

Registered Number 03782700

EGGBOROUGH POWER LIMITED
ANNUAL REPORT AND CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2012

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COMPANIES HOUSE

**Eggborough Power Limited
Directors and Advisors**

DIRECTORS

Paul Tomlinson
Peter Douglas Coleman
Richard James Cazenove
Jason Clarke
Andrew Neil O'Hara
Lucien Orlovius
William Rickett

COMPANY SECRETARY

Eversecretary Limited

REGISTERED OFFICE

Eggborough Power Station
Goole
East Yorkshire
DN14 0BS

INDEPENDENT AUDITORS

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
141 Bothwell Street
Glasgow
G2 7EQ

SOLICITORS

Eversheds LLP
Bridgewater Place
Water Lane
Leeds
LS11 5DR

Eggborough Power Limited

Directors' Report for the year ended 31 March 2012

The Directors present their annual report and the audited consolidated financial statements of the Group for the year ended 31 March 2012 and the comparatives for year ended 31 March 2011. The Company's registered number is 03782700.

PRINCIPAL ACTIVITIES, REVIEW OF BUSINESS AND FUTURE DEVELOPMENTS

The principal activity of the company and its subsidiary during the year was the operation of the Eggborough coal-fired power station. Trading of the station's output is carried out under an Energy Management Services Agreement (EMSA) between the Company and a third party Commodity Agent experienced in trading power, coal and carbon within the UK electricity market.

During the year the Company sold 1.5 million of its 2011 free EUA allowances. Proceeds from the sale of these allowances are reported as other income in the profit and loss account on page 6. The company was awarded a further 4.7 million EUA allowances for 2012, none of which had been sold at 31 March 2012.

Since 31 March 2010 Eggborough Power Limited has been a wholly owned subsidiary of Eggborough Holdco 2 S a r l, a company registered in Luxembourg. The Directors consider the ultimate parent undertaking to be Eggborough Holdco 1 S a r l, a company registered in Luxembourg.

The future activity of the Group will continue to be the operation of the Eggborough coal-fired power station.

PRINCIPAL RISKS AND UNCERTAINTIES

The Board is responsible for determining strategies and policies for risk and control, and management is responsible for designing, operating and monitoring risk and control processes which implement Board policies effectively. Risk management and internal control are considered by the Board and its committees during the year.

The risk management process operating throughout the year and up to the date of approval of the report was based on the identification, mitigation and monitoring of the key risks that influence the Group's strategy and business objectives.

The Board reviews the Group's business objectives and the strategic, financial, legal and regulatory and operational risks and controls associated with these. Risks reviewed by the Board include:

- safe operation of the plant,
- security,
- plant condition and reliability,
- human performance,
- IT systems and business continuity,
- major contracts,
- the financial position of the Group,
- treasury and trading financial exposures including collateral,
- changes in energy markets (including electricity, coal and carbon prices, and future developments in carbon schemes),
- policy proposals by legislative bodies in the markets in which we operate,
- safety regulations, and
- commercial and environmental regulation.

Eggborough Power Limited
Directors' Report for the year ended 31 March 2012 (continued)

Throughout the year the Group's reporting arrangements monitored business performance against the business plan. Risk logs identifying business risks facing the Group were regularly considered at Board meetings and mitigation plans were established and monitored.

The conduct of risk assessment involves senior management of the entire Group in addition to the Executive Directors. The results of these assessments are summarised and reported to the Board. These risk assessments will continue to be used as part of the Group's evaluation of the risks it faces.

KEY PERFORMANCE INDICATORS

The Group uses a number of key performance indicators ("KPIs") to measure its safety and operational performance. The principle KPIs are set out below.

Key Performance Indicator	Description	2012	2011
Generation	Station output in TWh, after deductions for works power and direct supply sales	6.6 TWh	4.0 TWh
Load Factor	Generation as a proportion of total theoretical station capacity (including planned outages)	39.10%	23.40%
EBITDA ¹	Earnings before interest, tax, depreciation and goodwill amortisation	£(2)m	£4m
Employee Lost Time Incidents	Incidents resulting in employees taking more than 24 hours off work	1	0
All Accident Rate	Number of employee and contractor incidents (of any severity) per 100,000 hours worked	2.98	2.9

¹ EBITDA is a non-statutory measure and is calculated by adding back depreciation and exceptional costs to operating (loss).

RESULTS AND DIVIDENDS

The result for the financial year is set out in the profit and loss account on page 6. The Group's loss for the financial year of £7m (2011: £15m loss) was added to reserves.

The loss for the year is reported after exceptional items of £nil (2011: £(8)m).

The Directors do not recommend the payment of a dividend (2011: £nil).

DIRECTORS

The Directors of the Company throughout the year and up to the date of signing the financial statements are listed on page 1.

CHARITABLE AND POLITICAL DONATIONS

The Group made charitable donations during the year of £11,674 (2011: £25,445) of which £1,100 were made in support of the local community and £10,574 were made to three national registered charities. No political donations were made during the year (2011: £nil).

RESEARCH AND DEVELOPMENT

The Group is committed to investing in new technologies to improve plant and environmental performance to ensure it is in the best position to meet the demands of future environmental constraints.

EMPLOYEES

The company is committed to involving employees in the business through a policy of communication and consultation. Arrangements have been established for the regular provision of information to all employees through briefings, staff conferences and well-established formal consultation procedures.

The Group encourages the involvement of employees in the Group's performance through the provision for all employees of an annual bonus scheme linked to the Group's performance. Employees are briefed regularly in relation to the financial and economic factors that affect the performance of the Group.

Eggborough Power Limited
Directors' Report for the year ended 31 March 2012 (continued)

EMPLOYEES (continued)

The Group is committed to employment policies, which follow best practice, based on equal opportunities for all employees, irrespective of sex, race, colour, disability or marital status. The Group gives full and fair consideration to applications for employment of disabled persons, having regard to their particular aptitudes and abilities. Appropriate arrangements are made for the continued employment and training, career development and promotion of disabled persons employed by the group. If members of staff become disabled the group continues employment, either in the same or an alternative position, with appropriate retraining being given if necessary. The policy is supported by a Code of Practice on harassment that recognises that all employees have the right to be treated with dignity and respect.

PAYMENT OF CREDITORS

The Group agrees terms and conditions under which business activities with its suppliers are conducted on an individual basis. Accordingly, the Group has, and will continue to have, a variety of payment terms. It is Group policy however that the terms are agreed with suppliers when entering into contracts and that suppliers are made aware of these terms. Payment terms are adhered to, provided the relevant goods and services have been supplied in accordance with the contract. Group policy will continue to apply for the current financial year.

DIRECTORS' STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

The Directors who were members of the Board at the time of approving the Directors' Report are listed on page 1. Having made enquiries of fellow Directors and of the auditors, each of these Directors confirms that

- to the best of each Director's knowledge and belief, there is no information relevant to the preparation of their Report of which the auditors are 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 auditors are aware of that information.

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

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to

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



Andrew Neil O'Hara
Director
27 June 2012

Eggborough Power Limited
Independent Auditors' Report to the Members of Eggborough Power Limited

We have audited the financial statements of Eggborough Power Limited for the year ended 31 March 2012 which comprise the Profit and Loss Account, the Balance Sheet, the Cash Flow Statement, the Statement of Total Recognised Gains and Losses, the Accounting Policies and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 2 - 4 the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Eggborough Power Limited's annual report to identify material inconsistencies with the audited financial statements. 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 March 2012 and of its loss and cash flows for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

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

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



Mark Hoskyns-Abraham (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Glasgow
27 June 2012

Eggborough Power Limited
Consolidated Profit and Loss Account for the year ended 31 March 2012

	Note	2012 £m	2011 £m
Turnover	2	430	227
Other income	2	10	46
Cost of sales		<u>(348)</u>	<u>(180)</u>
Gross profit		92	93
Operating costs	3	<u>(105)</u>	<u>(99)</u>
Operating loss on ordinary activities before interest and taxation		(13)	(6)
Finance credit / (charges)	6	2	(3)
Exceptional Items	7	-	(8)
Loss on ordinary activities before taxation		(11)	(17)
Taxation on loss on ordinary activities	8	4	2
Loss for the financial year	20	<u>(7)</u>	<u>(15)</u>

All activities are continuing

There is no material difference between the loss on ordinary activities before taxation and the loss for the financial year stated above and their historical cost equivalents

Statement of Total Recognised Gains and Losses for the year ended 31 March 2012

	Note	2012 £m	2011 £m
Group loss for the year		(7)	(15)
Items taken directly to the reserves			
Actuarial gain/(loss) and derecognition of pension asset	18	(13)	14
Deferred tax on actuarial loss	18	3	(3)
Pension Asset not recognised in 2011	18	2	-
Other pension scheme contributions	18	4	-
Total recognised losses for the year		(11)	(4)
Prior year adjustment		-	(84)
Total losses recognised since last annual report		<u>(11)</u>	<u>(88)</u>

Eggborough Power Limited
Consolidated Balance Sheet as at 31 March 2012

At 31 March 2012	Note	Group		Company	
		2012 £m	2011 £m	2012 £m	2011 £m
Fixed Assets					
Intangible assets	9	68	32	68	32
Tangible assets	10	93	99	93	99
Investment	11	-	-	-	-
Current Assets					
Stock	12	15	16	15	16
Debtors	13	45	49	57	61
Restricted cash		20	11	20	11
Cash at bank and in hand		77	68	68	57
		<u>157</u>	<u>144</u>	<u>160</u>	<u>145</u>
Creditors - Amounts falling due within one year	15	(139)	(81)	(154)	(94)
Net current assets		<u>18</u>	<u>63</u>	<u>6</u>	<u>51</u>
Debtors - Amounts falling due after more than one year	13	-	-	4	4
Creditors - Amounts falling due after more than one year	16	(8)	(8)	-	-
Provisions for liabilities and charges	17	(16)	(22)	(16)	(22)
Net assets excluding pension liability		<u>155</u>	<u>164</u>	<u>155</u>	<u>164</u>
Pension liability	18	(2)	-	(2)	-
Net assets including pension liability		<u>153</u>	<u>164</u>	<u>153</u>	<u>164</u>
Capital and reserves					
Called up share capital	19	90	90	90	90
Share premium account	20	56	56	56	56
Capital Reserves	20	132	132	132	132
Profit and loss account	20	(125)	(114)	(125)	(114)
Total shareholders' funds	20	<u>153</u>	<u>164</u>	<u>153</u>	<u>164</u>

The accompanying notes are an integral part of these financial statements

The financial statements on pages 6 to 22 were approved by the Board of Directors on 27 June 2012 and signed on its behalf by



Andrew Neil O'Hara
Director
27 June 2012

Eggborough Power Limited
Consolidated Cashflow Statement for the year ended 31 March 2012

	Note	2012 £m	2011 £m
Net cash outflow from operating activities	24	20	(58)
Returns on investment and serving of finance			
Interest paid		-	-
Taxation		-	-
Capital expenditure and financial investment			
Purchase of tangible fixed assets		(2)	(1)
Financing			
Capitalisation of shareholder loan		-	48
Shareholder loan	25	-	38
Change in cash		<u>18</u>	<u>27</u>

Eggborough Power Limited
Notes to the Consolidated Financial Statements for the year ended 31 March 2012

1 ACCOUNTING POLICIES

(i) Basis of Preparation

These financial statements are prepared on the going concern basis under the historical cost convention and in accordance with aspects of the Companies Act 2006 and applicable accounting standards in the United Kingdom

The preparation of financial statements in conformity with Generally Accepted Accounting Principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results can differ from those estimates.

There have been no changes to any of the accounting policies adopted by the Group during the year, as a result the policies in place have been applied consistently through out the financial year.

(ii) Basis of Consolidation

The financial statements consolidate the financial statements of the Company and its subsidiary undertaking, Eggborough Newco Ltd.

The subsidiary is consolidated into the financial statements of the Group from the date that control commences until the date control ceases, using the acquisition method of accounting.

Control exists when the company has power, directly or indirectly, to govern the financial and operating policies of the entity so as to obtain benefits from its activities. In assessing control potential voting rights that presently are exercisable are taken into account.

Intra-Group balances and any unrealised gains and losses or income and expenses arising from intra-group transactions are eliminated in preparing the consolidated financial statements.

(iii) Turnover

Turnover is recognised through the Energy Management Services Agreement with the Commodity Agent, and represents the net settled position of power sale and purchase contracts. Turnover also includes revenues from participating within the Balancing Mechanism, the provision of ancillary services, direct sales to end customers and sales of station by-products. Turnover is shown net of value added tax and climate change levy.

(iv) Fuel Costs

All fuel costs which relate to the generation of electricity are included within cost of sales.

Coal burn costs are valued at the prevailing market price, and are net of gains and losses made on any settled financial coal swaps transacted by the Commodity Agent.

Carbon costs represent the cost of acquiring certificates under the European Union Emissions Trading Scheme (EUAs) in order to settle the liability arising on carbon emissions in the period. Where contracts have been entered into to acquire these EUA certificates, or where EUA certificates are already held by the Company, the liability will be valued at the weighted average purchase price of these certificates. Where carbon emissions exceed the contracted level of certificates, the excess will be valued at the prevailing market price for EUA certificates at the period end date.

The Company has allocated to it each year a number of free EUA certificates. No value is attributed to these free certificates unless they are sold, at which point the full sale proceeds are recognised as other income within the profit and loss account.

Oil and Biomass costs are valued on a weighted average cost basis.

(v) Research and Development

Research and development expenditure is charged to the profit & loss account in the year in which it is incurred, until such time that the expenditure leads to further investment that can be shown to have an economic payback.

Eggborough Power Limited
Notes to the Consolidated Financial Statements for the year ended 31 March 2012 (continued)

ACCOUNTING POLICIES (continued)

(vi) Pensions and Other Post Retirement Benefits

The Group provides for pension costs in accordance with FRS 17 – Post Retirement Benefits. Contributions to the Group's defined benefit pension scheme are assessed by qualified actuaries. Pension plan assets are measured using market values. Pension plan liabilities are measured using the projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability.

Any increase in the present value of the liabilities of the Group's defined benefit pension plan expected to arise from employee service in the period is charged against operating profit. The expected return on the plan's assets and the increase during the period in the present value of the plan's liabilities arising from the passage of time are included in other finance income.

Actuarial losses are recognised immediately in the statement of total recognised gains and losses. Actuarial gains are only recognised to the extent that the year end coincides with a triennial valuation of the pension scheme and the recoverability of the asset has been agreed with the pension trustees.

(vii) Goodwill

Goodwill represents the excess or deficit of the cost of businesses or shares in subsidiaries over the fair value of the separate net assets acquired. Goodwill is charged or credited to the profit and loss account in equal instalments over its estimated useful economic life. Provision is made for any impairment.

(viii) Intangible Assets

Intangible assets represent carbon certificates purchased by the company to surrender against its obligations under the European Emissions Trading Scheme. These are held at cost and due to the short timing before obligations fall due are not amortised.

(ix) Tangible Fixed Assets and Depreciation, including Decommissioning Costs

The directors have undertaken a full appraisal of the remaining useful economic life of the station, taking into account the current configuration of the plant, existent and emergent legislation, and expectations of future market developments. Accordingly, the remaining useful life of the assets remains based upon a plant closure date of 2023 (2011 – 2023), and depreciated on a straight line basis.

IT assets are depreciated over four years on a straight line basis.

Land is held at historical cost value and is not depreciated.

The costs of decommissioning the power station have been estimated on the basis of ongoing assessments of the processes and methods likely to be used for decommissioning and quotations received from experts in power station decommissioning.

(x) Leases

Assets acquired and made available to third parties under operating leases are recorded as property, plant and equipment and are depreciated on a straight-line basis to their estimated residual values over their estimated useful lives. Operating lease income is charged on a straight-line basis to the date of the next rent review.

(xi) Stocks of Spares, Coal, Oil, Biomass and Consumables

Stocks of spares, coal, oil, biomass and consumables are valued at average cost.

A stock of plant spares is expected to still be present at the scheduled station closure date. As any such remaining spares will have nil value once the station is closed, a provision is built up each year such that these stocks will have a nil net book value at that date.

Coal stock represents coal which has been transferred to the mill bunkers but not yet burnt. All remaining coal held onsite is owned by a third party commodity agent.

Eggborough Power Limited

Notes to the Consolidated Financial Statements for the year ended 31 March 2012 (continued)

ACCOUNTING POLICIES (continued)

(xii) Taxation

Current tax is provided at amounts expected to be paid or recovered using the tax rates and laws that have been enacted or substantively enacted at the balance sheet date

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date. Timing differences are differences between taxable profits and those stated in the financial statements. Deferred tax is measured, on an undiscounted basis, at the tax rates that are expected to apply in the periods in which the timing differences are expected to reverse based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax assets are only recognised to the extent that it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing difference can be deducted.

Deferred tax is recognised in the profit and loss account except to the extent that it is attributable to a gain or loss that is or has been recognised directly in the statement of total recognised gains and losses in which case the deferred tax is recognised directly in that statement.

(xiii) Restricted Cash

Cash which is placed in term deposits which mature more than one day after the end of the financial year, has been used as collateral with a counter-party, or is invested in commercial paper is classified under current assets as restricted cash.

Eggborough Power Limited**Notes to the Consolidated Financial Statements for the year ended 31 March 2012 (continued)****2 TURNOVER****Group and company**

	2012 £m	2011 £m
Turnover	<u>430</u>	<u>227</u>
Other Income		
Sale of free carbon allowances within the year	<u>10</u>	<u>46</u>

All income is attributable to continuing activities

3 OPERATING LOSS DISCLOSURE**Group and company**

	2012 £m	2011 £m
Operating costs		
Materials and services	74	70
Depreciation, movements in provisions	11	10
Staff costs (note 4)	20	19
Total operating costs	<u>105</u>	<u>99</u>

The auditors' remuneration for audit services was £78,000 (2011 £80,000) The auditors' remuneration for other audit services was £60,250 (2011 £47,870)

4 STAFF COSTS**Group and company**

a) Staff costs	2012 £m	2011 £m
Wages and Salaries	15	15
Social security costs	2	1
Pension costs (note 18)	3	3
Total staff costs	<u>20</u>	<u>19</u>

b) Employee numbers

Average number of employees during the year was

Management and support staff	52	45
Asset management	106	106
Operations	142	144
	<u>300</u>	<u>295</u>

Eggborough Power Limited
Notes to the Consolidated Financial Statements for the year ended 31 March 2012 (continued)

5 SUMMARY OF DIRECTORS' EMOLUMENTS

Group and company

Directors' emoluments	2012 £000's	2011 £000's
Aggregate amounts	911	1,105
Company contributions to money purchase pension schemes	60	50
	971	1,155

Highest paid director

	2012 £000's	2011 £000's
Aggregate amounts	548	668
Company contributions to money purchase pension schemes	60	50
	608	718

	Number of directors	
	2012	2011
The number of directors who		
Are members of a money purchase pension scheme	1	1
Are members of a defined benefit pension scheme	1	1

All emoluments in 2012 were made by the Company. Included within aggregate emoluments for 2011 is £120,000 which was paid to the highest paid director for services to the Group bourn by Strategic Value Partners, a related party.

6 FINANCE CHARGES

Group and company	2012 £m	2011 £m
Interest payable and similar charges		
Interest payable on shareholder loan	-	3
	-	3
Interest receivable and similar income		
Expected return on assets in the pension scheme (note 18)	(6)	(5)
Interest on pension scheme liabilities (note 18)	4	5
	(2)	-
	(2)	3

Eggborough Power Limited
Notes to the Consolidated Financial Statements for the year ended 31 March 2012 (continued)
7 EXCEPTIONAL ITEMS

	Group		Company	
	2012	2011	2012	2011
	£m	£m	£m	£m
Restructuring costs	<u>-</u>	<u>(8)</u>	<u>-</u>	<u>(8)</u>

There have been no exceptional items for the year (2011 £8m) Exceptional costs in 2011 related to expenditure incurred in establishing processes and controls required for the Group to operate as a stand alone business following divestment from EDF Energy Plc The expenditure was inclusive of legal and professional consultancy services, required expenditure on regulatory compliance and is net of profit realised from the sale of coal stock to a third party commodity agent

8. TAX ON LOSS ON ORDINARY ACTIVITIES
Group and company

	2012	2011
	£m	£m
Current tax		
UK corporation tax on losses of the period	-	-
Adjustment in respect of previous periods	-	1
Deferred tax		
Origination and reversal of timing differences	(3)	(2)
Change in tax rate - impact on deferred tax	(1)	(1)
Tax on loss on ordinary activities	<u>(4)</u>	<u>(2)</u>

The current tax assessed for the year is lower (2011 lower) than the standard rate of corporation tax in the UK of 26% (2011 28%) A reconciliation of the effective tax rate for the current year tax charge is set out below

	2012	2011
	£m	£m
Loss on ordinary activities before taxation	(11)	(17)
Tax credit on loss on ordinary activities at standard rate 26% (2011 28%)	(3)	(5)
Depreciation on qualifying capital expenditure in year in excess of capital allowances	2	1
Movement in pension provision and other timing differences	(2)	(1)
Generation of tax losses	2	3
Expenses not deductible for tax purposes	1	2
Adjustments to tax charge in respect of previous years	-	1
Current tax charge for year	<u>-</u>	<u>1</u>

Eggborough Power Limited

Notes to the Consolidated Financial Statements for the year ended 31 March 2012 (continued)

9. INTANGIBLE FIXED ASSETS

Group and company

	EUA certificate £m
Cost	
At 1 April 2011	32
Additions	68
Disposals	(32)
At 31 March 2012	68

The company has an intangible asset of £68m (2011 £32m) which relate to carbon certificates purchased to settle the Company's carbon liability for the year ended 31 December 2011. These are valued at the weighted average purchase price of these certificates.

In addition, as at 31 March 2012 the company had 4,744,518 remaining EUA allowances out of the 2012 European Union Emissions Trading Scheme allocation. Unsold allowances are not recognised on the balance sheet in accordance with the Group accounting policy. The total value of these allowances at prevailing market price at 31 March 2012 was £27,794,968.

10. TANGIBLE FIXED ASSETS

Group and Company fixed assets

	Buildings £m	Strategic Spares £m	Plant & Machinery £m	Software £m	Work in progress £m	Total £m
Cost or valuation						
At 1 April 2011	37	10	161	4	-	212
Additions	-	-	-	-	2	2
Disposals	-	-	-	-	-	-
At 31 March 2012	37	10	161	4	2	214
Accumulated depreciation						
At 1 April 2011	28	3	81	1	-	113
Charge for the year	1	1	5	1	-	8
Disposals	-	-	-	-	-	-
At 31 March 2012	29	4	86	2	-	121
Net book amount						
At 31 March 2012	8	6	75	2	2	93
At 31 March 2011	9	7	80	3	-	99

Freehold land, with a cost of £105,000, has not been depreciated.

11. FIXED ASSET INVESTMENTS

Group and company

The Company acquired the entire issued share capital of Eggborough Newco Limited (a company incorporated in the United Kingdom) on 31 March 2010 for a consideration of £2.

In addition, the company was gifted 22,000 shares in the Electricity Supply Pension Scheme on 31 March 2010. No value is attributable to this investment.

Eggborough Power Limited
Notes to the Consolidated Financial Statements for the year ended 31 March 2012 (continued)
12 STOCK
Group and Company

	2012 £m	2011 £m
Spares	10	10
Fuel	3	3
Consumables	2	3
	<u>15</u>	<u>16</u>

13 DEBTORS

	Group		Company	
	2012 £m	2011 £m	2012 £m	2011 £m
Amounts falling due within one year				
Trade debtors	13	30	13	29
Amounts owed from group undertakings	-	-	12	13
Other debtors	30	17	30	17
Prepayments and other receivables	2	2	2	2
	<u>45</u>	<u>49</u>	<u>57</u>	<u>61</u>

Other debtors include £30m (2011 £17m) relating to EUA certificates acquired on the group's behalf by a third party commodity agent that had not been transferred to the Groups EUETS registry at the balance sheet date. These certificates are valued at the weighted average price paid for them in the year.

	Group		Company	
	2012 £m	2011 £m	2012 £m	2011 £m
Amounts falling due after more than one year	<u>-</u>	<u>-</u>	<u>4</u>	<u>4</u>

£4m represents a loan to Eggborough Newco Limited which is unsecured, interest free and has no fixed repayment date.

14. DEFERRED TAXATION
Group and Company

	2012 £m	2011 £m
- Accelerated capital allowances	11	16
- Short term timing differences	(1)	-
- Taxation losses	<u>(4)</u>	<u>(3)</u>
	6	13
Asset not recognised	-	-
Deferred tax liability	<u>6</u>	<u>13</u>
		£m
As at April 2011		13
Deferred tax (credit)/charge		
- disclosed in Profit and Loss Account		(4)
- disclosed in statement of total recognised gain and losses		<u>(3)</u>
As at March 2012		<u>6</u>

Eggborough Power Limited
Notes to the Consolidated Financial Statements for the year ended 31 March 2012 (continued)
DEFERRED TAXATION (continued)
Group and company

	2012 £m	2011 £m
Included in		
Retirement benefits (note 18)	(1)	-
Provisions for liabilities and charges (note 17)	7	13
	<u>6</u>	<u>13</u>

During the year, a change in the UK corporation tax rate from 26% to 24% was substantively enacted and the reduced rate will be effective from 1 April 2012. The relevant closing deferred tax balances have been re-measured accordingly. In addition to the change in rate of Corporation tax disclosed above, a number of further changes to the UK Corporation tax system were announced in the March 2011 UK Budget Statement and updated in the March 2012 Budget Statement. Legislation to reduce the main rate of corporation tax from 24% to 23% from 1 April 2013 is expected to be included in the Finance Act 2012. Further reductions to the main rate are proposed to reduce the rate by 1% to 22% by 1 April 2014. None of these expected rate reductions had been substantively enacted at the balance sheet date and, therefore, are not included in these financial statements. Had the change in rate to 22% been substantively enacted as of the balance sheet date, there would have been no significant impact on the financial statements.

15 CREDITORS AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Company	
Amounts due within one year	2012 £m	2011 £m	2012 £m	2011 £m
Trade creditors	6	7	6	7
Amounts owed to group undertakings	-	-	15	13
Taxation and social security	12	4	12	4
Other Creditors	99	48	99	48
Accruals and deferred income	22	22	22	22
	<u>139</u>	<u>81</u>	<u>154</u>	<u>94</u>

Other creditors include £99m (2011 £48m) relating to the companies obligations under the European Union Emissions Trading Scheme. The obligation is to be settled in EUA certificates, which have been valued at the average purchase price of certificates acquired in the year.

16 CREDITORS AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Group		Company	
Amounts falling due after one year	2012 £m	2011 £m	2012 £m	2011 £m
Shareholder loans	8	8	-	-

Represents amount payable to shareholders (Bluebay value recovery (master) fund limited, Field point IV S à r l, Field point 1A S à r l, and BDF Limited). The loan has a repayment date of 30 March 2016 and no interest is chargeable on the loan.

Eggborough Power Limited

Notes to the Consolidated Financial Statements for the year ended 31 March 2012 (continued)

17 PROVISIONS FOR LIABILITIES AND CHARGES

Group and Company

	Deferred Tax	Station Closure	Total
	£m	£m	£m
As at 1 April 2011	13	9	22
Net movement in deferred tax	(6)	-	(6)
As at 31 March 2012	<u>7</u>	<u>9</u>	<u>16</u>

The site restoration provision is to provide for all costs of the eventual decommissioning of Eggborough Power Station scheduled in 2023 and is stated at 2011 prices (£0.5m was posted through the P&L)

18 POST RETIREMENT BENEFIT OBLIGATIONS

Group & Company

Eggborough Power Limited contributes to the pension arrangement operated by the Eggborough Power Group within the Electricity Supply Pension Scheme (ESPS). The ESPS is a defined benefit scheme, which is externally funded and subject to triennial actuarial valuation. Each pension group that participates in the ESPS is financially independent from the other groups.

The disclosures below relate to the Eggborough Power Group of the ESPS (the EP Group). A roll forward update of the most recent actuarial valuation was prepared by Pope Anderson as at 31 March 2012 for this purpose using methodology prescribed under Financial Reporting Standard 17.

For this Group, the updated valuation was determined using the projected unit credit method ("PUC Method").

The following contributions were made to the pension arrangements during 2011/12

Company Contributions	£9m
Member Contributions	£0m

Company contributions include deficit repair contributions of £2m (2011: £2m). The current service cost of the pension scheme is £3m (2011: £3m) which represents 28.2% of pensionable earnings (2011: 28.2%). The company does not envisage any change to the current contribution rate in the year ending 31 March 2013.

Following the divestment of the Eggborough Power Group from EDF Energy (UK) Ltd, a deficit repair plan was agreed between the shareholders and trustees whereby additional contributions of £2m would be paid into the scheme each year until June 2014 with a view to repay the deficit as valued at 31 March 2009 before the expected plant closure date of 31 March 2023.

Included within the company contributions includes £4m that arose in a relation to section 75 debt upon divestment of Eggborough Power Group from EDF Energy (UK) Ltd which was paid by British Energy Trading Ltd.

The amounts disclosed in the balance sheet under FRS 17 in respect of the Company's funded defined benefit pension scheme are as follows:

	2012 £m	2011 £m	2010 £m	2009 £m	2008 £m
Fair value of plan assets	94	82	72	52	62
Present value of defined benefit obligations	(97)	(80)	(86)	(65)	(65)
	(3)	2	(14)	(13)	(3)
Related deferred tax asset	1	-	4	4	1
Adjustment to derecognise pension asset	-	(2)	-	-	-
Net pension liability	<u>(2)</u>	<u>-</u>	<u>(10)</u>	<u>(9)</u>	<u>(2)</u>

Eggborough Power Limited**Notes to the Consolidated Financial Statements for the year ended 31 March 2012 (continued)****POST RETIREMENT BENEFIT OBLIGATIONS (continued)****Group and Company**

The major assumptions used by the actuaries for the defined benefit plan were

	2012 % pa	2011 % pa
Price inflation	3.20	3.40
Rate of general increase in salaries	4.20	4.40
Rate of increase of pensions in payment	3.70	3.20
Discount rate	4.70	5.50
Expected return on assets	6.10	6.70

Mortality assumptions

	2012 Male Years	2012 Female years	2011 Male Years	2011 Female years
Currently aged 60	86.5	89.0	86.5	88.9
Currently aged 40	88.1	90.7	88.1	90.5

Changes in the fair value of plan assets are as follows

	2012 £m	2011 £m
Opening fair value of plan assets	82	72
Expected return on plan assets	6	5
Actuarial gains	(1)	2
Contributions by employer	9	5
Benefits paid	(2)	(2)
Closing fair value of plan assets	<u>94</u>	<u>82</u>

The actual return on scheme assets during the year was £5m (2011 £7m)

The major categories of plan assets are as follows

	2012 £m	2011 £m
Equities	45	52
Bonds	40	30
Target Return Funds	9	-
Closing fair value of plan assets	<u>94</u>	<u>82</u>

Changes in the present value of the defined benefit obligations are as follows

	2012 £m	2011 £m
Opening defined benefit obligations	80	86
Current service cost	3	3
Interest cost	4	5
Actuarial gains	12	(12)
Benefits paid	(2)	(2)
Closing defined benefit obligations	<u>97</u>	<u>80</u>

The amounts recognised in the profit and loss account are as follows

	2012 £m	2011 £m
Current service cost	3	3
Interest cost	4	5
Expected return on plan assets	(6)	(5)
Total amounts recognised in the profit and loss account	<u>1</u>	<u>3</u>

Eggborough Power Limited**Notes to the Consolidated Financial Statements for the year ended 31 March 2012 (continued)****POST RETIREMENT BENEFIT OBLIGATIONS (continued)**

Analysis of the amount recognised in the statement of total recognised gains and losses (STRGL)

	2012 £m	2011 £m
Total actuarial gains/(losses)	(13)	13
Deferred Tax	3	(3)
Total amounts recognised in the STRGL	(10)	10

The history of experience gains and losses is as follows

	2012 £m	2011 £m	2010 £m	2009 £m	2008 £m
Actual return less expected return on post employment plan assets	(1)	2	15	(16)	(4)
As % of plan assets at the end of the year	1%	2%	21%	31%	6%
Experience gains arising on plan liabilities	-	-	1	-	3
As % of plan liabilities at the end of the year	0%	0%	1%	0%	5%

19 CALLED UP SHARE CAPITAL**Group & company**

	2012 £m	2011 £m
Allotted, called up and fully paid		
90,069,460 (2011 90,069,460) ordinary shares of £1 each	90	90

During 2010 two shareholder loans plus accrued interest payable were capitalised in to 89,069,459 ordinary shares

20 RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENT ON RESERVES**Group and company**

	Called up share capital	Share premium	Capital reserves	Profit & loss account	Total
	£m	£m	£m	£m	£m
Reserves position at 1 April 2011	90	56	132	(114)	164
Loss for the financial year	-	-	-	(7)	(7)
Actuarial loss and derecognition of pension asset	-	-	-	(7)	(7)
Deferred tax on actuarial loss/(gain)	-	-	-	3	3
As at 31 March 2012	90	56	132	(125)	153

Eggborough Power Limited**Notes to the Consolidated Financial Statements for the year ended 31 March 2012 (continued)****21 COMMITMENTS**

At 31 March 2012, the Company had £724,904 capital commitments (2011 £52,000) and £2,018,584 (2011 £699,624) commitments to purchase fuel

In 2010, the company sold the coal stock to a third party commodity agent with a commitment to repurchase it at market price on 31 March 2013. If this agreement had ended on 31 March 2012 the value of the liability would have been £62,392,481

22 RELATED PARTIES**Group and company**

The Group is ultimately owned by a consortium consisting of a number of companies, with the majority ownership being held by funds managed by Bluebay Asset Management and Strategic Value Partners. The Group has controls in place to monitor expenditure with other parties who may be deemed a related party as defined by FRS 8 - Related Parties

In the year ended 31 March 2012, the group has entered into transactions or has outstanding balances with the following companies with whom the directors of the Group have significant influence or control over

Amounts owed from related parties

	2012 £m	2011 £m
Eggborough Trustee Ltd	1	1
Amounts provided for	(1)	(1)
	<u>-</u>	<u>-</u>

Eggborough Trustee Ltd is a wholly owned subsidiary of Bluebay Value Recovery (Master) Fund Ltd and Strategic Value Master Fund Ltd. Transactions relate to recharges of professional services borne by Eggborough Power Ltd on behalf of Eggborough Trustee Ltd. The debt has been fully provided for

Amounts owed to related parties

	Group		Company	
Amounts falling due after one year	2012 £m	2011 £m	2012 £m	2011 £m
Shareholder loans	<u>8</u>	<u>8</u>	<u>-</u>	<u>-</u>

Represents amount payable by Eggborough Newco Limited to shareholders (Bluebay value recovery (master) fund limited, Field point IV S à r l, Field point 1A S à r l, and BDF Limited). The loan has a repayment date of 30 March 2016 and no interest is chargeable on the loan

The company had a net inter-company creditor with Eggborough Newco Limited of £2,915,447 (2011 £315,400)

The company has a creditor balance which relates to a loan of £3,563,987 to Eggborough Newco Ltd. The loan has a repayment date of 30 March 2016 and no interest is chargeable on the loan

23. ULTIMATE PARENT UNDERTAKING**Group and company**

The immediate parent company is Eggborough HoldCo 2 S à r l, a company incorporated in Luxembourg. The ultimate parent undertaking is Eggborough HoldCo1 S à r l, a company incorporated in Luxembourg

Eggborough Power Limited**Notes to the Consolidated Financial Statements for the year ended 31 March 2012 (continued)****24 RECONCILIATION OF OPERATING LOSS TO OPERATING CASH FLOWS****Group**

	Note	2012 £m	2011 £m
Operating (loss)		(13)	(6)
Depreciation charges, non cash items		10	8
Cash flow relating to restructuring costs	7	-	(8)
Pension deficit repair payments		(2)	(2)
Decrease/ (increase) in stocks	12	1	(2)
Decrease/ (increase) in debtors to be settled in cash	13	17	(27)
Increase in creditors to be settled in cash	15	7	(21)
Net Cash inflow/ (outflow) from operating activities		<u>20</u>	<u>58</u>

25 RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS**Group**

	2012 £m	2011 £m
Increase in cash in the period	18	27
Cash inflow from increase in shareholder loan	-	(38)
Capitalisation of shareholder loan less interest	-	86
Movement in net debt for the period	-	48
Net debt at 1 April 2011	71	(4)
Net Debt at 31 March 2012	<u>89</u>	<u>71</u>

26 ANALYSIS OF NET FUNDS**Group**

	At 1 April 2011 £m	Cash Flows £m	Other Changes £m	At 31 March 2012 £m
Cash at bank in hand	68	18	(9)	77
Restricted Cash	11	-	9	20
Debt due within 1 year	-	-	-	-
Debt due after 1 year	(8)	-	-	(8)
	<u>71</u>	<u>18</u>	<u>-</u>	<u>89</u>