

Registered Number 03782700

**EGGBOROUGH POWER LIMITED**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2010**



Registered Office

Eggborough Power Station  
Goole  
East Yorkshire  
DN14 0BS

## **Eggborough Power Limited Directors and Advisors**

### **DIRECTORS**

Robert Armour	(resigned 27 April 2009)
Stephen Billingham	(resigned 27 April 2009)
Bill Coley	(resigned 3 April 2009)
Paul Tomlinson	(resigned 27 April 2009, reappointed 31 March 2010)
Alan Feakins	(appointed 27 April 2009, resigned 31 March 2010)
Jean-Baptiste Galland	(appointed 27 April 2009, resigned 31 March 2010)
Robert Guyler	(appointed 27 April 2009, resigned 31 March 2010)
Peter Coleman	(appointed 31 March 2010)
Richard Cazenove	(appointed 31 March 2010)
Jason Clarke	(appointed 31 March 2010)
Andrew Neil O'Hara	(appointed 31 March 2010)
Lucien Orlovius	(appointed 31 March 2010)

### **COMPANY SECRETARY**

Robert Armour	(resigned 27 April 2009)
Karen Lawrie	(appointed 27 April 2009, resigned 31 March 2010)
Raffaella Bonadies	(appointed 31 March 2010, resigned 26 May 2010)
Everssecretary Limited	(appointed 26 May 2010)

### **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 2010**

The Directors present their annual report and the audited financial statements of the Company for the year ended 31 March 2010. The Company's registered number is 03782700.

### **PRINCIPAL ACTIVITIES, REVIEW OF BUSINESS AND FUTURE DEVELOPMENTS**

The principal activity of the Company during the year was the operation of the Eggborough coal-fired power station. Until 31 March 2010 the Company operated the station under the revised Capacity Tolling Agreement (CTA). Under this agreement British Energy Trading and Sales Limited, a subsidiary company of British Energy Group plc, received all income arising from electricity generated at the station, and in return reimbursed the Company for its qualifying capital expenditure, operating and maintenance costs. British Energy Trading and Sales Limited handled all carbon allowances and EU ETS transactions during the year on the Company's behalf.

On 5 January 2009 Lake Acquisitions Limited, a wholly-owned subsidiary of EDF Energy (UK) Limited, the parent company of EDF Energy plc acquired the entire issued and to be issued share capital of British Energy Group plc other than the Special Share (being the special rights redeemable preference share of £1 held jointly by the Secretary of State of Her Majesty's Government ("HMG") and the Secretary of State for Scotland). In order to secure consent from the European Commission for the Acquisition to proceed, the EDF Group made certain commitments to address concerns about competition in the electricity supply market in Great Britain. As part of these commitments, the EDF Group agreed to sell its investment in Eggborough Power Station by October 2010 at the latest. This sale took place on 31 March 2010 through the exercise of the Share Option by the participants in the now redeemed "project finance" loan (see below).

Prior to its sale, the operations of Eggborough Power Limited were ring-fenced from the rest of EDF Group's activities. On the 5 April 2009 a Hold Separate Manager was appointed to manage and operate the station and the trading of its output as if it were an independent merchant generator operating in the electricity supply market in Great Britain. The Hold Separate Manager was supervised by a Monitoring Trustee who reported to the European Commission. On 27 April 2009 a new Board of Directors was appointed. Whilst these Directors were employees of the EDF Group they were not directly involved in the day to day operation of, or commercial decisions relating to other EDF Group assets.

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 Company will continue to be the operation of Eggborough coal-fired power station. The trading facilities previously provided by British Energy Trading and Sales Limited have been replaced with an Energy Management Services Agreement between the Company and a third party commodity agent experienced in trading power, coal and carbon within the UK electricity market.

### **ASSET AND SHARE OPTIONS**

As part of the restructuring of British Energy Group plc in 2005, an Asset Option and a Share Option were granted in favour of the participants in the now redeemed "project finance" loan. Upon exercise, these options would allow the participants to acquire either the Eggborough power station assets (Asset Option) or the shares in the Company (Share Option).

The options could be exercised at any time prior to 31 August 2009 following which the participants in the now redeemed "project finance" loan may acquire the assets of, or shares in, the Company on 31 March 2010. On 26 August 2009 the participants exercised their rights under the Share Option Agreement, and duly completed and acquired the shares of the Company on 31 March 2010.

### **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 Company's strategy and business objectives.

The Board reviews the Company'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 our plant,
- security,
- plant condition and reliability,
- human performance,
- IT systems and business continuity,
- major contracts,
- the financial position of the Company,
- 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 2010**

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

The conduct of risk assessment involves senior management of all the Company 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 Company's evaluation of the risks it faces.

### **KEY PERFORMANCE INDICATORS**

The Company's Directors believe that analysis using key performance indicators for the Company is not necessary or appropriate for an understanding of the development, performance or position of the business of Eggborough Power Limited.

### **RESULTS AND DIVIDENDS**

The result for the financial year is set out in the profit and loss account on page 6. The Company's profit for the financial year of £219m (2009: £14m loss) was added to reserves.

The profit for the year is reported after exceptional items £241m (2009: nil), being the waiver of amounts owed to the former parent undertaking, Eggborough Power (Holdings) Limited, of £200m and amounts owed to a former group undertaking, British Energy Finance plc, of £41m.

The Directors do not recommend the payment of a dividend (2009: £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 Company made charitable donations during the year of £17,125 (2009: £16,605), of which £13,855 were made in support of the local community and £3,269 were made to the MS Society. No political donations were made during the year (2009: £nil).

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

The Company 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 Company gives full and fair consideration to applications for employment from 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.

### **POST BALANCE SHEET EVENTS**

The Directors have considered post balance sheet events that may have a material impact upon the operation of the business of these Financial Statements. These are detailed in note 22.

### **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.

**Eggborough Power Limited**  
**Directors' Report**  
**for the year ended 31 March 2010**

**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.



Neil O'Hara  
Director

# **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 2010 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Note of Historical Cost Profits and Losses, the Cash Flow Statement, the Balance Sheet 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 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 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.

### **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 2010 and of its profit 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  
22 September 2010

**Eggborough Power Limited**  
**Profit and Loss Account**  
**for the year ended 31 March 2010**

	Note	2010 £m	2009 £m
Turnover	2	116	95
Operating costs	3	(122)	(96)
Exceptional Items	3	3	-
<b>Operating profit/(loss) on ordinary activities before taxation</b>		<b>(3)</b>	<b>(1)</b>
Financing charges	6	(5)	(14)
Exceptional Items	7	241	-
<b>Profit/(Loss) on ordinary activities before taxation</b>		<b>233</b>	<b>(15)</b>
Taxation on profit/(loss) on ordinary activities	8	(14)	1
<b>Profit/(Loss) for the financial year</b>	<b>19</b>	<b>219</b>	<b>(14)</b>

All activities are continuing

**Statement of Total Recognised Gains and Losses**  
**for the year ended 31 March 2010**

	Note	2010 £m	2009 £m
Profit/(Loss) for the financial year		219	(14)
Impairment reversal of fixed asset valuation	9	14	39
Deferred tax on impairment reversal of fixed asset valuation		(4)	(11)
Actuarial loss	17	(3)	(11)
Deferred tax on actuarial gains and losses		1	3
<b>Total recognised gains and losses relating to the year</b>		<b>227</b>	<b>6</b>

**Note of Historical Cost Profits and Losses**  
**for the year ended 31 March 2010**

	2010 £m	2009 £m
Reported profit/(loss) on ordinary activities before taxation	233	(15)
Difference between historical cost depreciation charge and the actual depreciation charge of the year calculated on the revalued amount	-	(1)
<b>Historical cost profit/(loss) on ordinary activities before taxation</b>	<b>233</b>	<b>(16)</b>
<b>Historical cost profit/(loss) for the year after taxation</b>	<b>219</b>	<b>(15)</b>

The accompanying notes are an integral part of these financial statements

**Eggborough Power Limited**  
**Cash Flow Statement**  
**for the year ended 31 March 2010**

	2010 £m	2009 £m
Net Cash inflow from Operating Activities	-	-
Change in Cash	-	-

**Reconciliation of Net Cashflow to movement in Net Debt**  
**for the year ended 31 March 2010**

	2010 £m	2009 £m
Change in cash in the period	-	-
Change in net debt resulting from cashflows	-	-
Make Whole Charge on Bond redemption	-	(18)
Loans settled by fellow group undertaking	-	129
Net debt at 1 April	-	(111)
Net Debt at 31 March	-	-

**Reconciliation of Operating Profit to Net Cash Inflow from Operating Activities**

	2010 £m	2009 £m
Operating Profit/(Loss)	(3)	(1)
(Increase)/Decrease in Stocks	(1)	(1)
(Increase)/Decrease in Debtors	(1)	4
Increase/(Decrease) in Creditors	5	(2)
Net Cashflow from operating activities	-	-



**Eggborough Power Limited**  
**Balance Sheet**  
**at 31 March 2010**

	Note	2010 £m	2009 £m
<b>Fixed Assets</b>			
Tangible assets	9	217	203
Fixed Asset Investments	10	-	-
<b>Current assets</b>			
Stocks	11	14	13
Debtors amounts falling due within one year	12	51	23
Restricted cash		8	6
		<u>73</u>	<u>42</u>
Creditors amounts falling due within one year	14	(61)	(263)
Net current assets/(liabilities)		<u>12</u>	<u>(221)</u>
<b>Total assets less current liabilities</b>		<b>229</b>	<b>(18)</b>
<b>Provisions for liabilities and charges</b>	15	<b>(56)</b>	<b>(35)</b>
Deferred income	16	-	(2)
Net assets/(liabilities) excluding retirement benefits liability		<u>173</u>	<u>(55)</u>
Retirement benefits - liability	17	(10)	(9)
Net assets/(liabilities) including retirement benefits liability		<u>163</u>	<u>(64)</u>
<b>Capital and reserves</b>			
Called up share capital	18	1	1
Share premium account	19	56	56
Revaluation reserve	19	180	170
Profit and loss account	19	(74)	(291)
Total Equity Shareholders' funds/(deficit)		<u>163</u>	<u>(64)</u>

The accompanying notes are an integral part of these financial statements

The financial statements on pages 6 to 18 were approved by the Board of Directors on 22 September 2010 and signed on its behalf by



**Neil O'Hara**  
**Director**

**Eggborough Power Limited**  
**Notes to the Financial Statements**  
**for the year ended 31 March 2010**

**1 ACCOUNTING POLICIES**

**(i) Basis of Preparation**

These financial statements are prepared on the going concern basis under the historical cost convention, modified to include the revaluation of certain fixed assets, 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.

It should also be noted that for the purposes of these financial statements, the carrying value of the tangible fixed assets has been held at the option exercise price, consistent with prior years. These accounts do not include any accrual for settlement of carbon emissions generated in the period, as this liability will be settled by EDF.

**(ii) Turnover**

Turnover represents amounts receivable from British Energy Trading and Sales Limited (a wholly owned subsidiary of EDF Energy plc) under the revised Capacity and Tolling Agreement (CTA), net of value added tax. The amounts recognised as turnover principally relate to the reimbursement of the Company's power station operating and maintenance costs. Turnover is recognised at the point it becomes due and payable under the terms of the Capacity and Tolling Agreement.

**(iii) Fuel Costs**

Fuel costs for oil are determined on a weighted average cost basis.

Coal and carbon costs incurred in operating Eggborough coal-fired power station up until 31 March 2010 were borne by British Energy Trading and Sales Limited.

**(iv) Pensions and Other Post Retirement Benefits**

The Company provides for pension costs in accordance with FRS 17 – Post Retirement Benefits (FRS 17). Contributions to the Company'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 Company'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 gains and losses are recognised immediately in the statement of total recognised gains and losses.

**(v) Tangible Fixed Assets and Depreciation, including Decommissioning Costs**

The Company's principal fixed asset is the Eggborough power station and related strategic spares, which under FRS 11 is carried at the higher of value in use and net realisable value. As a result of the contractual arrangements which came into force on the completion of the Restructuring of British Energy Group plc on 14 January 2005 (the "Restructuring"), the asset was carried at net realisable value, which was the discounted value of the total consideration that was receivable on exercise of the option. This option was exercised on 26 August 2009, and completed on 31 March 2010.

This carrying value is not adjusted for depreciation in the period to 31 March 2010, which was the exercise date of the options. Capital investment incurred between the Restructuring date and 31 March 2010 is not recorded as a fixed asset to the extent that it was reimbursed by British Energy Trading and Sales Limited under the Capacity and Tolling Agreement, as it had no impact on the amount realisable through exercise of the option.

No depreciation has been charged since 14 January 2005 in line with the above accounting policy, however, the asset lives adopted are subject to regular review and for the year to 31 March 2010 were

Eggborough coal-fired power station	6 years
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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.

**Eggborough Power Limited**  
**Notes to the Financial Statements**  
**for the year ended 31 March 2010**

**(vi) Stocks of Spares, Oil and Consumables**

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

Coal stock required to operate Eggborough coal-fired power station was held by British Energy Trading and Sales Limited at 31 March 2010. As part of the share option agreement which outlines the transaction, the shareholders entered into a commitment to purchase the coal stock from British Energy Trading and Sales Limited after 31 March 2010 following valuation of the stock by an independent external expert.

A stock of plant spares is expected to still be present at the scheduled station closure date (2016). 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.

**(vii) 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.

**(viii) 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. Restricted cash balances and movements in these are excluded from the Cash Flow statement on page 7.

**(ix) Debt Instrument**

All borrowings are stated at cost with issue costs being charged to profit and loss account on purchase. The interest payable on debt is charged to the profit and loss account over the life of the borrowing. Premiums and discounts arising on early repayment of borrowings are recognised in the profit and loss account as incurred and received.

**Eggborough Power Limited**  
**Notes to the Financial Statements**  
**for the year ended 31 March 2010**

**2 TURNOVER**

	2010 £m	2009 £m
Turnover	<u>116</u>	<u>95</u>

All income is attributable to continuing activities in the United Kingdom

**3 OPERATING COSTS**

	2010 £m	2009 £m
Operating costs		
Fuel	6	14
Materials and services	97	65
Staff costs (note 4)	19	17
<b>Total operating costs</b>	<u>122</u>	<u>96</u>

**Analysis of Exceptional Items**

Deferred Income released (note 16)	<u>3</u>	<u>-</u>
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The auditors' remuneration for audit services was £65,993 (2009 £22,000 – borne by British Energy Limited). The auditors' remuneration for other audit services was £36,993 (2009 nil).

The deferred income release relates to the write-off of consideration received for the Asset Option (refer to note 16).

**4 STAFF COSTS**

**a) Staff costs**

	2010 £m	2009 £m
Wages and Salaries	15	13
Social security costs	2	1
Pension costs (note 17)	2	3
<b>Total staff costs</b>	<u>19</u>	<u>17</u>

**b) Employee numbers**

	2010 No	2009 No
Average number of employees by category during the year was		
Operations	<u>286</u>	<u>281</u>

**5 SUMMARY OF DIRECTORS' EMOLUMENTS**

None of the Directors received emoluments for their services as Directors to the Company in the year ending 31 March 2010 (2009 £nil), since the services supplied to the Company were considered to be incidental to those supplied to the EDF Group. Emoluments of the Directors in the year were borne by associated EDF group companies. No payments were made by the Company to the Directors in the year.

**Eggborough Power Limited**  
**Notes to the Financial Statements**  
**for the year ended 31 March 2010**

**6 FINANCING CHARGES/(CREDITS)**

	2010 £m	2009 £m
Revaluation charge – unwind of one years discount	-	1
<b>Interest payable and similar charges</b>		
Interest payable on bank loans	-	7
Make Whole charge on bond redemption	-	18
Interest payable on amounts owed to former group undertakings	<u>5</u>	<u>37</u>
	<u>5</u>	<u>62</u>
<b>Interest receivable and similar income</b>		
Interest receivable on amounts owed by former group undertakings	-	(30)
Make Whole credit on CTA global bond receivable redemption	<u>-</u>	<u>(18)</u>
	<u>-</u>	<u>(48)</u>
Expected return on assets in the pension scheme (note 17)	<u>(4)</u>	<u>(5)</u>
Interest on pension scheme liabilities (note 17)	<u>4</u>	<u>4</u>
	<u>-</u>	<u>(1)</u>
	<u>5</u>	<u>14</u>

During the year the methodology for the calculation of the station decommissioning provision was reviewed, and quotations obtained from experts in the field of power station demolition and decommissioning. These adjustments resulted in the estimated costs associated with the removal and demolition of the plant and structures increasing from £8m to £12m (at September 2010 prices)

**7 EXCEPTIONAL ITEMS**

	2010 £m	2009 £m
Waiver of amounts owed to former parent undertaking	200	-
Waiver of amounts owed to former group undertakings	<u>41</u>	<u>-</u>
	<u>241</u>	<u>-</u>

£200m (2009 Nil) of amounts owed to the former parent undertaking, Eggborough Power (Holdings) Limited, were waived under deeds of release dated 30 March 2010. This consists of a £210m reversal of a bad debt provision with Eggborough Power (Holdings) Limited and the waiver of a £10m receivable owed by Eggborough Power (Holdings) Limited.

£41m (2009 Nil) of amounts owed to former group undertakings, being British Energy Bond Finance plc, were waived under deeds of release dated 30 March 2010.

**Eggborough Power Limited**  
**Notes to the Financial Statements**  
**for the year ended 31 March 2010**

**8 TAX ON PROFIT/(LOSS) ON ORDINARY ACTIVITIES**

Tax charged to the profit and loss account

	2010 £m	2009 £m
<b>Deferred tax</b>		
Deferred tax (charge)/credit for the year	<u>(14)</u>	<u>1</u>

The tax assessed for the year is lower (2009 higher) than the standard rate of corporation tax in the UK (28%). A reconciliation of the effective tax rate for the current year tax charge is set out below

	2010 £m	2009 £m
Profit/(loss) on ordinary activities before taxation	233	(15)
Tax charge/(credit) on profit/(loss) on ordinary activities at standard rate of 28% (2009 28%)	65	(4)
Qualifying capital expenditure in year in excess of capital allowances	-	1
Movement in pension provision	(1)	-
Generation of tax losses	-	3
Expenses/(credits) not deductible/(chargeable) for tax purposes	<u>(64)</u>	<u>-</u>
Current tax charge/(credit) for year	<u>-</u>	<u>-</u>

**9 TANGIBLE FIXED ASSETS**

	Power station £m
<b>Valuation</b>	
As at 1 April 2009	235
Impairment reversal	14
As at 31 March 2010	<u>249</u>
<b>Accumulated Depreciation</b>	
As at 1 April 2009 and 31 March 2010	<u>32</u>
<b>Net book value</b>	
As at 31 March 2010	<u>217</u>
As at 31 March 2009	<u>203</u>

If land and buildings, within the power station, category had not been revalued they would have been included at the following amounts

	2010 £m	2009 £m
Cost	10	10
Depreciation	<u>(6)</u>	<u>(6)</u>
Net book value	<u>4</u>	<u>4</u>

Included within the power station category is freehold land with a cost of £105,000

As a result of the contractual arrangements, which came into force on the completion of the Restructuring, the power station asset is carried at net realisable value, which is the value of the consideration that would be payable on exercise of the asset purchase option held over the Company's power station. This valuation is not adjusted for depreciation or capital expenditure investment, because they have no impact on the net realisable value (as discussed in note 1 (v))

**Eggborough Power Limited**  
**Notes to the Financial Statements**  
**for the year ended 31 March 2010**

**10 FIXED ASSET INVESTMENTS**

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

**11 STOCKS**

	2010 £m	2009 £m
Spares	8	9
Oil	3	1
Consumables	3	3
	<u>14</u>	<u>13</u>

There is no material difference between the balance sheet value of stocks and their replacement value

**12 DEBTORS**

	2010 £m	2009 £m
Amounts owed by former group undertakings	-	21
Amounts owed by subsidiary undertakings	48	-
Prepayments and other receivables	2	2
Other taxation and social security	1	-
	<u>51</u>	<u>23</u>

During the year amounts owed by former group undertakings which originated post Restructuring bore interest at LIBOR plus 2% and are repayable on demand. Amounts due from former fellow subsidiary undertakings which originated prior to Restructuring bear no interest and are repayable on demand. At 31 March 2010 Eggborough Power (Holdings) Limited and British Energy Bond Finance plc agreed to waive outstanding intercompany loans and trading balances.

Amounts owed by subsidiary undertakings relate to a parent company loan from Eggborough HoldCo2 S à r l made to the Company (see note 14) which was released to the bank account of Eggborough Newco Limited on 31 March 2010. £4m of these funds were then loaned to Eggborough Newco Limited by the Company on 31 March 2010. This loan to Eggborough Newco Limited does not bear interest and is repayable on demand. The balance of the parent company loan to the Company was transferred to the bank account of the Company on 1 July 2010.

**13 DEFERRED TAXATION**

	2010 £m	2009 £m
Accelerated capital allowances	44	27
Short term timing differences	(4)	(4)
Taxation losses	-	(6)
	<u>40</u>	<u>17</u>
Asset not recognised	-	6
Deferred tax liability	<u>40</u>	<u>23</u>

	£m
As at 1 April 2009	23
Deferred tax (credit)/charge	
- disclosed in Profit and Loss Account	14
- disclosed in Statement of Total Recognised Gains and Losses	3
As at 31 March 2010	<u>40</u>

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**13 DEFERRED TAXATION (continued)**

	2010 £m	2009 £m
Included in		
Retirement benefits (note 17)	(4)	(4)
Provisions for liabilities and charges (note 15)	44	27
	<u>40</u>	<u>23</u>

No deferred tax asset has been recognised on the taxation losses because there is insufficient certainty that it would be recovered in the foreseeable future

**14 CREDITORS AMOUNTS FALLING DUE WITHIN ONE YEAR**

	2010 £m	2009 £m
Amounts owed to former group undertakings	2	246
Amounts owed to parent undertakings	48	-
Retentions	1	1
Accruals	10	14
Other taxation and social security	-	2
	<u>61</u>	<u>263</u>

Amounts owed to former group undertakings which originated post Restructuring bear interest at LIBOR plus 2% and are repayable on demand. Amounts due to former group undertakings which originated prior to Restructuring bear no interest and are repayable on demand. At 31 March 2010 Eggborough Power (Holdings) Limited and British Energy Bond Finance plc agreed to waive outstanding intercompany loans and trading balances.

Amounts owed to parent undertakings represent amounts payable to Eggborough HoldCo2 S à r l at 31 March 2010. These amounts are repayable on demand and bear interest at 0.125% per annum until 31 May 2010, and 5.125% per annum thereafter. This loan may be capitalised upon demand in consideration for new shares in the Company.

**15 PROVISIONS FOR LIABILITIES AND CHARGES**

	Deferred taxation £m	Site restoration £m	Total £m
As at 1 April 2009	27	8	35
Provided in the year	-	4	4
Accelerated capital allowances	17	-	17
As at 31 March 2010	<u>44</u>	<u>12</u>	<u>56</u>

The site restoration provision is to provide for all costs of the eventual decommissioning of Eggborough Power Station scheduled in 2016 and is stated at 2010 prices.

**16 DEFERRED INCOME**

The deferred income recorded relates to consideration received for an option, the Asset Option, which was granted as part of the Restructuring of British Energy Group plc. Upon exercise of the share option on 26 August 2009, the Asset option expired and consequently the deferred income was released during the year.

**17 POST RETIREMENT BENEFIT OBLIGATIONS**

Eggborough Power Limited contributes to the pension arrangement operated by British Energy Combined Group (BECG) 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.

Financial Reporting Standard 17 – Retirement Benefits has fundamentally changed the calculation and reporting of the cost of retirement benefits. 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 Hewitt Associates as at 31 March 2010 for this purpose.

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



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**17 POST RETIREMENT BENEFIT OBLIGATIONS (continued)**

The following contributions were made to the pension arrangements during 2009/10

Company Contributions	£4m
Member Contributions	£0m

Company contributions include deficit repair contributions of £2m (2009 £1m). Following the Acquisition of the British Energy Group by EDF Energy (UK) Limited, agreement was reached with the Trustees that the £2m deficit per the 2007 valuation would be paid in full by 31 March 2010. Following the sale of the Company on 31 March 2010, the Company will administer the pension scheme going forward.

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

	2010 £m	2009 £m	2008 £m	2007 £m	2006 £m
Fair value of plan assets	72	52	62	58	49
Present value of defined benefit obligations	(86)	(65)	(65)	(61)	(57)
	(14)	(13)	(3)	(3)	(8)
Related deferred tax asset	4	4	1	1	2
Net pension liability	(10)	(9)	(2)	(2)	(6)

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

	2010 % pa	2009 % pa
Price inflation	3.80	2.70
Rate of general increase in salaries	5.30	4.20
Rate of increase of pensions in payment	3.80	2.70
Discount rate	5.60	5.80

Mortality assumptions

	2010 Male Years	2010 Female years	2009 Male Years	2009 Female years
Currently aged 65	21.6	23.7	21.8	24.0
Currently aged 45	23.7	24.9	23.7	25.2

Changes in the fair value of plan assets are as follows

	2010 £m	2009 £m
Opening fair value of plan assets	52	62
Expected return on plan assets	4	5
Actuarial gains/(losses)	15	(16)
Contributions by employer	4	3
Benefits paid	(3)	(2)
Closing fair value of plan assets	72	52

The actual return on scheme assets during the year was £19m (2009 £11m loss)

The major categories of plan assets are as follows

	2010 £m	2009 £m
Equities	48	36
Bonds	24	16
Closing fair value of plan assets	72	52

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**17 POST RETIREMENT BENEFIT OBLIGATIONS (continued)**

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

	2010 £m	2009 £m
Opening defined benefit obligations	65	65
Current service cost	2	3
Interest cost	4	4
Actuarial losses/(gains)	18	(5)
Benefits paid	(3)	(2)
<b>Closing defined benefit obligations</b>	<b>86</b>	<b>65</b>

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

	2010 £m	2009 £m
Current service cost	2	3
Interest cost	4	4
Expected return on plan assets	(4)	(5)
<b>Total amounts recognised in the profit and loss account</b>	<b>2</b>	<b>2</b>

The history of experience gains and losses is as follows

	2010 £m	2009 £m	2008 £m	2007 £m	2006 £m
Actual return less expected return on post employment plan assets	15	(16)	(4)	1	7
As % of plan assets at the end of the year	21%	31%	6%	2%	14%
Experience gains/(losses) arising on plan liabilities	1	-	3	(1)	-
As % of plan liabilities at the end of the year	1%	0%	5%	2%	0%

**18 CALLED UP SHARE CAPITAL**

	2010 £m	2009 £m
Authorised 1,000,001 (2008 1,000,001) ordinary shares of £1 each	1	1
Allotted, called up and fully paid 1,000,001 (2008 1,000,001) ordinary shares of £1 each	1	1

**19 RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENT ON RESERVES**

	Share capital £m	Share premium £m	Revaluation reserve £m	Profit and loss account £m	Total £m
As at 1 April 2009	1	56	170	(291)	(64)
Profit for the financial year	-	-	-	219	219
Impairment reversal of fixed asset valuation net of deferred tax	-	-	10	-	10
Actuarial gain/(loss) net of deferred tax	-	-	-	(2)	(2)
<b>As at 31 March 2010</b>	<b>1</b>	<b>56</b>	<b>180</b>	<b>(74)</b>	<b>163</b>

**20 COMMITMENTS**

Coal stock required to operate Eggborough coal-fired power station was held by British Energy Trading and Sales Limited at 31 March 2010. As part of the share option agreement which outlines the transaction, the shareholders entered into a commitment to purchase the coal stock from British Energy Trading and Sales Limited after 31 March 2010 following valuation of the stock by an independent external expert. This coal stock was subsequently sold to an external third party on 13 May 2010. At 31 March 2010, the Company had no capital commitments (2009 £1m). The Company had no lease commitments (2009 £nil).

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**21 RELATED PARTIES**

During the year, the Company was a wholly owned subsidiary of EDF Energy plc and has taken advantage of the exemption under FRS 8 – Related Parties not to disclose related party transactions with fellow members of former Group companies. These transactions eliminate on consolidation in the Group financial statements of EDF Energy plc. The Company has not transacted with any other related parties during the year.

**22 POST BALANCE SHEET EVENTS**

**a) Coal Stock**

On 13 May 2010 the company purchased coal stock from British Energy Trading and Sales Limited. On the same day the coal stock was sold on to an external third party.

**b) Corporation Tax**

A number of changes to the UK Corporation tax system were announced in the June 2010 Budget Statement. The Finance (No 2) Act 2010 includes legislation to reduce the main rate of corporation tax from 28% to 27% from 1 April 2011. Further reductions to the main rate are proposed to reduce the rate by 1% per annum to 24% by 1 April 2014. The changes had not been substantively enacted at the balance sheet date and, therefore, are not included in these financial statements.

The effect of the changes to be enacted in the Finance (No 2) Act 2010 would be to reduce the deferred tax liability provided at 31 March 2010 by £1.5m. This £1.5m decrease in the deferred tax liability would increase profit for the year by £1.5m. This decrease in the deferred tax liability is due to the reduction in the corporation tax rate from 28 per cent to 27 per cent with effect from 1 April 2011.

The proposed reductions of the main rate of corporation tax by 1% per year to 24% by 1 April 2014 are expected to be enacted separately each year. The overall effect of the further changes from 27% to 24%, if these applied to the deferred tax balance at 31 March 2010, would be to reduce the deferred tax liability by £4.5m (being £1.5m recognised in 2012, £1.5m recognised in 2013 and £1.5m recognised in 2014).

**23 ULTIMATE PARENT UNDERTAKING**

Up to 31 March the immediate parent undertaking was Eggborough Power (Holdings) Limited. The ultimate parent undertaking and controlling party was Electricité de France SA (EDF), a company incorporated in France.

After divestment on 31 March 2010 the immediate parent company became 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.