positive impact.

The desirability of the company maintaining a reputation for high standards of business conduct

The Company aims to be a business leader in business conduct in order to maintain stakeholder trust and create a business with a successful, sustainable future. All employees are expected to act in accordance with the values of the Company and in line with Energetický a průmyslový holding, a.s. ("EPH") Group policies. This reduces the risk of non-compliance in the heavily regulated industry in which the Company operates and helps attract and retain high-calibre employees.

The need to act fairly as between members of the company

The Company has one Shareholder and the Directors ensure that they provide regular updates to the owners through budgets and Board meetings.

Risk Management

The Directors are responsible for the identification and management of key business risks. Risks are owned and managed at the designated functions where the risk resides.

Regulatory risk

The Company remains susceptible to changes in both UK and EU law. The energy industry is subject to significant regulation in relation to decarbonisation of the energy mix and net zero carbon by 2050 targets. Changes to these policies may impact the financial performance and cashflows of the Company. The Company continues to work proactively to understand the legal framework in which it operates in order to ensure regulatory compliance and mitigate risk. The Directors have assessed that the impact of Brexit will continue to have limited impact on the Company. As a result of Brexit on 1 January 2021, a UK Emissions Trading Scheme (UKETS) was introduced in Great Britain to ensure continued decarbonisation of the UK economy, replacing the European Union Emissions Trading Scheme (EUETS). UK allowances (UKAs) were not available to purchase until the first auction on 19 May 2021 and therefore throughout most of 2021 there were fewer allowances available than required by the market. The Directors have taken this into account whilst the Company continued to generate and entered into forward trades and use a variety of mitigation and proxy hedging strategies to reduce the associated UKA price risk.

Credit risk

The Company has established a credit policy under which each new customer requesting products/services over a certain limit (which is based on the size and nature of the particular business) is analysed individually for creditworthiness before the Company's standard payment and delivery terms and conditions are offered. Credit risk is minimised as the main customer for the Company is EPUKI, the Company's immediate parent company.

Liquidity risk

The Company prepares detailed short and long term cashflow forecasts to manage liquidity risk and foresee any shortages in cash balances. The Company is supported by other EPH Group Companies, with intergroup financing being made available as required.

EP SHB LIMITED
Strategic Report (continued)
For the Year ended 31 December 2021

Foreign exchange risk

The Company is exposed to a currency risk on purchases that are denominated in currency other than the respective functional currency of the Company. The Directors of the Company monitor changes in Foreign exchange rates and hedges the exposure where they deem necessary.

Commodity risk

The Company's exposure to commodity risk principally consists of exposure to fluctuations in the prices of electricity, gas and carbon allowances. The Company uses commodity hedging strategies to manage the risk.

Approved by the Board and signed on its behalf by

A handwritten signature in black ink, appearing to read 'T. Singh', written over a horizontal line.

Tarloke Singh Bains
Director,
29 June 2022

EP SHB LIMITED
Directors' Report
For the Year ended 31 December 2021

The directors present their report and the audited financial statements for the Year ended 31 December 2021.

Directors

A list of Directors who served during the year and up to the date of this report (except as noted) are below:

Tarloke Singh Bains
Pavel Horský
Victoria Rose Pearson
Jan Špringl
Marek Spurný
Antonia Charlotte Stockton

The Company has the appropriate indemnity insurance cover in place in respect of legal action against the directors of the Company.

Dividends

No dividend is proposed (2020: nil).

Our People

The Directors are committed to the Company being a responsible business. Safety of our people is paramount, many of the workforce are trained safety representatives. For the Company to succeed staff are developed and managed whilst ensuring efficient operation.

The Company engages regularly with the union representatives and staff to provide an open forum for discussions. Regular communication helps to aid engagement and is welcomed by the employees.

Relationship with Suppliers and customers

Details of how the Directors foster business relationships with Customers and Suppliers is included in the Section 172 Report within the Strategic Report.

Statement as to disclosure of information to the Auditor

The directors who were members of the Board at the time of approving this report are listed on page 1. Having made enquires of fellow directors; each of these directors confirms that:

- to the best of each directors' knowledge and belief, there is no relevant information of which the Company's Auditor is unaware, and
- each director has taken all the steps a director might reasonably be expected to have taken to be aware of relevant Audit information and to establish that the Company's Auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

EP SHB LIMITED
Directors' Report (continued)
For the Year ended 31 December 2021

Streamlined Energy and Carbon Reporting

In accordance with the Company's regulatory obligations to report Greenhouse Gas emissions pursuant to the Companies and Limited Liability Partnerships Regulations 2018 which implement the UK Government's policy on Streamlined Energy and Carbon Reporting.

Determination of annual CO₂ emissions are undertaken in accordance with the site-specific monitoring plan which is set out in Appendix 1 of the Environment Agency (EA) issued greenhouse gas emissions permit for the installation in question.

Reporting is completed on an annual cycle with annual audits of emissions carried out towards the end of the reporting cycle by a certified verifier (currently DNV Certification) prior to submission of the annual emissions monitoring (AEM) report to the EA and surrender of an equivalent number of allowances in the EUA registry. during the year our measure emissions are below.

	2021	2020
	(TCO₂E)	(TCO₂E)
Scope 1	2,166,824	2,792,211

This annual quantity has been included within our audited submission under the European Union Emission Trading Scheme.

During the year our total energy consumption totalled 11,352 GWh of which all was consumed within the UK and split between the sources outlined below:

	2021	2020
	GWh	GWh
Natural Gas	11,352	15,246
	11,352	15,246

Intensity ratio reporting

	2021	2020
	(TCO₂E)	(TCO₂E)
Carbon emissions per GWh generated	382	384

The Company continues to maintain its generating assets to the highest standard to ensure efficiency when generating and commercial running decisions take into account the efficiency impact of different load levels and start-up.

EP SHB LIMITED
Directors' Report (continued)
For the Year ended 31 December 2021

Going Concern

The financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons.

The directors have prepared cash flow forecasts for a period of 18 months from the date of approval of these financial statements which indicate that, taking account of reasonably possible downsides, the company will have sufficient funds to meet its liabilities as they fall due for that period. The balance sheet position shows a net current liability balance of £27.3m (2020: net current liabilities position of £41.5m) which in the current year is primarily due to a £58.8m onerous contract provision has been recognised for the Company's future obligation to buy back an over hedged position at a significant higher market price than the price originally paid. These obligations have been fully satisfied in the first quarter of 2022 and cash balances have remained positive and liabilities paid as they fall due.

The Company has closely monitored the spread of COVID-19 and its resulting impact on staff, the economy, energy markets and relevant supply chains. Policies and measures have been put in place dynamically, based on the most up to date information, to maintain the safety of its employees and minimise disruption to the business. To date there has not been a significant financial impact as a result of the COVID-19 pandemic. The company believes that the impact on staff, the economy, energy markets and supply chains from COVID-19 and the Russian war in Ukraine does not impact the financial statements for the year ending 31 December 2021 or the assumptions used in their preparation.

Consequently, the directors are confident that the Company will have sufficient funds to continue to meet its liabilities as they fall due for at least a year from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

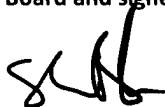
Future developments

The Company continues to operate a gas-fired power station, generating and selling power through its internal agreement with EPUKI.

Independent auditors

In accordance with section 487(2) of the Companies Act 2006, the independent auditors, Deloitte LLP, will continue in office.

Approved by the Board and signed on its behalf by



Tarloke Singh Bains
Director
29 June 2022

EP SHB LIMITED
Statement of directors' responsibilities
For the Year ended 31 December 2021

Statement of directors' responsibilities in respect of Strategic Report, The Directors' Report and the financial statements

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

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 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 estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Independent auditors report to the members of EP SHB LIMITED

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of EP SHB Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 December 2021 and of its profit 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 which comprise:

- the statement of comprehensive income;
- the statement of financial position;
- the statement of changes in equity; and
- the related notes 1 to 22.

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 Financial Reporting Council's (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.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Independent auditors report to the members of EP SHB LIMITED (continued)

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. 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.

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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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 this regard.

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 FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We considered the nature of the company's industry and its control environment, and reviewed the company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management about their own identification and assessment of the risks of irregularities.

Independent auditors report to the members of EP SHB LIMITED (continued)

We obtained an understanding of the legal and regulatory frameworks that the company operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included UK Companies Act, pensions legislation and UK tax legislation; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty. These included the Ofgem electricity generation licencing framework, Health & Safety at Work Act 1974, UK employment law and the Data Protection Act 2018 including General Data Protection Regulations ("GDPR").

We discussed among the audit engagement team including relevant internal specialists such as tax and IT specialists regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

As a result of performing the above, we identified the greatest potential for fraud in the following area, and our specific procedures performed to address it are described below:

- **Revenue allocation and cut-off:** Due to the entity selling electricity to the market through EP UK Investments Limited alongside other related companies, we considered there to be a potential for manipulation of revenue recognised in the different companies. In respect of cut-off risk, revenue is billed on a monthly basis; if a month is missed it would lead to material misstatement. Our audit procedures included reviewing the design and implementation of internal controls in relation to both the cut-off procedures and the allocation of revenue. We performed substantive procedures by obtaining and understanding netting statements between the Company, EP UK Investments Limited and related companies. We assessed whether an accurate allocation of revenue based on the group's methodology of allocation reflecting generation at each site had been performed. We evaluated the meter readings compared to local site readings, and assessed whether the correct meter readings were included in the final period of the year and that the generation related to the correct period.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management and in-house legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance.

Independent auditors report to the members of EP SHB 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 or 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.

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.

Marianne Milnes

Marianne Milnes FCA (Senior statutory auditor)

For and on behalf of Deloitte LLP

Statutory Auditor

London

United Kingdom

29 June 2022

EP SHB LIMITED
Statement of Comprehensive Income
For the year to 31 December 2021

		Year to 31 December 2021 £000	Year to 31 December 2020 £000
	Note		
Revenue	4	222,255	408,387
Cost of sales	5	(142,428)	(301,989)
Gross Margin		79,827	106,398
Operating costs	5	(105,736)	(44,021)
(Loss)/Profit before interest and taxation		(25,909)	62,377
Other interest received and similar income	8	403	282
Interest payable and similar charges	9	(159)	(3,637)
(Loss)/Profit before income tax		(25,665)	59,022
Taxation	10	1,673	(12,101)
(Loss)/Profit for the year attributable to the equity shareholders		(23,992)	46,921

The accompanying notes on pages 18 to 30 are an integral part of this Statement of Comprehensive Income. All results relate to continuing activities. There were no other recognised gains or losses in the current period; accordingly, a Statement of Other Comprehensive Income has not been presented.

EP SHB LIMITED
Statement of Financial Position
As at 31 December 2021

		31 December 2021 £000	31 December 2020 £000
	Note		
Non-Current Assets			
Property, plant and equipment	11	128,194	142,995
Intangible Assets	12	-	19,426
Deferred tax asset	13	-	838
		128,194	163,259
Current assets			
Amounts due from other group companies	14	248,525	62,769
Trade receivables and other debtors	15	16,447	9,852
Inventory	16	6,279	6,125
Cash and cash equivalents	-	21,908	4,215
		293,159	82,961
Current liabilities			
Amounts due to other group companies	17	(210,920)	(51,061)
Trade payables and other payables	18	(109,565)	(73,392)
		(320,485)	(124,453)
Net current liabilities		(27,326)	(41,492)
Non-current liabilities			
Deferred tax liability	13	(1,790)	-
Provisions for liabilities	19	(8,212)	(6,909)
		(10,002)	(6,909)
Net assets		90,866	114,858
Shareholders' equity			
Equity attributable to the owners of the parent			
Ordinary shares	20	20,000	20,000
Share premium account		8,436	8,436
Capital contribution reserve		8,371	8,371
Retained earnings		54,059	78,051
Shareholders' funds		90,866	114,858

The notes on pages 18 to 30 form part of these financial statements.

The financial statements on pages 18 to 30 were approved by the Board of Directors on 29 June 2022 and were signed on its behalf by:



Tarloke Singh Bains
Director

Company number: 02571241

EP SHB LIMITED
Statement of Changes in Equity
For the year ended 31 December 2021

	Called up Share Capital £000	Share Premium Account £000	Capital Contribution Reserve £000	Profit and Loss Account £000	Total Equity £000
1 January 2020	20,000	8,436	8,371	31,130	67,937
Profit and total comprehensive income for the year	-	-	-	46,921	46,921
31 December 2020	20,000	8,436	8,371	78,051	114,858
1 January 2021	20,000	8,436	8,371	78,051	114,858
Loss and total comprehensive expense for the year	-	-	-	(23,992)	(23,992)
31 December 2021	20,000	8,436	8,371	54,059	90,866

The notes on pages 18 to 30 form part of these financial statements.

EP SHB LIMITED
Notes to the Financial Statements
For the Year to 31 December 2021

1. General information

EP SHB Limited is a limited company incorporated in the United Kingdom, registered in England and Wales. The Company's principal activity is the operation of a 1,285 MW gas-fired electricity generating facility at Stallingborough, North Lincolnshire.

2. Summary of significant accounting policies

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

2.1 Basis of preparation

The financial statements have been prepared on a going concern basis (as set out in the Strategic Report), in a historical cost convention and in accordance with acceptable United Kingdom financial reporting and accounting standards. The financial statements have been prepared in pounds sterling because that is the currency of the primary economic environment in which the Company operated. The Company is incorporated in England and is limited by shares.

The Company meets the definition as a qualifying entity under FRS 100 (Financial Reporting Standard 100) issued by the Financial Reporting Council. These financial statements are prepared under FRS 101 (Financial Reporting Standard 101) 'Reduced Disclosure Framework' as issued by the Financial Reporting Council.

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

The Company's shareholders do not object to the disclosure exemptions used by the Company in these financial statements.

These financial statements are separate financial statements. Note 22 gives the details of the Company's ultimate parent, from where consolidated financial statements prepared in accordance with IFRS may be obtained.

2.2 Going Concern

The financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons.

The directors have prepared cash flow forecasts for a period of 18 months from the date of approval of these financial statements which indicate that, taking account of reasonably possible downsides, the company will have sufficient funds to meet its liabilities as they fall due for that period. The balance sheet position shows a net current liability balance of £27.3m (2020: net current liabilities position of £41.5m) which in the current year is primarily due to a £58.8m onerous contract provision has been recognised for the Company's future obligation to buy back an over hedged position at a significant higher market price than the price originally paid. These obligations have been fully satisfied in the first quarter of 2022 and cash balances have remained positive and liabilities paid as they fall due.

The Company has closely monitored the spread of COVID-19 and its resulting impact on staff, the economy, energy markets and relevant supply chains. Policies and measures have been put in place dynamically, based on the most up to date information, to maintain the safety of its employees and minimise disruption to the business. To date there has not been a significant financial impact as a result of the COVID-19 pandemic. The company believes that the impact on staff, the economy, energy markets and supply chains from COVID-19 and the Russian war in Ukraine does not impact the financial statements for the year ending 31 December 2021 or the assumptions used in their preparation.

EP SHB LIMITED

Notes to the Financial Statements (continued)

For the Year to 31 December 2021

Consequently, the directors are confident that the Company will have sufficient funds to continue to meet its liabilities as they fall due for at least a year from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

2.3 Functional currency

Foreign currency transactions are translated into the functional currency of GBP using the exchange rates prevailing at the date of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation from year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss. Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the profit and loss with 'finance income and costs'. All other foreign exchange gains and losses are presented in the income statement within 'Operating Costs'. The financial statements are presented in Pounds Sterling which is the functional currency of the Company.

2.4 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 and is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be measured reliably. Revenue is recognised on the basis of power supplied during the period. Power purchases and sales entered into to optimise the performance of power generation facilities are presented net within revenue.

Revenue is recognised on an accruals basis and is shown net of sales/value added tax, returns, rebates and discounts.

Revenue is recognised using the 5-step approach in line with IFRS 15 - Revenue from contracts with customers.

- identify the contract(s) with a customer;
- identify the performance obligations in the contract. Performance obligations are promises in a contract to transfer to a customer goods or services that are distinct;
- determine the transaction price. The transaction price is the amount of consideration to which an entity expects to be entitled in exchange for transferring promised goods or services to a customer. If the consideration promised in a contract includes a variable amount, an entity must estimate the amount of consideration to which it expects to be entitled in exchange for transferring the promised goods or services to a customer;
- allocate the transaction price to each performance obligation on the basis of the relative stand-alone selling prices of each distinct good or service promised in the contract; and
- recognise revenue when a performance obligation is satisfied.

2.5 Taxation

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit and losses, except that a change attributable to an item of income or expense recognised as other comprehensive income is also recognised directly in other comprehensive income.

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

Deferred tax is recognised in respect of all temporary differences identified at the balance sheet date, except to the extent that the deferred tax arises from the initial recognition of goodwill (if impairment of goodwill is not deductible for tax purposes) or the initial recognition of an asset or liability in a transaction which is a business combination and at the time of the transaction affects neither accounting profit nor taxable profit and loss. Temporary differences are the difference between the carrying amount of the Company's assets and liabilities and their tax base.

EP SHB LIMITED
Notes to the Financial Statements (continued)
For the Year to 31 December 2021

2.5 Taxation (continued)

Deferred tax liabilities are offset against deferred tax assets when the Company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority. Any remaining deferred tax asset is recognised only when, on the basis of all available evidence, it can be regarded as probable that there will be suitable taxable profits within the same jurisdiction in the foreseeable future against which the deductible temporary difference can be utilised.

Deferred tax is provided on temporary differences, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future. The carrying amount of deferred tax assets are reviewed at each reporting date and a valuation allowance is set up against deferred tax assets so that the net carrying amount equals the highest amount that is more likely than not to be recovered based on current or future taxable profit.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the asset is realised or liability settled, based on tax rates and law that have been enacted or substantively enacted by the balance sheet date. Measurement of deferred tax liabilities and assets reflects the tax consequences expected from the manner in which the asset or liability is recovered or settled.

The amount of deferred tax provided is based on the expected manner of realisation or settlement using tax rates that have been enacted or substantively enacted at the balance sheet date.

2.6 Payables

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

2.7 Interest-bearing loans

All interest-bearing loans are initially recognised at the fair value of the consideration received less directly attributable transactions costs. After initial recognition at fair value, loans are held at amortised cost. Initial borrowing costs are capitalised and amortised over the life of the loan.

Loans from parent undertakings with terms that are different to arms-length market rates are also reported at fair value, with appropriate adjustment recognised and released over the term of the loan (unless considered to be repayable on demand).

2.8 De-recognition of financial assets and liabilities

a) Financial assets:

A financial asset (or where appropriate a part of a financial asset) is de-recognised where the rights to receive cash flows from the asset have expired.

b) Financial liabilities:

A financial liability is de-recognised when the obligation under the liability is discharged, cancelled or expired.

2.9 Property Plant and Equipment

PP&E is included in the statement of financial position at cost less accumulated depreciation and any provisions for impairment. The initial cost of an asset comprises its purchase price or construction cost and any costs directly attributable to bringing the asset into operation. The purchase price or construction cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset.

EP SHB LIMITED
Notes to the Financial Statements (continued)
For the Year to 31 December 2021

2.9 Property Plant and Equipment (continued)

Subsequent expenditure in respect of items of PP&E such as the replacement of major parts, inspections or overhauls, are capitalised as part of the costs of the related asset where it is probable that future economic benefits will arise as a result of the expenditure and the cost can be reliably measured. All other subsequent expenditure, including the costs of day-to-day servicing, repairs and maintenance, is expensed as incurred.

Freehold land is not depreciated. Other PP&E is depreciated on a straight-line basis at rates sufficient to write off the cost of individual assets over their estimated useful lives.

Gas Turbine components depreciation is provided to write off the cost of the asset over their operating lives, to the earlier of next major "C" inspection or end of station life ("EOSL").

Depreciation is charged so as to write off the cost of the assets over their estimated useful lives as follows:

Asset Class	Depreciation Method and Rate
Power station assets and decommissioning asset	Straight-line – up to 30 years
Buildings	Straight-line – up to 30 years
Other Plant and Machinery	Straight-line – 3 to 10 years
Turbine components	EOSL or Major Inspection

The carrying values are tested annually for impairment when events or change in circumstances indicate that the carrying value may not be recoverable. Residual values and useful lives are reassessed annually and if necessary, changes are accounted for prospectively.

Decommissioning Asset (ARO asset)

The decommissioning asset is revalued at the balance sheet date based on the prevailing discount rate at that date. Interest is recognised through Interest payable and similar charges

2.10 Intangible Assets (EUAs/UKAs)

EUAs/UKAs are measured at cost of purchase. They are not amortised due to the short tenure as they are surrendered within 1 year of purchase

2.11 Inventories

Inventories are stated at the lower of costs incurred in bringing each item to its present location and condition and net realisable value. Provision is made where necessary for obsolete, slow-moving and defective inventories. Cost is determined on an average cost basis

2.12 Receivables

Receivables are initially recognised at fair value and subsequently at amortised cost. Receivables are disclosed in accordance with their maturity as current or non-current in the statement of financial position. Non-current receivables are due in more than one year of the balance-sheet date. A provision for impairment of trade receivables is measured at the lifetime expected credit loss. No impairment has been recognised in 2021 (2020: Nil)

2.13 Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, that can be measured reliably, and it is probable that the Company will be required to settle the obligation. Provisions are measured at the best estimate of the expenditure required to settle the obligation at the balance sheet date and are discounted to present value where the effect is material.

EP SHB LIMITED
Notes to the Financial Statements (continued)
For the Year to 31 December 2021

2.14 Decommissioning Costs

Provision is made for the net present value of the estimated cost of decommissioning power stations at the end of their useful lives based on price levels and technology at the balance sheet date.

When this provision relates to an asset with sufficient future economic benefits a decommissioning asset is recognised and included as part of the associated PP&E and depreciated accordingly. Changes in these estimates and changes to the discount rates are dealt with prospectively and reflected as an adjustment to the provision and corresponding decommissioning asset included within PP&E. The unwinding of the discount on the provision is included in the income statement within interest expense.

2.15 Impairment

The carrying amounts of the Company's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of the Company's power generation asset is calculated as the higher of fair values less costs to sell or by discounting the pre-tax cash flows expected to be generated by the assets and is dependent on views of forecast power generation and forecast power, gas, carbon and capacity prices (where applicable) and the timing and extent of capital expenditure. Where forward market prices are not available, prices are determined based on internal model inputs.

An impairment loss is recognised if the carrying amount of an asset or its cash generating unit (CGU) exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

2.16 Leases

The Company has applied IFRS 16: Leases from 1 January 2019.

As a lessee, the Company leases office buildings, and under IFRS the Company recognised a lease liability, being the future fixed and variables payments discounted using the Incremental Borrowing rate, and a Right of use Asset, being the lease liability adjusted for any initial costs and estimated costs of asset restoration. Interest on the lease liability is included within Finance expenses, and depreciation on the Right of use Asset is recognised in Administration expenses.

Any immaterial leases and leases with a term of less than 1 year are recognised as an expense in the Income statement along the length of the initial lease term.

The Company has not entered into any transactions which would cause the Company to act as a lessor.

3. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, which are described in note 2, the Directors may be required to make judgements, estimates and assumptions about the carrying amounts of asset and liabilities that are not readily apparent from other sources. Such estimates and the associated assumptions would be based on historical experience or other factors that are considered to be relevant. Actual result may differ from these estimates. In the Directors' opinion there are no critical judgements, apart from those involving estimates (which are dealt with separately below).

EP SHB LIMITED
Notes to the Financial Statements (continued)
For the Year to 31 December 2021

3. Critical accounting judgements and key sources of estimation uncertainty (continued)

Climate Change

The natural environment in which the company operates is continually changing and the company continues to develop its assessment of the impact that climate change may have on the operations of the business. We have considered the impact of the climate change related risks to which the company is exposed in the preparation of these financial statements. In conclusion, there is no material impact on the carrying amount of assets or liabilities recognised in the financial statements, nor do they lead to any additional key sources of estimation or judgment.

Key sources of estimation uncertainty

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

Decommissioning Costs

The estimated cost of decommissioning of power stations is reviewed periodically and is based on price levels and technology at the balance sheet date. Provision is made for the estimated cost of decommissioning at the balance sheet date. The payment dates of total expected future decommissioning costs are uncertain and dependent on the lives of the facilities; but are currently anticipated to be incurred in 2029. Key sources of uncertainty are the closing date of the power station, the costs to decommission the power station and discount rates used in present value calculations.

Impairment

The company has material long-life assets that are assessed or tested for impairment at each reporting date in accordance the Company's accounting policy disclosed in note 2. The Company makes judgements and estimates in considering whether the carrying value of the assets are recoverable.

The recoverable amount of the Company's assets is calculated as the higher of fair value less costs to sell or value in use. The value in use is determined by discounting the pre-tax cash flows expected to be generated by the assets. The key sources of estimation uncertainty include the future performance of the Company and consequential cashflows and the discount rate to apply.

In determining the future cashflows management are required to make estimates of the forecast generation of the Power Station based on available data about market trends, other market participants and any regulatory changes. Future commodity prices for power, gas and carbon allowances are also a key estimate as where these are not available publicly internal assessments are made.

Property, plant and equipment

Property, plant and equipment is depreciated on a straight-line basis over its useful economic life. Useful economic lives are estimated and based on past experience, anticipated future replacement cycles and other available evidence. Useful economic lives are reviewed at least annually. As at the 2021 balance sheet date the carrying value of property, plant and equipment (Power station assets and Turbines, Plant & Equipment) totalled £121,206k (2020: £136,852k).

Given the continued focus on climate change, greener sources of energy and transitioning to a net zero economy, the power generation industry is going through a period of transformation, which can impact on the UELs of assets. As the Government's net zero strategy continues to evolve and become clearer, the Company

EP SHB LIMITED**Notes to the Financial Statements (continued)****For the Year to 31 December 2021**

will continue to assess any potential impact of these developments and whether UELs would be required to be updated in relation to the Company's power station. Accordingly, given the continued rate of change in these areas, this increases the risk that UELs will be updated in the near future as new information becomes available, and as such a change in UELs has been disclosed as a key source of estimation uncertainty.

4. Revenue

	Year to 31 December 2021 £000	Year to 31 December 2020 £000
Power station income	220,099	405,308
Ancillary and other revenue	2,156	3,079
	222,255	408,387

5. Operating (Loss)/Profit

The Profit loss for the year is stated after charging

		Year to 31 December 2021 £'000	Year to 31 December 2020 £'000
	Note		
Gas and carbon costs		112,608	264,526
Provision for onerous contracts	19	58,812	-
Depreciation	11	18,546	20,961
Staff costs	6	5,850	6,422
TNUOS charges		5,213	2,264
Provision for inventory obsolescence		1,510	870
Fees paid to the auditor in respect to audit of the financial statements		81	65

The provision for onerous contracts is as a result of an extended outage due to an electrical fire on a transformer in September curtailing the station capacity until it is replaced, which has led to the recognition of a £58.8m onerous contract provision relating to the Company's future obligation at the balance sheet date to buy back an over hedged position at significantly higher prices than originally contracted for.

Deloitte LLP was the Company's auditor for the year ended 31 December 2021. Audit fees included in other operating expenses amounted to £81,000 (Year ended 31 December 2020: £65,000), no fees were paid for non-audit services in the year.

Transmission Network Use of System (TNUOS charges) relate to the cost of maintaining the energy network across the system that is charged to generating assets based on generation.

6. Staff numbers and costs

Average monthly number of employees	2021 Number	2020 Number
Staff	68	77

The aggregate payroll costs of these persons were as follows:

	Year to 31 December 2021 £000	Year to 31 December 2020 £000
Wages and salaries	4,803	5,270

EP SHB LIMITED
Notes to the Financial Statements (continued)
For the Year to 31 December 2021

Social security costs	542	565
Pension costs	506	587
	5,850	6,422

7. Directors' Emoluments

The Company's directors were employed and remunerated by other group companies. The Directors are unable to allocate their remuneration among subsidiary undertakings.

8. Other interest received and similar income

	Year to 31 December 2021 £000	Year to 31 December 2020 £000
Interest income from amounts owed by group undertakings	403	222
Other interest receivable	-	60
	403	282

9. Interest payable and similar charges

	Year to 31 December 2021 £000	Year to 31 December 2020 £000
Interest on amounts owed to group undertakings	42	3,483
Right of use asset and other interest	26	27
Provisions: unwinding of discounts	91	127
	159	3,637

10. Taxation

a. Tax charged in the income statement

Tax on (loss) / profit

UK current tax

	Year ended 31 December 2021 £000	Year ended 31 December 2020 £000
UK current tax on profits for the year	(4,999)	10,475
Adjustment in respect of prior year	698	1,039
Total current tax	(4,301)	11,514

Deferred tax

	Year ended 31 December 2021 £000	Year ended 31 December 2020 £000
Adjustments in respect of prior year	113	(999)
Current year	2,515	1,586
Total deferred tax charge	2,628	587

EP SHB LIMITED
Notes to the Financial Statements (continued)
For the Year to 31 December 2021

10. Taxation (continued)	Year ended 31 December 2021	Year ended 31 December 2020
<i>Tax on (Loss) / Profit</i>	£000	£000
Total current tax	(4,301)	11,514
Total deferred tax	2,628	587
Total tax charge	(1,673)	12,101

a. Reconciliation of effective tax rate

The tax expense for the year is higher than (2020: higher) the expense that would have been charged using the standard rate of corporation tax in the UK of 19% (2020: 19%) applied to the profit before tax. The differences are explained below:

	Year to 31 December 2021	Year to 31 December 2020
	£000	£000
(Loss) / profit before Income tax	(25,665)	59,022
Tax Credit at Standard UK rate 19% (2020: 19%)	(4,876)	11,214
<i>Effects of:</i>		
Net expenses non-deductible for tax purposes	876	1,013
Non-taxable income	(145)	-
Impact of rate change	430	(166)
Prior period adjustment	811	40
Superdeduction enhancement (30%)	(82)	-
Derecognition of deferred tax	1,313	-
Total income tax expense	(1,673)	12,101

The Finance Act 2021 was substantially enacted in May 2021 and has increased the corporation tax rate from 19% to 25% with effect from 1 April 2023. The deferred tax balances have been measured using the rates expected to apply in the reporting periods when the timing differences reverse.

EP SHB LIMITED
Notes to the Financial Statements (continued)
For the Year to 31 December 2021

11. Tangible Assets

Property, plant and equipment

	Land and Buildings £000	Power Station Assets £000	Turbines, Plant & Equipment £000	ROU asset £'000	ARO Asset £000	Total £000
Cost						
Balance at 1 January 2021	2,210	557,667	218,414	380	5,549	784,220
Additions	-	2,809	670	-	-	3,479
Disposals	-	(4,266)	(27)	-	-	(4,293)
Remeasurement	-	-	-	-	1,212	1,212
Balance at 31 December 2021	2,210	556,210	219,057	380	6,761	784,618
Depreciation						
Balance at 1 January 2021	-	524,615	114,614	48	1,948	641,225
Depreciation charge	-	7,072	11,107	24	343	18,546
Disposals	-	(3,339)	(8)	-	-	(3,347)
Balance at 31 December 2021	-	528,348	125,713	72	2,291	656,424

11. Tangible Assets (continued)

Net Book Value						
At 31 December 2020	2,210	33,052	103,800	332	3,601	142,995
At 31 December 2021	2,210	27,862	93,344	308	4,470	128,194

In 2021 the value of the Company's decommissioning asset (ARO asset) was revalued due to a change in the discount rate from 1.34% to 0.85%. This resulted in a revaluation revision of £1,212,000 (2020: £(320,000)) in the balance sheet.

12. Intangible Assets

	Carbon Allowances £'000
Cost	
Balance at 1 January 2021	19,426
Additions	42,791
Disposal	(62,217)
Balance at 31 December 2021	-
Depreciation	-
Balance at 1 January 2021	-
Balance at 31 December 2021	-
Net Book Value	
At 31 December 2020	19,426
At 31 December 2021	-

EP SHB LIMITED

Notes to the Financial Statements (continued)

For the Year to 31 December 2021

Carbon allowances, UKA (UK Allowances) and EUAs (European Emission Allowances), are intangible assets which represent UKA/EUA certificates purchased to meet the UK Group's obligation under the UK Emissions Trading System / European Union Emissions Trading System

13. Deferred taxation asset/liability

	Assets		Liabilities		Net	
	2021	2020	2021	2020	2021	2020
	£000	£000	£000	£000	£000	£000
Tangible fixed assets	-	-	(2,702)	(925)	(2,702)	(925)
Provisions	912	1,763	-	-	912	1,763
Tax assets / (liabilities)	912	1,763	(2,702)	(925)	(1,790)	838
Net tax assets / (liabilities)	912	1,763	(2,702)	(925)	(1,790)	838

Movement in deferred tax During the year	1 January	Recognised in	31 December
	2021	income statement	2021
	£000	£000	£000
Tangible fixed assets	(925)	(1,777)	(2,702)
Provisions	1,763	(851)	912
	838	(2,628)	(1,790)

	1 January	Recognised in	31 December
	2020	income statement	2020
	£000	£000	£000
Tangible fixed assets	(33)	(892)	(925)
Provisions	1,458	305	1,763
	1,425	(587)	838

14. Amounts due from other group companies

	2021	2020
	£000	£000
Intercompany receivables within 1 year	213,525	57,719
Intercompany loans receivable within 1 year	35,000	5,050
Amounts due from other group companies	248,525	62,769

Intercompany receivables are trading receivables due within one month of invoicing.

The Intercompany loan relates to a short-term loan issued to a fellow Group company. Interest is charged at LIBOR + 2.3% on a 1 month rolling term.

EP SHB LIMITED
Notes to the Financial Statements (continued)
For the Year to 31 December 2021

15. Trade receivables and other debtors

	2021	2020
	£000	£000
Trade receivables	2,397	5,974
Prepayments and accrued income	3,784	1,600
Other Receivables	2,160	858
Taxation	8,106	1,420
	16,447	9,852

16. Inventories

	2021	2020
	£000	£000
Consumables and strategic spares	9,867	8,422
Obsolescence provision	(3,588)	(2,297)
	6,279	6,125

17. Amounts due to other group companies

	2021	2020
	£000	£000
Intercompany payables within 1 year	210,920	50,865
Group loans payable within 1 year	-	196
	210,920	51,061

Intercompany payables are trading receivables due within one month of invoicing. Group loans are repayable upon demand and are charged at 0% interest.

18. Trade payables and other payables

	2021	2020
	£000	£000
Trade payables	1,310	803
Accruals and deferred income	3,869	9,911
Taxation and social security	195	129
Other payables	45,379	62,549
Onerous contract provision	58,812	-
	109,565	73,392

Included in other payables is £38,207,332 relating to obligations under the UKA Emissions Trading Scheme (2020: £56,994,956 EU Emissions Trading Scheme).

An onerous contract provision has been recognised for the Company's future obligation to buy back an overhedged position at a significant higher market price than the price originally paid. The provision recognised represents management's best estimate of the Company's liability at the end of the year to fulfil its obligation of energy supply in Q1 2022, which it is unable to fulfil by physical generation due to the unplanned outage resulting from the unit 2 transformer fire.

EP SHB LIMITED
Notes to the Financial Statements (continued)
For the Year to 31 December 2021

19. Provisions for liabilities

	Decommissioning Provision £000
Balance at 1 January 2021	6,909
Revaluations	1,212
Unwind of discount rate	91
Balance at 31 December 2021	8,212

The Company has recognised provisions for its obligations to decommission the power station at the end of its operating life, which is expected to occur in 2029. The provision recognised represents the best estimate of the expenditures required to settle the present obligation at the current balance sheet date, based on existing technology and current legislation requirements.

20. Called-up share capital

	2021		2020	
	No	£	No	£
Allotted and fully paid up:				
Ordinary Shares of £1 each	20,000,000	20,000,000	20,000,000	20,000,000

21. Commitments and contingencies

Capital commitments

Contracted future expenditure as at 31 December 2021 was £11.52m (2020: £5.5m).

22. Immediate and Ultimate Parent Company undertakings

The Company is a subsidiary undertaking of EPUKI Limited, a wholly owned subsidiary of Energetický a průmyslový holding, a.s. (resp. EP Power Europe, a.s.). EP Investment S.a r.l. is the ultimate parent company, incorporated in Luxembourg. The ultimate controlling party is Daniel Křetínský, who is the majority shareholder.

The largest group in which the results of the Company are consolidated is that headed by EP Investment S.a r.l., its registered office is 39, Avenue John F. Kennedy, L-1855 Luxembourg.

The smallest group in which the results are consolidated is that headed by EP Power Europe, a.s. its registered office is Pařížská 26, 110 00 Prague 1, Czech Republic.

The consolidated financial statements of these groups are available to the public and may be obtained from offices of each company.