Lynemouth Power Limited

Annual Report and Financial Statements

for the year ended 31 December 2020

Registered Number - **07866585**

Directors

Jonathan Paul Scott
Jan Špringl
Tarloke Singh Bains
Thomas Joseph Wright
Fiona Margaret Macleod

Company secretary

James Peter Chiodini (appointed 4 June 2020)

Registered office

Lynemouth Power Station
Ashington
Northumberland
England
NE63 9NW

Independent auditor

Deloitte LLP
1 City Square
Leeds
West Yorkshire
LS1 2AL

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Lynemouth Power Limited
Strategic Report
For the year ended 31 December 2020

The Directors present their report and the audited financial statements of Lynemouth Power Limited ("the Company"), for the year from 1st January 2020 to 31st December 2020.

Principal Activities

The principal activity of the Company is the production and sale of power. Generated power flows through the Company's sub-station to the local electrical distribution company and then onto the electrical grid system.

The Company is a subsidiary undertaking of EP UK Investments Limited ("EPUKI"), a company incorporated in England and Wales.

The largest group in which the results of the Company are consolidated is that headed by EP Investment S.a r.l. ("EP Lux") and subsidiaries ("the Group").

Results

The profit for the year was £4,651,000 (2019: £12,066,000).

Review of Business and Future Developments

The Company generates low carbon electricity via its three 140MW Biomass units. Lynemouth Power Limited ("LPL") currently hold a Contract for Difference ("CfD") meaning the principal short-term objective is generating baseload low carbon electricity with no harm to our people or the environment.

The future development of the site relates to enhancing the existing performance levels of the power station and more importantly planning towards the post-2027 CfD period. Management see Lynemouth as a capable, well developed and indispensable piece of the Net Zero ambitions outlined by the Government.

Key Performance Indicators

Management use key performance indicators as a matter of course to monitor and manage the business. The key performance indicators are reported internally and to the Board and its sub-committees, themed around safety and environment, generation and opportunities and all aspects of financial control.

During the year over 6,000 safety interactions were carried out, despite a reduced site presence in the wake of COVID-19. The leading indicators are a fundamental part of safety management preventing harm to our people.

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

	2020	2019
Profit for the year (£'000)	**4,651**	12,066
Gross generation (GwH)	**2,836**	2,639

Although generation was higher in the year, the 2020 profit was adversely impacted by a number of specific non-operational variances. The most notable of these include an additional £4.8m of the 2016 gain on unwind of hedges was released to the profit and loss from reserves in 2019. There was a further £2.9m impact relating to unrealised gains being lower in 2020 compared with 2019 based on Mark to Market valuations of the CPI hedges. Finally there was a £2.2m cost associated with ongoing support with the biomass conversion project.

Principal Risks and Uncertainties

Two key commercial risks for biomass stations are electricity and biomass fuel prices. As previously mentioned, the CfD provides risk mitigation against electricity price fluctuations. With respect to the volatile nature of biomass, LPL has entered into long-term fuel supply agreements for the majority of supply, leaving only a small portion open. These contracts are based on a fixed price plus indexation which is materially hedged.

The Company management team monitor the principal risks on an ongoing basis, with every task undergoing point of work risk-assessments and an effective asset maintenance strategy in place.

During 2020 COVID-19 presented additional risks in terms of keeping our people safe and ensuring continuity of supplies and services required to operate a complex power station. Whilst the position remains uncertain regarding the forward path of COVID-19 our teams have embraced these new ways of working and they have become embedded in the day-to-day operations.

Safety of employees, contractors and visitors is always paramount. LPL safety representatives report to the EP UK Group Safety, Health and Environment Group (SHEC) which supports risk management and shares best practice across the UK group's assets.

As the Company is exposed to market movements, notably in foreign exchange, the Company manages a hedging portfolio under guidance and support of the Group.

Directors' Duties

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

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

The likely consequences of any decision in the long term

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

The interests of the company's employees

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

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

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

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

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

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

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

The need to act fairly as between members of the company

The Directors ensure that all actions are fair for all members of the Company and provide regular updates to the owners through budgets and Board meetings.

Approved by the board and signed on its behalf

Thomas Wright
Director
29 June 2021
Lynemouth Power Limited
Registered number: 07866585

Lynemouth Power Limited
Statement of directors' responsibilities
For the year ended 31 December 2020

The directors present their report and the audited financial statements for the year ended 31 December 2020.

Directors

Deborah Walton	(resigned 1 March 2021)
Jonathan Paul Scott	
Jan Špringl	
Tarloke Singh Bains	
Carl Andrew Hopper	(resigned 30 November 2020)
Thomas Joseph Wright	(appointed 4 February 2021)
Fiona Margaret Macleod	(appointed 6 April 2021)

Employees

The Company is committed to encourage and develop all members of staff to realise their maximum potential through the provision of an annual bonus scheme linked to the Company's performance.

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 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.

Dividends

No dividend is proposed (2019: nil).

Political and Charitable Donations

The Company made no political donations during the current or prior year. Charitable Donations of £7,800 were made in the year (2019: £1,450)

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 and a site publication help to aid engagement and is welcomed by the employees.

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 are encouraged through this process.

Lynemouth Power Limited
Statement of directors' responsibilities
For the year ended 31 December 2020

Community and Environment

The Directors continue to focus on the social and environmental aspects of the business and keep and 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.

Statement as to disclosure of information to auditor

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

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

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

Streamlined Energy and Carbon Reporting

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

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

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

	2020
	(Tco2E)
Scope 1	**356**

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

All electricity used on site is self-generated with Biomass as the input fuel.

In accordance with the regulations, as this is the first year of reporting, no such comparisons are required.

Intensity ratio reporting

	2020
	(Tco2E)
Carbon emissions per GWh generated	**0.1**

The Company continues to maintain its generating assets to the highest standard to ensure efficiency when generating.

Going Concern

Despite net current liabilities of £209,728,000 at 31 December 2020 (2019: £243,371,000) the financial statements have been prepared on a going concern basis which the directors consider appropriate.

This is following the preparation of 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 downside sensitivities, the Company will have sufficient funds to meet its liabilities as they fall due for that period.

The forecasts are dependent on both the parent company, EPUKI and the intermediate parent company, EP Power Europe, a.s, not seeking repayment of funding in the next 12 months.

Additionally, EP Power Europe, a.s has indicated its intention via a letter of support to continue to make available such funds as are needed by the Company for the period covered by the forecasts.

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 2020 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.

Risk Management

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

Regulatory risk

The Company remains susceptible to changes in both UK and EU law. The energy industry is subject to changing regulation in relation to ongoing decarbonisation of the energy mix and net zero carbon by 2050 targets. The company currently has a contract for difference with the UK government, this is scheduled to end in March 2027.

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Company's receivables from customers. The company has 2 main customers with the first one being a related party and a top up payment which is received from a government-based company. Any customers who fall outside of this are analysed for creditworthiness prior to any agreement or goods being exchanged.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulties in meeting the obligations associated with its financial liabilities that are settled by delivering cash. The company manages its liquidity risks by performing monthly cash flows going out a number of months to identify periods where cash balances may run low. Revenues generated are generally received in quite short terms i.e within 30 days of generation with daily payments received from the government.

Foreign exchange risk

The Company is exposed to fluctuations in the foreign currency rates for USD, CAD and EUR associated with cash paid for biomass on long term contracts. The company mitigates this risk by entering into foreign currency forward purchases for substantially all of its long term contracted biomass purchases.

Commodity risk

The Company's exposure to commodity risk principally consists of exposure to fluctuations in the prices of commodities, specifically biomass. The company mitigates this exposure and the risk associated with biomass prices by entering into long term purchase contracts for the majority of its forecast consumption volume going out to 2027.

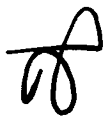
Independent Auditors

Following a competitive tender in respect of the EPH Group, KPMG LLP resigned as Auditors on 6 November 2020. Deloitte LLP were appointed as auditors for the year ending 31 December 2020 in accordance with s485 of the Companies Act 2006. The directors have confirmed that they intend to appoint Deloitte LLP for the forthcoming year.

Subsequent events

Subsequent events which require disclosure have been included in note 20 to the financial statements.

Approved by the board and signed on its behalf



Thomas Wright
Director
29 June 2021

Lynemouth Power Limited
Registered number: 07866585

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

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

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 *Reduced Disclosure Framework*.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Lynemouth Power Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 December 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the statement of comprehensive income;
- the statement of financial position;
- the statement of changes in equity; and
- the related notes 1 to 21.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

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

Independent auditors report to the members of Lynemouth Power Limited (Continued)

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

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

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

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

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

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

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

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

- Revenue cut-off and allocation: Due to the entity selling electricity to the market through EP UK Investments Limited alongside other related companies, we considered there to be a potential for manipulation of revenue recognised in the different companies. Furthermore monthly amounts recorded are material amounts and so if a monthly recording was missed the balance would be materially misstated. In order to address this risk we reviewed the controls in place to understand procedures performed by management to ensure accuracy of reporting. We also ensured we obtained all netting statements between the company, EP UK Investments Limited and related companies and ensured the allocation of revenue was based on accurate meter readings. Finally we ensured the correct meter readings were included in the final period of the year and that the generation related to the correct period.

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

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

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

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

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

We have nothing to report in respect of these matters.

Use of our report

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

Chris Powell

Christopher Powell FCA (Senior statutory auditor)

For and on behalf of Deloitte LLP

Statutory Auditor

Leeds

United Kingdom

29 June 2021

Lynemouth Power Limited
Income Statement
For the year ended 31 December 2020

	Note	2020 £000	2019 £000
Revenue	3	**157,354**	189,275
Cost of sales		**(313,360)**	(293,860)
Gross loss		**(156,006)**	(104,585)
Administrative and operating expenses		**(24,163)**	(17,462)
Other operating income	5	**196,996**	149,743
Operating profit		**16,827**	27,696
Finance costs	4	**(12,698)**	(13,962)
Finance income	4	**216**	403
Profit on ordinary activities before taxation		**4,345**	14,137
Tax on profit	8	**306**	(2,071)
Profit for the financial year		**4,651**	12,066

All of the Company's activities are continuing.

The notes on pages 20 - 41 form an integral part of these financial statements.

Lynemouth Power Limited
Statement of Comprehensive Income
For the year ended 31 December 2020

	Note	2020 £000	2019 £000
Profit for the year		**4,651**	12,066
Other comprehensive (expense) / income			
Items that are or may be reclassified subsequently to profit or loss:			
Reclassification of cashflow hedging gains to income statement	19	**(18,300)**	(23,100)
Effective portion of changes in fair value of foreign currency cash flow hedges	19	**(5,895)**	(9,730)
Deferred tax on cash flow hedges	8,18	**2,335**	5,599
Other comprehensive loss for the year, net of tax		**(21,860)**	(27,231)
Total comprehensive loss for the year		**(17,209)**	(15,165)

All amounts relate to continuing operations.

The notes on pages 20 - 41 form an integral part of these financial statements.

Lynemouth Power Limited
Statement of Financial Position
As at 31 December 2020

	Note	2020 £000	2019 £000
Non-current assets			
Property plant and equipment	9	**278,078**	327,691
Derivative financial assets	17	**14,248**	6,021
		292,326	333,712
Current assets			
Inventories	10	**40,523**	28,666
Trade and other receivables	11	**40,922**	37,590
Derivative financial assets	17	-	342
Tax receivables	15	**2,583**	1,679
Cash and cash equivalents		**36,915**	39,610
		120,943	107,887
Current liabilities			
Trade and other payables	13	**(62,804)**	(55,113)
Interest bearing loans and borrowings	14	**(265,085)**	(295,236)
Derivative financial liabilities	17	**(2,782)**	(909)
		(330,671)	(351,258)
Net current liabilities		**(209,728)**	(243,371)
Non-current liabilities			
Trade and other payables	13	**(2,476)**	(3,088)
Asset retirement obligations	16	**(14,213)**	(10,304)
Derivative financial liabilities	17	**(17,955)**	(14,420)
Deferred tax liability	18	**(10,984)**	(8,350)
Non-current liabilities		**(45,628)**	(36,162)
Net assets		**36,970**	54,179
Equity			
Share capital	12	-	-
Share premium	12	**9,000**	9,000
Cash flow hedging reserve	19	**74,639**	96,499
Retained Earnings		**(46,669)**	(51,320)
Total equity		**36,970**	54,179

Lynemouth Power Limited
Statement of Financial Position
As at 31 December 2020

The financial statements on pages 15 to 41 were approved by the Board of directors on 29th June 2021 and were signed on its behalf by:

On behalf of the Board

Thomas Wright
Director
29 June 2021

Lynemouth Power Limited
Registered number: 07866585

Lynemouth Power Limited
Statement of Changes in Equity
For the year ended 31 December 2020

	Share premium	Retained earnings	Cash flow hedging reserve	Total equity
	£000	£000	£000	£000
Balance as at 1 January 2019	9,000	(63,386)	123,730	69,344
Comprehensive Income				
Profit for the year	-	12,066	-	12,066
Other comprehensive income				
Cash flow hedges	-	-	(27,231)	(27,231)
Total comprehensive (expense)/income	**-**	**12,066**	**(27,231)**	**(15,165)**
Balance as at 31 December 2019	9,000	(51,320)	96,499	54,179
Comprehensive Income				
Profit for the year	-	4,651	-	4,651
Other comprehensive expense				
Cash flow hedges	-	-	(21,860)	(21,860)
Total comprehensive (expense)/income	**-**	**4,651**	**(21,860)**	**(17,209)**
Balance as at 31 December 2020	**9,000**	**(46,669)**	**74,639**	**36,970**

1. General information

The Company is a private limited company, which is incorporated, domiciled and registered in the United Kingdom under the Companies Act 2006. The address of its registered office is Lynemouth Power Station, Ashington, Northumberland, England, NE63 9NW. The company is a subsidiary undertaking of EPUKI Limited, a wholly owned subsidiary of Energetický a průmyslový holding ("EPH").

2. Basis of preparation

The financial statements have been prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101").

In preparing these financial statement, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken. The company has chosen to apply paragraph 1A of Schedule 1 to the Regulations and has presented the profit and loss account and the balance sheet in accordance with the presentation requirements of IAS 1 "Presentation of Financial Statements".

In these financial statements, the Company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- a Cash Flow Statement and related notes;
- Comparative period reconciliations for share capital, property, plant & equipment;
- Disclosures in respect of transactions with wholly owned subsidiaries;
- Disclosures in respect of capital management;
- The effects of new but not yet effective IFRSs;
- Disclosures in respect of the compensation of Key Management Personnel; and
- Disclosures of transactions with a management entity that provides key management personnel services to the company.

As the consolidated financial statements of EP Investment S.a r.l. (whose accounts are publicly available at their office (note 20)) include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- Certain disclosures required by IFRS 13 *Fair Value Measurement* and the disclosures required by IFRS 7 *Financial Instrument Disclosures*.

The preparation of financial statements in conformity with FRS 101 requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting year. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates. These judgements are discussed in 2.15.

2.1 Going concern

Despite net current liabilities of £209,728,000 at 31 December 2020 (2019: £243,371,000) the financial statements have been prepared on a going concern basis which the directors consider appropriate.

This is following the preparation of cash flow forecasts for a period of 18 months from the date of approval of these financial statements which indicate that, taking account of reasonably possible downsides, the Company will have sufficient funds to meet its liabilities as they fall due for that period.

The forecasts are dependent on both the parent company, EPUKI and the intermediate parent company, EP Power Europe, a.s, not seeking repayment of funding in the next 12 months.

Additionally, EP Power Europe, a.s has indicated its intention via a letter of support to continue to make available such funds as are needed by the Company for the period covered by the forecasts.

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 2020 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.

2.2 Property, plant and equipment

Property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Depreciation is calculated using the straight-line method to reduce their cost to residual values over the estimated useful life of the assets. For each of the 4 categories the life is as follows:

Capitalised Interest	31st March 2027
Plant & Machinery	31st March 2027 unless useful life is estimated to be shorter
Biomass Conversion Project	31st March 2027
Asset Retirement obligation asset	31st March 2027

Repair and maintenance costs associated with major planned outages are capitalised and depreciated over the period until the next major outage is planned, typically 3-4 years. General maintenance and repair costs are recognised as expenses as incurred.

2.3 Revenue recognition

Revenue comprises amounts received or receivable for the sale of power and goods in the ordinary course of the Company's activities.

Revenues from the sale of electricity are measured upon the metered output sent to the grid at the price under the trade itself or prevailing market terms where applicable. The performance obligations for these contracts are satisfied over time and control is deemed to have passed to the customer at the point that the electricity has been supplied. The output method is used to recognise revenue, this method recognises revenue based on the value transferred to the customer. This is measured based on the units of electricity supplied.

2.3 Revenue recognition (continued)

When operating under biomass the company is issued Renewable Energy Guarantees Origin (REGOs) for every MWh of electricity generated, these can then be used by suppliers to demonstrate renewable electricity as part of their Fuel Mix Disclosure. Any value of REGOs has historically been embedded in Power Purchase Agreement (PPA) Prices, and it is only recently that a value has been achievable for standalone REGOs, where demand and pricing has been ad-hoc and therefore value is not possible to estimate with any degree of certainty. Therefore revenue is only recognised when these certificates have been transferred from the company to another customer at an agreed price since they do expire and can no longer be actively traded once this occurs.

Other revenue from the sale of goods (for example biomass, scrap metal etc) are recognised at the point at which control of the goods is transferred to the customer.

2.4 Inventories

Inventory is stated at lower of cost or net realisable value. Cost is determined using the weighted average method and includes the expenditure incurred in acquiring the stocks and other costs in bringing them to their existing location and condition.

2.5 Foreign currency

Transactions in foreign currencies are translated to the Company's functional currency 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. Foreign exchange differences arising on translation are recognised in the income statement except for differences arising on the retranslation of qualifying cash flow hedges, which are recognised in other comprehensive income. 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.

2.6 Financial Instruments

IFRS 9 sets out the requirements for recognising and measuring financial instruments, financial liabilities and some contracts to buy or sell non-financial items. Hedging gains and losses are apportioned to the line items impacted by the hedged items. The company adopted IFRS 9 for its hedging relationships from 1 January 2019, having previously elected to continue to apply the hedge accounting requirements of IAS 39. No material differences were identified in this transition.

i. Recognition and initial measurement

Trade receivables and debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

2.6 Financial Instruments (continued)

ii. Classification and subsequent measurement

Financial assets

a) Classification

On initial recognition, a financial asset is classified as measured at: amortised cost; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions:

a) it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
b) its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets.

b) Subsequent measurement and gains and losses

Financial assets at FVTPL - these assets (other than derivatives designated as hedging instruments) are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.

Financial assets at amortised cost - These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on de-recognition is recognised in profit or loss.

Financial liabilities and equity

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on de-recognition is also recognised in profit or loss.

iii. Derivative financial instruments and hedging

Derivative financial instruments

Derivative financial instruments are recognised at fair value. The gain or loss on re-measurement to fair value is recognised immediately in profit or loss. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged (see below). Where possible the company has taken advantage of the own-use exemptions which allows qualifying contracts to be excluded from fair value mark to market accounting. This applies to certain contracts for physical commodities entered into and held for the company's own use, including forward contracts for purchase of biomass.

2.6 Financial Instruments (continued)

Cash flow hedges

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability, or a highly probable forecast transaction, the effective part of any gain or loss on the derivative financial instrument is recognised directly in the hedging reserve. Any ineffective portion of the hedge is recognised immediately in the income statement.

When the forecast transaction subsequently results in the recognition of a non-financial item (including a non-financial item that becomes a firm commitment for which fair value hedge accounting is applied – see below), the associated cumulative gain or loss is removed from the hedging reserve and is included in the initial carrying amount of the non-financial asset or liability.

For all other hedged forecast transactions, the associated cumulative gain or loss is removed from equity and recognised in the income statement in the same period or periods during which the hedged executed future cash flows affects profit or loss.

When the hedging instrument is sold, expires, is terminated or exercised, or the entity revokes the designation of the hedge relationship but the hedged forecast transaction is still expected to occur, the cumulative gain or loss at that point remains in equity and is recognised in accordance with the above policy when the transaction occurs. If the hedged transaction is no longer expected to take place, the cumulative unrealised gain or loss recognised in equity is recognised in the income statement immediately.

iv. Impairment

The company recognises loss allowances for expected credit losses (ECLs) on financial assets measured at amortised cost, debt investments measured at FVOCI.

The company measures loss allowances at an amount equal to lifetime ECL, except for other debt securities and bank balances for which credit risk (i.e the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition which are measured as 12-month ECL.

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECL.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the company's historical experience and informed credit assessment and including forward-looking information.
The company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The company considers a financial asset to be in default when:

a) The borrower is unlikely to pay its credit obligations to the company in full, without recourse by the company to actions such as realising security (if any is held); or
b) The financial asset is more than 90 days past due.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period) if the expected life of the instrument is less than 12 months).

2.6 Financial Instruments (continued)

The maximum period considered when estimating ECLs is the maximum contractual period over which the company is exposed to credit risk.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the company expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

At each reporting date, the company assesses whether financial assets carried at amortised cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Write-offs

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery.

2.7 Impairment of non-financial assets excluding stocks and deferred tax assets

Non-financial assets

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

The recoverable amount of an asset or cash-generating unit (CGU) is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss.

In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

2.8 Taxation

Tax on the profit or loss for the year 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 year, 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 amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

2.9 Provisions

Provisions are recognised when there is a present legal or constructive obligation as a result of past events, when it is probable that an outflow of resources will be required to settle the obligation and when the amount has been reliably estimated.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

Asset retirement obligations

The Company has an obligation to ensure that certain environmental areas are left undisturbed after decommissioning. The liability that pertains to this obligation and dismantling is reflected in our financial statements using an asset retirement obligation. The Company accounts for the asset retirement obligation in accordance with IAS 37, Provisions and Contingent Liabilities. This standard requires the fair value of a liability for an asset retirement obligation (ARO) to be recorded when there is a legal obligation associated with the retirement of a tangible long-lived asset and the liability can be reasonably estimated. The liability is offset by a corresponding amount in the underlying asset. ARO liabilities are recorded at the estimated present value of dismantlement, removal and similar activities associated with the Company's power station. The liability is accreted and the asset is depreciated. Periodically management will review the provision for reasonableness and revalue if the provision value has changed.

2.10 Leases

The Company has applied IFRS 16 from January 2019 for the period.

At the inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

As a lessee

At commencement or on modification of a contract that contains a lease component, along with one or more other lease or non-lease components, the Company accounts for each lease component separately from the non-lease components. The Company allocates the consideration in the contract to each lease component on the basis of its relative stand-alone price and the aggregate stand-alone price of the non-lease components.

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

2.10 Leases (continued)

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Company by the end of the lease term or the cost of the right-of-use asset reflects that the Company will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Company is reasonably certain to exercise,
- lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and
- penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, if the Company changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, to the extent that the right-of-use asset is reduced to nil, with any further adjustment required from the remeasurement being recorded in profit or loss.

The Company presents right-of-use assets that do not meet the definition of investment property in 'property, plant and equipment' and lease liabilities in 'loans and borrowings' in the statement of financial position.

The company has elected to use the practical expedient and not recognise right-of-use assets and lease liabilities for lease of low-value assets and short-term leases. The company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

2.11 Employee benefit plans

The Lynemouth Power Pension Scheme is a group personal pension arrangement (defined contribution) for the employees of Lynemouth Power. The provider is Scottish Widows Limited. The Company doubles the percentage of employee contributions up to a maximum of 10%. The pension cost charge for the year comprises contributions payable.

2.12 Financing income and expenses

Financing expenses comprise interest payable, finance charges on shares classified as liabilities and finance leases recognised in profit or loss using the effective interest method, unwinding of the discount on provisions, net foreign exchange losses that are recognised in the income statement (see foreign currency accounting policy), realised cash flows resulting from interest rate derivative and MtM movement in valuations on existing interest derivatives. Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that takes a substantial time to be prepared for use, are capitalised as part of the cost of that asset.

Financing income comprise interest receivable on funds invested, dividend income, and net foreign exchange gains.

Interest income and interest payable is recognised in profit or loss as it accrues, using the effective interest method. Dividend income is recognised in the income statement on the date the entity's right to receive payments is established. Foreign currency gains and losses are reported on a net basis.

Cash flows hedges are used to hedge the risk of variability in cash flows related to an asset or liability carried on the balance sheet or related to a highly probable forecast transaction. If a cash flow hedge exists, unrealised gains and losses from the hedging instrument are initially included in other comprehensive income. Such gains or losses are disclosed in the income statement when the hedged underlying transaction has an effect on income.

2.13 Other income

The company is party to a Contract for Difference (CfD) with the Low Carbon Contracts Company (LCCC), a Government-owned entity responsible for delivering elements of the Government's Electricity Market Reform Programme. Under this contract the company makes or receives payments in respect of electricity exported to the grid, the payment is calculated by reference to a strike price per MWh which is indexed to CPI and changes in system balancing costs and is revised annually. The strike price at 31st December 2020 was £122.23/MWh.

The Company receives/makes payments from/to LCCC at the CfD strike price less the Base Market Reference Price (BMRP) which is set on a seasonal basis running from April to September and October to March. These payments are in addition to those received from the sale of the power in the market.

The company recognises income from the CfD as other income within the income statement at the point which the company meets its performance obligation under the CfD, this is considered to be the point at which relevant generation is delivered and payment becomes contractually due.

2.14 Significant accounting estimates and judgements

Preparation of financial statements pursuant to FRS 101 requires assumptions and estimates to be made, which have an impact on the recognised value of the assets and liabilities carried on the balance sheet, on income and expenses, and on the disclosure of contingent liabilities.

All assumptions and estimates are based on the circumstances and forecasts prevailing on the balance sheet date. Although management uses its best estimates and judgements, actual results could differ from these estimates as future confirming events occur. In the Director's opinion there are no critical judgements, apart from those involving estimates (which are dealt with separately below).

2.14 Significant accounting estimates and judgements (continued)

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.

Asset retirement provisions

As discussed in more detail under note 2.9, a provision is recognised in the balance sheet associated with restoring the site to its original condition. Following the completion of the conversion of the power station to generate via biomass the provision was revalued in June 2018 to take into account the new biomass storage facility onsite and at the Port of Tyne. The carrying value of the restoration as at 31 December 2020 is £14,213,000 (2019: £10,304,000). The current estimation is based on a tender amount received from a demolition company around demolition and restoration of both sites. Estimation is based on all works which can be seen via inspection including asbestos removal (£3.3m) and remote demolition being possible (£5.5m), if remote demolition is not possible then it could lead to significant increase in costs although it would be expected to be possible. Prior provision at 31 December 2019 included a credit for scrap of (£4m), this has been excluded from provision at 31 December 2020 which is the reason for the increase in closing amounts. As the station is expected to operate until 31 March 2027 under the current CfD contract, uncertainty in the estimation of the provision will remain until nearer the time provided there are no material changes in infrastructure or in the value of the bond with the Environment Agency (£1.4m). A 10% increase in the provision amount as first estimated would lead to an increase of £1.4m in the provision amount as at the end of 2020.

Fair value of derivative financial instruments

The company has financial instruments in place associated with foreign currency rates, interest rates, consumer price index ("CPI") and oil price hedges. These instruments are valued in the accounts based on statements of valuation provided by each of the banks that these are held with. Both assets and liabilities are recognised dependent on the valuation provided. The carrying values of these assets as at 31 December 2020 is £14,248,000 (2019: £6,363,000), the carrying values of the liabilities as at 31 December 2020 is £20,737,000 (2019: £15,329,000).

Hedging assessment

Hedges are assessed by the company both as they are entered into and continually to check for any ineffectiveness. The foreign currency hedges are treated as cash flow hedges and therefore any movement in their valuation is posted through other comprehensive income unless it is associated with hedges which have matured and underlying biomass it is used to purchase has been consumed, in which case they are posted through the income statement. The foreign currency hedges are associated with contracted volumes of biomass and forecast currency requirements associated with those contracts. This contracted foreign currency requirement is regularly compared to the hedges in place and ineffectiveness reviewed. If these hedges are not considered to be effective, the ineffective portion is recognised in the income statement. Valuation of the hedging instrument assets/liabilities is taken from valuation statements received from the banks who are the counterparty of the hedging instrument, the judgement on these is that these valuations and the price curves behind them represent a realistic valuation of the instruments in place at the end of the period.

3 Revenue

	2020	2019
	£000	£000
Electricity sales	**140,433**	168,770
Biomass sales	**16,585**	20,166
Sale of ROCs/REGOs	**183**	246
Miscellaneous sales	**153**	93
	157,354	189,275

4 Finance costs and finance income

	2020	2019
Recognised in profit or loss	**£000**	£000
Asset retirement obligation provision unwind	**(67)**	(774)
Interest expense on borrowings	**(7,998)**	(10,002)
Loan fee amortisation	**(1,424)**	-
Net loss on interest rate derivative financial instruments designated as fair value through profit and loss	**(762)**	(2,002)
Interest rate derivative realised charge	**(2,433)**	(1,165)
Bank charges	**(14)**	(19)
Total Finance costs	**(12,698)**	(13,962)
Interest income on unimpaired financial assets	**216**	403
Finance income	**216**	403
Net finance cost	**(12,482)**	(13,559)

5 Expenses, other income and auditor remuneration

	2020	2019
	£000	£000
Loss before income tax is stated after:		
Depreciation on property, plant and equipment	**(53,994)**	(53,962)
Costs of inventories included in costs of sales	**(238,269)**	(220,272)
Net gain/(loss) on inflation rate derivative financial instruments designated as fair value through profit and loss included in cost of sales	**7,921**	10,786
Net gain/(loss) on oil price hedge derivative financial instruments designated as fair value through profit and loss included in cost of sales	**1,213**	-
Cash flow hedges reclassified to profit and included in cost of sales	**18,300**	23,100
Realised gain on foreign currency (FX) purchases included in cost of sales	**6,071**	6,786
Other operating income	**196,996**	149,743

Other operating income can be analysed as follows:

Contract for difference income	**196,394**	148,420
Currency revaluation gains	**404**	324
Research and development expenditure credit	**198**	999
	196,996	149,743

Services provided by the Company's auditor:

During the year the Company obtained the following services from the Company's auditor:

	2020	2019
	£000	£000
Fees payable to the Company's auditor for the audit of the Company and its financial statements	**46**	71
Amounts receivable by the Company's auditor in respect of taxation compliance services	-	27

6 Directors and employee remuneration

The monthly average number of employees (including directors) during year was 141 (2019: 143). Of this amount 126 (2019: 124) relates to operational staff and 15 to administrative staff (2019: 19).

(a) Employee Remuneration

	2020	2019
	£000	£000
Wages and salaries	**8,111**	7,907
Social security costs	**928**	921
Other pension costs	**1,138**	1,083
	10,177	9,911

(b) *Directors' Remuneration*

	2020	2019
	£000	£000
Wages and salaries	**382**	418
Pension costs – defined contribution	**44**	32
	426	450

	2020	2019
	£000	£000
Highest paid director:		
Aggregate emoluments	**150**	166
Company contributions paid to money purchase pension scheme	**13**	13
	163	179

Retirement benefits are accruing to 3 directors (2019: 3) under money purchase pension schemes.

7 Employee benefit plans

The Lynemouth Power Pension Scheme is a group personal pension arrangement (defined contribution) for the employees of Lynemouth Power. The Company contributions for 2020 were £1,138,000 (2019: £1,083,000). At year end amounts payable for Company contributions totalled £52,000 (2019: nil).

8 Taxation

Tax recognised in income statement:	**2020**	2019
	£000	£000
Current tax:		
Corporation tax on income for the year	**(4,777)**	-
Adjustments to group relief in respect of prior periods	**(499)**	(3,205)
Total current tax credit	**(5,276)**	(3,205)
Deferred tax (note 18):		
Origination and reversal of temporary differences	**5,083**	2,428
Adjustments in respect of prior periods	**549**	2,848
Impact of change in UK tax rate	**(662)**	-
Total deferred tax charge	**4,970**	5,276
Total tax (credit) / charge	**(306)**	2,071
Tax recognised in other comprehensive income:		
Deferred tax – on cash flow hedges (note 18)	**(2,335)**	(5,599)
Total other comprehensive income tax credit	**(2,335)**	(5,599)

8 Taxation (continued)

	2020	2019
	£000	£000
Profit for the year	**4,651**	12,066
Total tax (credit) / charge	**(306)**	2,071
Profit excluding taxation	**4,345**	14,137
Income tax charge at 19.00% (2019: 19.00%)	**826**	2,686
Effects of:		
Expenses not deductible for tax purposes	**248**	212
Impact of change in UK tax rate	**(662)**	(279)
Revaluation of decommissioning provision	**(730)**	-
Additional deduction for land remediation expenditure	**-**	(1)
Research and development expenditure credits	**(38)**	(190)
Adjustments in respect of prior periods	**50**	(357)
Corporation tax (credit) / charge for year	**(306)**	2,071

Factors affecting the current and future tax charges

Finance Act 2016 had previously enacted provisions to reduce the main rate of UK corporation tax to 17% from 1 April 2020. However, in the March 2020 Budget it was announced that the reduction will not occur and the Corporation Tax Rate will be held at 19%. The Provisional Collection of Taxes Act was used to substantively enact the revised 19% tax rate on 17 March 2020.

The March 2021 Budget announced a further increase to the main rate of corporation tax to 25% from April 2023. This rate has not been substantively enacted at the balance sheet date. As result deferred tax balances as at 31 December 2020 continue to be measured at 19%. If all of the deferred tax was to reverse at the amended 25% rate the impact on the closing deferred tax position would be to increase the deferred tax liability by £3,469,000.

9 Property plant and equipment

	Capitalised Interest	Plant & Machinery	Biomass Conversion Costs	ARO Asset	Total
	£000	£000	£'000	£000	£000
Cost					
Balance at 1 January 2020	9,815	67,103	332,278	9,530	418,726
Additions	-	668	(129)	3,842	4,381
Balance at 31 December 2020	**9,815**	**67,771**	**332,149**	**13,372**	**423,107**
Depreciation					
Balance at 1 January 2020	1,189	26,742	55,814	7,290	91,035
Depreciation charge	1,190	13,680	39,364	(240)	53,994
Balance at 31 December 2020	**2,379**	**40,422**	**95,178**	**7,050**	**145,029**
Net Book Value					
At 31 December 2020	**7,436**	**27,349**	**236,971**	**6,322**	**278,078**
At 31 December 2019	8,626	40,361	276,464	2,240	327,691

Depreciation of property, plant and equipment is included within cost of sales in the income statement. The net book value of assets under construction at the end of 2020 included within plant and equipment totalled £439,000 (2019: £737,000). These are not depreciated until the assets are brought into use.

The amount of borrowing costs capitalised during the year was nil (2019: nil).

10 Inventories

	2020	2019
	£000	£000
Biomass	**32,295**	19,473
Spares	**8,102**	9,010
Gas Oil	**122**	175
Domestic Gas	**4**	8
	40,523	28,666

11 Trade and other receivables

	2020	2019
	£000	£000
Accrued income	-	1,003
Amounts owed by group undertakings	18,078	14,984
Prepayments	1,070	539
Other receivables	21,774	21,064
	40,922	37,590
Split as:		
Current	40,922	37,590
	40,922	37,590

All current receivables are expected to be recovered within 12 months.
Amounts owed to group undertakings includes £12,803,000 relating to power sales in December and payable in January 2021. The remaining balance of £5,275,000 relates to transferred tax losses which are repayable within 12 months.

12 Share capital

	Number of Shares	Share Capital	Share Premium	Total
		£000	£000	£000
Balance as at 31 December 2019	1	-	9,000	9,000
Balance as at 31 December 2020	**1**	**-**	**9,000**	**9,000**

The total authorised number of ordinary shares is 1 share (2019: 1 share), with a par value of £1 per share. All issued shares are fully paid. All shares rank equally in respect of shareholder rights. There has been no dividend declared for 2019 or 2020.

13 Trade and other payables

	2020	2019
	£000	£000
Trade payables	58,525	53,636
Accruals	1,413	1,383
Deferred income	2,662	3,105
Amounts owed to group undertakings	2,679	77
	65,279	58,201
Split as:		
Current	62,803	55,113
Non-current	2,476	3,088
	65,279	58,201

Amounts owed to group undertakings consists of £2,556,000 for power purchases in December and management recharge £123,000, both are repayable in January 2021.

Further information on financial liabilities is given in note 17.

14 Interest bearing loans and borrowings

	2020	2019
	£000	£000
Non-current liabilities:		
	-	-
Current liabilities:		
Amounts owed to group undertakings	265,085	295,236
	265,085	295,236

The loans due to group undertakings comprise loans from two separate companies as follows:

i. Loan with EPUK Investments Limited as at 31 December 2020: £142,009,000 repayable on 31st December 2021 with interest charged at 2.63% pa. An additional loan of £100,000,000 was taken out on 19th March 2021 with EPUK Investments Limited to cover repayment in full of the loan with EPUK Finance Limited.

ii. Loan with EPUK Finance Limited as at 31 December 2020: £82,931,000, repayable on 31st December 2021 with interest charged at 6 month LIBOR + 2.69%. This loan was repaid in full on 19th March 2021 and additional funds loaned from EPUK Investments Limited to cover this repayment.

iii. Loan with EPUK Finance Limited as at 31 December 2020: £40,145,000, repayable on 31st December 2021 with interest charged at 1 month LIBOR + 2.23%. This loan was repaid in full on 19th March 2021 and additional funds loaned from EPUK Investments Limited to cover this repayment.

15 Tax receivable

	2020	2019
	£000	£000
Tax receivable from HMRC	**2,583**	1,679

16 Asset Retirement Obligation

	2020	2019
	£000	£000
Balance as at 1 January	**10,304**	9,530
Provision revaluation	**3,842**	-
Unwind of discount over year	**67**	774
Balance at 31 December	**14,213**	10,304

This liability provides for the decommissioning of the power station. The provision was revalued in June 2018 based on the new converted biomass plant and facility at the Port of Tyne, this is currently estimated to be settled in 2027. The provision was again revised in 2020 to remove the credit applied to the original provision for the value of scrap material following decommissioning, the associated asset has been adjusted for this also. The discount rate applied to the provision is 0.87% which is a 7 year average from the CPI forward curve.

17 Financial instruments

Categories of financial instruments

	2020	2019
	£000	£000
Financial assets at fair value		
Fair value through profit and loss (FVTPL)		
Designated as FVTPL	**14,248**	5,114
Balance at 31 December	**14,248**	5,114

17 Financial instruments (continued)

	2020	2019
	£000	£000
Financial liabilities at fair value		
Fair value through profit and loss (FVTPL)		
Designated as FVTPL	**3,545**	2,783
Balance at 31 December	**3,545**	2,783

Changes in value of financial instruments at fair value
Profit for the year has been arrived at after charging/(crediting):

	Year ended	Year ended
	2020	2019
	£000	£000
Financial assets at fair value		
Fair value through profit and loss (FVTPL)		
Designated as FVTPL	**(9,134)**	(5,114)
Financial liabilities at fair value		
Fair value through profit and loss (FVTPL)		
Designated as FVTPL	**762**	(3,670)

Derivatives

The company enters into a variety of derivative financial instruments to manage its exposure to interest rate, oil prices, inflation rates and foreign exchange rate risk including foreign exchange forward contracts and interest rate swaps.

It is the policy of the Company to enter into forward foreign exchange contracts to cover specific foreign currency payments to 100% of all firm long term contracted biomass supply volume. FX swaps are matured in line with biomass purchases and the gain/(loss) is posted through the income statement in line with the biomass it relates to. Any gain relating to a supply of biomass which remains in inventory is allocated to the cash flow hedging reserve until which point the biomass itself is charged to the income statement. Valuation of outstanding trades at the balance sheet date is taken from valuation statements received from the banks with which future derivatives remain.

Under interest rate swap contracts, the Company agrees to exchange the difference between fixed and floating rate interest amounts calculated on agreed notional principal amounts. Such contracts enable the Company to mitigate the risk of changing interest rates on the fair value of issued fixed rate debt held and the cash flow exposures on the issued variable rate debt held. The fair value of the interest rate swaps at the reporting date is taken from valuation statements received from the banks with which the interest rate swaps are held.

17 Financial instruments (continued)

The company entered into oil prices derivative during 2020 to mitigate the risk of changing oil prices to which the biomass price paid within the firm contracts is linked. The company entered into derivatives under 4 specific products with coverage ranging from 6 percent to 99% of the total contracted exposure. The fair value of the oil price derivatives at the reporting date is taken from valuation statements received from the banks with which the derivatives are held.

The company has revenue and cost of sales exposures in relation to Consumer Price Index ("CPI"), specifically the Contract for Difference strike price and biomass price are both linked to UK CPI. The company has derivatives in place relating to CPI and agrees to exchange the difference between fixed and floating rate inflation rates on an agreed annual principal amounts. The fair value of the CPI swap is taken from the valuation statements received from the banks with which the inflation rate swaps are held.

18 Deferred tax liability / (asset)

	2020	2019
	£000	£000
The movement in deferred tax is as follows:		
Opening liability	**8,350**	8,673
Current year credit taken to the income statement	**5,083**	2,428
Current year (credit) / charge to OCI	**(2,335)**	(5,599)
Prior year credit in income statement	**548**	2,848
Impact of change in UK tax rate taken to the income statement	**(662)**	-
Closing liability	**10,984**	8,350

Deferred tax recognised on the balance sheet, and the potential amounts of deferred tax assets not recognised, at 19% (2019: 17%) are attributable to the following:

	2020	2019
	£000	£000
Property, plant and equipment	**408**	7,563
Short term timing differences – provisions	**(913)**	(1,355)
Cash flow hedges	**17,508**	19,843
Unused tax losses	**(6,019)**	(17,701)
Closing liability	**10,984**	8,350

19 Cash flow hedging reserve

	Total
	£000
Balance at 1 January 2020	**96,499**
Reclassification of hedging gains to income statement	**(18,300)**
Revaluation of foreign currency cash flow hedges in other comprehensive income	**(5,895)**
Deferred tax on cash flow hedges in other comprehensive income	**2,335**
Balance at 31 December 2020	**74,639**

All transactions and balances included within the cash flow hedging reserve are related to foreign currency forward purchases.

20 Post balance sheet events

Following refinancing within the Group, on 19 March 2021 the Company paid off its full loan balance with EP UK Finance Limited and the LIBOR + 2.58% loan with EPUKI. This was replaced by a new £100 million loan from EPUKI with a repayment date of 31 December 2024 and an interest rate of 6M LIBOR +2.5%.

21 Ultimate parent undertaking

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.