

Eggborough Power Limited

Annual report and financial statements

Registered number 03782700

For the year ended

31 December 2019



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Eggborough Power Limited
Strategic Report
For the Year ended 31 December 2019

The Directors present their strategic report for the Company for the year ended 31 December 2019.

Principal Activities

Eggborough Power Limited ("EPL") is a limited liability company incorporated and domiciled in England and Wales.

The Company's principal activities are the sale of ash from the electricity generation process and decommissioning associated with the closure of Eggborough coal power station. The main power plant was decommissioned in 2019 and subsequently sold in June 2019.

Throughout the year Eggborough Power Limited was a wholly owned subsidiary of EP UK Investments Limited.

Results

The profit for the year was £1.6m (2018: profit of £6.6m).

Review of the Business

The Company sold the majority of the power station site in a decommissioned, but not demolished state, on the 10 June 2019.

The Company has retained freehold land at Gale Common, previously used as the main ash disposal site. A planning application has been submitted to enable the Company to increase the rate of extraction of deposited pulverised fuel ash (PFA).

The Company also retained land at the main power station site, which already had planning consent to develop a high efficiency gas-fuelled power station. Planning consent for a combined cycle gas turbine power station of up to 2,500 MW was granted by the Secretary of State during 2018. The development of this plant will be subject to future market conditions and Capacity Market clearing prices.

Key Performance Indicators

Key performance indicators are reported to the Company's owner Energetický a průmyslový holding, a.s. which reports key performance indicators in its Consolidated Annual Report and Financial Statements.

Principal Risks and Uncertainties

The Company is a subsidiary undertaking of EP Investment S.à.r.l. which is the ultimate parent company, incorporated in Luxembourg.

The largest group in which the results of the Company are consolidated is that headed by Energetický a průmyslový holding, a.s. ("the Group").

The principal risks and uncertainties impacting on the company are discussed in the context of Energetický a průmyslový holding, a.s., as a whole in its Consolidated Annual Report and Financial Statements. These risks are managed on a group-wide basis including Brexit risk, which for the Company is deemed relatively small.

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, through funding from its intermediate parent company, EP Power Europe, a.s. to meet its liabilities as they fall due for that period.

Eggborough Power Limited
Strategic Report (continued)
For the Year ended 31 December 2019

Going Concern (continued)

Those forecasts are dependent on EP Power Europe, a.s providing additional financial support during that period. EP Power Europe, a.s has indicated its intention to continue to make available such funds as are needed by the company, and that it does not intend to seek repayment of the amounts due at the balance sheet date, for the period covered by the forecasts. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

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 does not impact the financial statements for the year ending 31 December 2019 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 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

On behalf of the Board



Tarloke Singh Bains
Director, 10 July 2020

Eggborough Power Limited
Directors report
For the Year ended 31 December 2019

The directors present their annual report and the financial statements for year ended 31 December 2019.

Future Developments

The directors are considering options to extend the trade of the Company. This includes investigating commercial options to develop a high efficiency gas-fuelled power station and opportunities to exploit the value of its substantial reserves of PFA.

Proposed dividend

The directors do not recommend the payment of a dividend. (2018: nil)

Directors

The directors who held office during the period were:

Tarloke Singh Bains

Adam Booth

Pavel Horský

Daniel Křetínský

Jan Špringl

Marek Spurný

Employees

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 of disabled persons, having regard to their particular aptitudes and abilities and to protect the interests of existing members of staff who are disabled. Appropriate arrangements are made for the continued employment and training, career development and promotion of disabled persons employed by the Company.

Political contributions

The Company made no political donations or incurred any political expenditure during the year.

Directors Duties

The Directors of the Company, as those of all UK Companies, must act in accordance with a set of general duties. These duties are detailed in section 172 of the UK Companies Act 2006. The Directors consider that they have acted in good faith.

Risk Management

The Directors effectively identify, evaluate, manage and mitigate the risks the Company faces. For details of these please refer to the Energetický a průmyslový holding, a.s. accounts.

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.

Eggborough Power Limited
Directors report (continued)
For the Year ended 31 December 2019

Business Relationships

The Directors ensure that management operate the business in a responsible manner with high standards of conduct and governance as set out in the Company's policies.

The Company values its suppliers and have multi-year contracts with key suppliers. Regular meetings to review performance and feedback occur and development of strong collaborative relationships and encouraged through this process.

Community and Environment

The Directors continue to focus on the social and environmental aspects of the business and keep an open and active dialogue with different stakeholders in the region. The Company carefully considers the environmental, social and economic aspects relevant to the operations and does the utmost to maintain a balanced approach to decision making.

Disclosure of information to auditor

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Auditor

Following a group-wide competitive tender, KPMG LLP will resign as auditors. Deloitte LLP will be appointed as auditors for the year ending 31 December 2020.

On behalf of the Board



Tarloke Singh Bains
Director
10 July 2020

Eggborough Power Limited
Ground Floor, Paradigm Building
3175 Century Way
Thorpe Park
Leeds
LS15 8ZB

Eggborough Power Limited
Statement of directors' responsibilities
For the Year ended 31 December 2019

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;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Eggborough Power Limited
Ground Floor, Paradigm Building
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Independent Auditors Report to the members of Eggborough Power Limited

Opinion

We have audited the financial statements of the company for the year ended 31 December 2019 which comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Cashflow Statement and related notes, including the accounting policies in note 2.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease its operations, and as they have concluded that the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report to you if, in our opinion:

Independent Auditors Report to the members of Eggborough Power Limited (continued)

- 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[.]/[; or
- the directors were not entitled to take advantage of the small companies exemption from the requirement to prepare a strategic report.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 8, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; 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; 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 they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

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.

David Morritt (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
1 Sovereign Square
Sovereign Street
Leeds
LS1 4DA
July 20

Eggborough Power Limited
Income Statement
For the Year ended 31 December 2019

	Note	2019 £	2018 £
Revenue	3	302,240	45,708,022
Cost of sales		-	(31,357,295)
Gross profit		302,240	14,350,727
Other income	4	4,054,019	-
Other operating costs	5	(1,552,472)	(11,428,443)
Exceptional items	7	(1,654,471)	4,165,722
Operating Profit		1,149,316	7,088,006
Interest payable and similar charges	9	(198,149)	(691,706)
Interest receivable	10	619,226	-
Profit on ordinary activities before taxation		1,570,393	6,396,300
Taxation	11	-	176,374
Profit for the year		1,570,393	6,572,674

The notes on pages 12 to 22 form part of these financial statements.

Eggborough Power Limited
Statement of Other Comprehensive Income
For the Year ended 31 December 2019

	Note	2019	2018
		£	£
Profit/ (Loss) for the financial period		1,570,393	6,572,674
Other comprehensive income			
<i>Items that will not be classified to profit or loss:</i>			
Remeasurement of defined benefit liability	17	(13,178,159)	12,568,000
Other comprehensive income		(13,178,159)	12,568,000
Total comprehensive loss for the period attributable to equity holders		(11,607,766)	19,140,674

There are no other comprehensive gains or losses in the year ending 31 December 2019.

The notes on pages 12 to 22 form part of these financial statements.

Eggborough Power Limited
Statement of Financial Position
As at 31 December 2019

	Note	2019 £	2018 £
Assets			
Non-current assets			
Tangible fixed assets	12	13,200,000	13,200,000
		13,200,000	13,200,000
Current assets			
Trade and other receivables	13	205,072	4,239,093
Cash and cash equivalents	14	13,465,399	19,419,488
		13,670,471	23,658,581
Liabilities			
Current liabilities			
Trade and other payables	15	(8,277,605)	(12,177,750)
		(8,277,605)	(12,177,750)
Net current assets		5,392,866	11,480,831
Non-current liabilities			
Other provisions	16	(17,714,730)	(20,067,848)
Retirement benefit obligations	17	(10,257,919)	(2,385,000)
		(27,972,649)	(22,452,848)
Net (liabilities)/assets		(9,379,783)	2,227,983
Shareholders' equity			
Called up share capital	18	82,000,000	82,000,000
Capital reserve		1,600,000	1,600,000
Revaluation reserve		13,200,000	13,200,000
Profit and loss account		(106,179,783)	(94,572,017)
Shareholders' funds		(9,379,783)	2,227,983

The notes on pages 12 to 22 form part of these financial statements.

The financial statements on pages 8 to 22 were approved by the Board of Directors on 10 July 2020 and were signed on its behalf by:



Tarloke Singh Bains
Director

Company registered number: 03782700

Eggborough Power Limited
Statement of Changes in Equity
For the year ended 31 December 2019

Statement of Changes in Equity
for the year ended 31 December 2019

	Called up share capital	Capital Reserve	Revaluation reserve	Profit and loss account	Total equity
	£	£	£	£	£
Balance at 1 January 2018	82,000,000	1,600,000	13,200,000	(113,712,691)	(16,912,691)
Total comprehensive income for the period	-	-	-	19,140,674	19,140,674
Balance at 31 December 2018	82,000,000	1,600,000	13,200,000	(94,572,017)	2,227,983
 Balance at 1 January 2019	 82,000,000	 1,600,000	 13,200,000	 (94,572,017)	 2,227,983
Total comprehensive loss for the period	-	-	-	(11,607,766)	(11,607,766)
Balance at 31 December 2019	82,000,000	1,600,000	13,200,000	(106,179,783)	(9,379,783)

The notes on pages 12 to 22 form part of these financial statements.

Eggborough Power Limited
Notes to the Financial Statements (continued)
For the year ended 31 December 2019

1. General information

Eggborough Power Limited (EPL) is a limited company incorporated and domiciled in England.

The Company's principal activities are the generation and trading of electricity, the sale of ash from the electricity generation process and decommissioning associated with the closure of Eggborough coal power station. The main power plant was decommissioned in 2019 and subsequently sold in June 2019.

The financial statements are prepared on the historical cost basis with the exception of retained freehold land that is stated at market value.

1.2 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 (subject to the revaluation of land) 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, capital management, presentation of comparative information in respect of certain assets, cash flow statement, 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 19 gives the details of the Company's ultimate parent, from where consolidated financial statements prepared in accordance with IFRS may be obtained.

1.3 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, through funding from its intermediate parent company, EP Power Europe, a.s, to meet its liabilities as they fall due for that period.

Those forecasts are dependent on EP Power Europe, a.s providing additional financial support during that period. EP Power Europe, a.s has indicated its intention to continue to make available such funds as are needed by the company, and that it does not intend to seek repayment of the amounts due at the balance sheet date, for the period covered by the forecasts. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

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 does not impact the financial statements for the year ending 31 December 2019 or the assumptions used in their preparation.

Eggborough Power Limited
Notes to the Financial Statements (continued)
For the year ended 31 December 2019

1.3 Going Concern (continued)

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 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

1.4 Foreign currency

The functional currency of the Company is pounds sterling.

Transactions in foreign currencies are translated to the Company's functional currencies at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined.

1.5 Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other debtors, cash and cash equivalents, loans and borrowings, and trade and other creditors.

Trade and other debtors

Trade and other debtors are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses.

Trade and other creditors

Trade and other creditors are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

1.6 Tangible fixed assets

Land is stated at expected market value.

1.7 Intangible assets

Intangible assets, including emission rights, are recognised on the date of purchase at fair value. At each reporting date the Company assesses whether there is an indication that the intangible asset may be impaired, any impairment will be expensed to the profit and loss.

1.8 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is based on the weighted average principle and includes expenditure incurred in acquiring the stocks.

Eggborough Power Limited
Notes to the Financial Statements (continued)
For the year ended 31 December 2019

1.9 Employee benefits

Defined benefit plans

The Company's net obligation in respect of defined benefit pension plans is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the fair value of any plan assets (at bid price) are deducted. The Company determines the net interest on the net defined benefit liability for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the net defined benefit liability.

The discount rate is the yield at the reporting date on bonds that have a credit rating of at least AA that have maturity dates approximating the terms of the Company's obligations and that are denominated in the currency in which the benefits are expected to be paid.

Remeasurements arising from defined benefit plans comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest). The Company recognises them immediately in other comprehensive income and all other expenses related to defined benefit plans in employee benefit expenses in profit or loss.

The calculation of the defined benefit obligations is performed by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Company, the recognised asset is limited to the present value of benefits available in the form of any future refunds from the plan or reductions in future contributions and takes into account the adverse effect of any minimum funding requirements.

The Company's employees are members of the Eggborough Power Group within the Electricity Supply Pension Scheme (ESPS). The Company is the sponsor of the defined benefit pension plan.

Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Termination benefits

Termination benefits are recognised as an expense when the company is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if the company has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting date, then they are discounted to their present value where materially significant.

1.10 Provisions

A provision is recognised in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects risks specific to the liability.

Eggborough Power Limited
Notes to the Financial Statements (continued)
For the year ended 31 December 2019

1.11 Revenue

Revenue represents amounts receivable for goods or services provided by the Company in its normal course of business, net of trade discounts and VAT.

Revenue from the sale of power is specified under contract terms.

Revenue earned on contracts that span accounting periods is recognised by reference to the stage of contract completion. Other revenues derived from the sale of generation by-products are recognised at the point the risks and rewards of ownership are transferred.

1.12 Taxation

Tax on the profit or loss for the period comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the period, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The Company does not presently expect to generate further tax liabilities and accordingly, no deferred tax asset or liability has been recognised.

2. Critical accounting judgements and key sources of estimation uncertainty

Critical accounting judgements require management to exercise judgement when applying the Company's accounting policy. 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.

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.

The areas involving a higher degree of judgement and complexity are set out below:

Property, plant and equipment:

The carrying value of property is reviewed annually. Freehold land is reported at the estimated value that was independently produced in 2015.

Defined benefit obligations:

The actuarial valuation of the scheme assets and liabilities is performed annually and depends on assumptions regarding future salary and pension increases, inflation, interests and mortality. The company has a pension deficit at balance sheet date, as the scheme liabilities exceed its assets.

Asset retirement (Site Restoration):

The estimated cost of asset retirement and aftercare of retained assets is reviewed annually and is based on price levels and technology at the balance sheet date.

Eggborough Power Limited
Notes to the Financial Statements (continued)
For the year ended 31 December 2019

3 Revenue

	2019 £	2018 £
Total revenue	302,240	45,708,022
By activity:		
Power generation	-	35,167,694
Ash Sales	302,240	391,278
Contracts with National Grid	-	10,149,050
	302,240	45,708,022

4 Other income

	2019 £	2018 £
Profit on sale of land	3,198,000	-
Other Income	856,019	-
	4,054,019	

Profit on sale of land relates to the sale of the decommissioned former power station. The company had attributed Enil value to the station due to the extent of decommissioning and demolition needed.

Other income relates to the sale of scrap, environmental rebates and refunds on closing down of the power station.

5 Other Operating Costs

	2019 £	2018 £
Administrative expenses	335,672	1,792,071
Recharges to other group companies	-	(2,388,808)
Staff expenditure	1,216,800	12,025,180
	1,552,472	11,428,443

KPMG LLP was the Company's auditor for the year ended 31 December 2019. Audit Fees included in administration expenses amounted to £43,000 (year ended 31 December 2018: £43,000).

6 Staff numbers and costs

The average number of persons employed by the Company (including directors) during the period, analysed by category, was as follows:

	Number of employees	
	2019	2018
Management and support staff	-	28
Asset management	3	48
Operations	-	44
	3	120

The aggregate payroll costs of these persons were as follows:

	2019 £	2018 £
Wages and salaries	404,690	7,747,240
Social security costs	147,220	797,613
Expenses related to defined benefit pension plans	664,890	3,480,327
	1,216,800	12,025,180

Eggborough Power Limited
Notes to the Financial Statements (continued)
For the year ended 31 December 2019

7 Exceptional items

	2019	2018
	£	£
Adjustment to site restoration provision	1,654,471	15,714,731
Adjustment to staffing restructure provision	-	1,000,000
Reversal of impairment of scrap	-	(11,865,000)
Write off of receivable from Group Affiliate	-	(684,009)
Credit in income statement	1,654,471	4,165,722

During 2018, decommissioning of the main power station site was completed and the assumed future demolition commitment in respect of this site was changed from an assumption of future demolition to an assumption of future sale.

8 Directors' remuneration

During 2019 and 2018, the remuneration of all directors was paid by other Group companies. The fair value of directors remuneration is deemed £nil, as the Company's parent has not recharged any expenditure to the Company.

9 Interest Payable and similar charges

	2019	2018
	£	£
Loss on financial coal contracts entered into in the period	-	651,106
Other interest payable	198,149	40,600
	198,149	691,706

10 Interest Receivable

	2019	2018
	£	£
Operating Interest receivable	589,803	-
Interest on pension scheme	29,423	-
	619,226	-

11 Taxation

Recognised in the Income Statement

	2019	2018
	£	£
<i>UK Corporation tax</i>		
Adjustments in respect of prior periods	-	176,374
Total current tax	-	176,374
<i>Deferred tax</i>		
Origination and reversal of temporary differences	-	-
Total Deferred tax	-	-
Tax on profit on ordinary activities	-	176,374

Eggborough Power Limited
Notes to the Financial Statements (continued)
For the year ended 31 December 2019

11 Taxation (continued)

Reconciliation of effective tax rate

The tax expense for the year is lower (2018: lower) than the expense that would have been charged using the standard rate of corporation tax in the UK of 19% (2018: 19%) applied to the profit before tax. The differences are explained below:

	2019 £	2018 £m
Profit/ (Loss) excluding taxation	1,570,393	6,572,674
Tax using the UK Corporation tax rate of 19% (2018: 19%)	298,374	1,248,808
Tax on profits created by provision movements previously disallowed	-	(1,248,808)
Expenses not deductible for tax purposes	75,652	-
Non-taxable income	(75,535)	-
Deductible temporary differences not recognised for deferred tax	(1,164,547)	-
Increase in tax losses not recognised for deferred tax	866,056	-
Total tax expense	-	-

12 Tangible fixed assets

	Land and buildings £	Plant and Machinery £	Software £	Total £
Cost				
Balance at 1 January 2019	54,200,000	164,000,000	4,000,000	222,200,000
Disposal	-	(164,000,000)	-	(164,000,000)
Balance at 31 December 2019	54,200,000	-	4,000,000	58,200,000
Depreciation and impairment				
Balance at 1 January 2019	41,000,000	164,000,000	4,000,000	209,000,000
Depreciation charge for the period	-	-	-	-
Disposal	-	(164,000,000)	-	(164,000,000)
Reversal of previous impairment	-	-	-	-
Balance at 31 December 2019	41,000,000	-	4,000,000	45,000,000
Net book value				
At 31 December 2019	13,200,000	-	-	13,200,000
At 31 December 2018	13,200,000	-	-	13,200,000

The Company has retained two sites of freehold land; the main ash disposal site at Gale Common and a piece of land with granted planning consent to develop a combine cycle gas turbine power station.

Historically no land value has been attributed to the main power station site due to the cost of decontamination. If land was held at historical cost the value reported would be £105,000.

Eggborough Power Limited
Notes to the Financial Statements (continued)
For the year ended 31 December 2019

13 Trade and other receivables

	2019 £	2018 £
Trade debtors	100,190	203,472
Amounts owed by Group undertakings	-	2,562,183
Other debtors	104,882	1,473,438
Due with one year	205,072	4,239,093

14 Cash and cash equivalents

	2019 £	2018 £
Restricted cash (note 17)	13,085,249	19,047,134
Cash at bank and in hand	380,150	372,354
Cash and cash equivalents	13,465,399	19,419,488

15 Creditors: amounts falling due within one year

	2019 £	2018 £
Trade creditors	7,837,220	1,225,760
Other creditors	226,972	5,552,330
Accruals and deferred income	213,412	5,399,660
	8,277,604	12,177,750

16 Other Provisions

	Site restoration £	Restructure & other £	Total £m
Balance at 1 January 2019	13,215,737	6,852,111	20,067,848
Utilisation	(4,007,589)	-	(4,007,589)
Provisions made during the year	1,654,471	-	1,654,471
Balance at 31 December 2019	10,862,619	6,852,111	17,714,730

The remaining site restoration provision relates to the anticipated future costs associated with ongoing environmental obligations and closure commitments at the ash disposal facility and other pieces of land that the Company has retained.

The Restructure and other provisions relates to Early Retirement Deficiency Costs in relation to the protected persons within the Electricity Supply Pension Scheme.

17 Employee benefits

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 an 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). This valuation has been adjusted using agreed assumptions to roll the position forwards by the Company's actuary, PricewaterhouseCoopers using methodology prescribed under FRS101 employee benefits.

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

Eggborough Power Limited
Notes to the Financial Statements (continued)
For the year ended 31 December 2019

17. Employee benefits (continued)

The following contributions were made to the pension arrangements during the twelve-month period ended 31 December 2019:

Company Contributions	£6.7m
Member Contributions	£0.0m

The Company did not make deficit repair contributions in the year (2018: nil).

Energetický a průmyslový holding, a.s. has entered into a legal agreement to fund outstanding liabilities of the 'Eggborough Power Group scheme' in the event that EPL is unable to do so.

	2019 £	2018 £
Total defined benefit asset	178,573,589	164,452,000
Total defined benefit liability	(188,831,508)	(166,837,000)
Net asset/(liability) for defined benefit obligations (see following table)	(10,257,919)	(2,385,000)

Movements in net defined benefit liability/asset

	Obligations		Plan assets		Net defined benefit (liability)/ asset	
	2019	2018	2019	2018	2019	2018
	£	£	£	£	£	£
Balance at 31 December 2018	(166,837,000)	(191,762,000)	164,452,000	177,847,000	(2,385,000)	(13,915,000)
Included in profit or loss						
Current service cost	(209,263)	(2,615,000)	-	-	(209,263)	(2,615,000)
Past service cost	(1,205,155)	(499,000)	-	-	(1,205,155)	(499,000)
Curtailment	-	(1,148,000)	-	-	-	(1,148,000)
Interest (cost)/income	(4,908,296)	(4,866,000)	4,937,719	4,501,000	29,423	(365,000)
	(6,322,714)	(9,128,000)	4,937,719	4,501,000	(1,384,995)	(4,627,000)
Included in OCI						
Actuarial loss (gain) arising from changes in:						
Financial assumptions	(24,301,770)	14,054,000	-	-	(24,301,770)	14,054,000
Demographic assumptions	2,127,686	1,500,000	-	-	2,127,686	1,500,000
Experience adjustment	-	5,500,000	8,995,925	(8,438,000)	8,995,925	(2,938,000)
	(22,174,084)	21,054,000	8,995,925	(8,438,000)	(13,178,159)	12,616,000
Other						
Employer Contributions	-	-	6,690,235	3,628,000	6,690,235	3,628,000
Employee Contributions	(10,464)	(38,000)	10,464	38,000	-	-
Benefits paid	6,512,754	13,037,000	(6,512,754)	(13,037,000)	-	-
Pension scheme expenses	-	-	-	(87,000)	-	(87,000)
	6,502,290	(12,999,000)	187,945	(9,458,000)	6,690,235	3,541,000
Balance at 31 December 2019	(188,831,508)	(166,837,000)	178,573,589	164,452,000	(10,257,919)	(2,385,000)

Restricted cash balances include £13,085,239 (31 December 2018: £19,047,134) which is held in an Escrow arrangement under a funding agreement with the Pension Trustees. These amounts are not reflected in the above.

Eggborough Power Limited
Notes to the Financial Statements (continued)
For the year ended 31 December 2019

17. Employee benefits (continued)

Plan assets

	2019	2018
	£	£
Cash and cash equivalents	221,945	617,000
Equity instruments	38,317,652	31,680,000
Debt instruments (e.g. Government bonds)	103,323,412	98,226,000
Investment funds	36,710,580	33,929,000
Total	178,573,589	164,452,000

All equity securities and government bonds have quoted prices in active markets. All government bonds are issued by European governments and are AAA- or AA-rated. All other plan assets are not quoted in an active market.

Actuarial assumptions

The following are the principal actuarial assumptions at the reporting date (expressed as weighted averages)

	2019	2018
Discount rate at 31 December	2.0%	3.0%
Future salary increases	2.9%	3.3%
Future pension increases	2.9%	3.1%

The assumptions relating to longevity underlying the pension liabilities at the balance sheet date are based on standard actuarial mortality tables and include an allowance for future improvements in longevity. The assumptions are equivalent to expecting a 65-year old to live for a number of years as follows:

- Current pensioner aged 65: 86.7 years (male)
- Future retiree upon reaching 65: 86.7 years (male)

Sensitivity analysis

The calculation of the defined benefit obligation is sensitive to the assumptions set out above. The following table summarises how the impact on the defined benefit obligation at the end of the reporting period would have increased (decreased) as a result of a change of the following:

	2019	2018
	£m	£m
Discount rate		
0.1% increase 2019, 0.25% increase 2018	-1.94	-8.1
0.1% increase 2019, 0.25% decrease 2018	+1.99	+8.5
Inflation rate		
0.1% increase 2019, 0.25% increase 2018	+1.97	+8.5
0.1% increase 2019, 0.25% decrease 2018	-1.92	-8.1
Life expectancy		
1-year increase	+4.32	+7.0
1-year decrease	-4.18	-7.0

The above sensitivities are based on the average duration of the benefit obligation determined at the date of the last full actuarial valuation at 31 March 2019 and are applied to adjust the defined benefit obligation at the end of the reporting period for the assumptions concerned. Whilst the analysis does not take account of the full distribution of cash flows expected under the plan, it does provide an approximation to the sensitivity of the assumptions shown.

Eggborough Power Limited
Notes to the Financial Statements (continued)
For the year ended 31 December 2019

17. Employee benefits (continued)

The Company expects to pay £nil in contributions to its defined benefit plans in 2020 (£6,690,235 in 2019). The weighted average duration of the defined benefit obligation at the end of the reporting period is 21 years (2018: 20 years).

Defined contribution plans

The Company operates a defined contribution pension plans for staff who are not members of the EP Group scheme. The total expense relating to these plans in the current period was £10,464 (2018: £0.1m).

18. Called up share capital

Share capital

	2019	2018
On issue and issued for cash	82,000,000	82,000,000
	31 December 2019	31 December 2018
Allotted, called up and fully paid	£	£
Ordinary shares of £1 each	82,000,000	82,000,000

19 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.