Eggborough Power Limited

Annual report and financial statements

Registered number 03782700

For the 12 months ended

31 December 2018

Contents

Strategic report

The Directors present their strategic report for the Company for the year ended 31 December 2018.

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 generation and trading of electricity, the sale of ash arising from the electricity generation process and decommissioning associated with the closure of the Eggborough coal power station. The main power plant was decommissioned in 2018 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 £7m (2017: loss of £19m).

The profit reported in 2018 is substantially a result of adjustments to closure provisions that had been raised in previous periods, the background to which is explained below.

Review of the Business

Total generation for the period was 0.5 TWh (2017:1.1 TWh), reflecting continuing difficult market conditions and the decision to cease generation during 2018.

All four units were the subject of 'Capacity Market' agreements with National Grid until 30 September 2018.

In February 2018, the Company participated in a further capacity auction. The clearing price of this auction was lower than the price required to enable economic generation and as a result the directors concluded that generation would cease in 2018. The decommissioning of Eggborough Power Station was commenced and substantially completed by the end of 2018. Most of the EPL workforce was made redundant during the year, with some transferred into the employment of EP UK Investments Limited.

During 2018, management investigated options to sell the majority of the power station site . The sale, which included the power station in a decommissioned but not demolished state, completed on the 10 June 2019.

The full costs of decommissioning, demolition and staff redundancy were provided in prior periods. The 2017 Annual Report had assumed that the site would be sold fully demolished and therefore the change of assumption (reversal of demolition costs) has been reflected within Exceptional Items.

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 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.

Business Market Review

In the UK, the Carbon Price Support mechanism has meant that coal fired stations have lost competitive position in comparison to other forms of generation that are more thermally efficient. Government policy has been deliberately targeted to encourage the development of lower carbon forms of generation such as nuclear and renewables.

Eggborough Power Limited will continue to meet its financial liabilities by virtue of parent company support.

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.

Strategic report (continued)

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 at least 12 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 ultimate parent company, Energetický a průmyslový holding a.s., to meet its liabilities as they fall due for that period.

Those forecasts are dependent on Energetický a průmyslový holding a.s. providing additional financial support during that period. Energetický a průmyslový holding a.s. has indicated its intention to continue to make available such funds as are needed by the company 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.

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

Adam Booth
Director, 25 September 2019

Directors' report

The directors present their annual report and the financial statements for year ended 31 December 2018.

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.

Research and development

Expenditure on research and development during the year 31 December 2018 was £nil (2017: £nil).

Financial Instruments

The Company's polices are set out in the Accounting policies section.

Proposed dividend

The directors do not recommend the payment of a dividend.

Directors

The directors who held office during the period were:

Tarloke Singh Bains

Adam Booth

Pavel Horský

Daniel Křetínský

Jan Špringl

Marek Spurný

Paul Tomlinson (resigned 1 May 2018)

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 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.

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.

Directors' report (continued)

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

On behalf of the Board

Adam Booth
Director
25 September 2019

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

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;
- 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.

Eggborough Power Limited
Ground Floor, Paradigm Building
3175 Century Way
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Independent auditor's report to the members of Eggborough Power Limited

Opinion

We have audited the financial statements of Eggborough Power Limited ("the company") for the year ended 31 December 2018 which comprise the statement of comprehensive income, statement of financial position, statement of changes in equity 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 2018 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.

The impact of uncertainties due to the UK exiting the European Union on our audit

Uncertainties related to the effects of Brexit are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by the directors, such as the carrying value of property, plant and equipment and related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the group's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. We applied a standardised firm-wide approach in response to that uncertainty when assessing the group's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

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, including the impact of Brexit, 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.

Independent auditor's report to the members of Eggborough Power Limited (continued)

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:

- 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 these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 7, 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

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

25 September 2019

	Note	2018 £m	2017 £m
Revenue	3	**46**	106
Cost of sales		**(32)**	(54)
Gross profit		**14**	52
Other operating costs	4	**(10)**	(82)
Exceptional items	6	**4**	10
Depreciation	11	**-**	-
Operating Profit / (Loss)		**8**	(20)
Interest payable and similar charges	8	**(1)**	-
Profit / (Loss) on ordinary activities before taxation		**7**	(20)
Taxation	9	**-**	1
Profit / (Loss) for the year		**7**	(19)

Income Statement

For the year ended 31 December 2018

The operations of Eggborough Power Station were discontinued during 2018 and all of the results are attributed to this activity.

The notes on pages 14 to 25 form part of these financial statements.

Statement of Comprehensive Income
for the year ended 31 December 2018

	Note	**2018** £m	2017 £m
Profit/ (Loss) for the financial period		**7**	(19)
Other comprehensive income			
Items that will not be classified to profit or loss:			
Remeasurement of defined benefit liability	18	**13**	(2)
Other comprehensive income		**20**	(2)
Total comprehensive loss for the period attributable to equity holders		**20**	(21)

There are no other comprehensive gains or losses in the year ending 31 December 2018.

The notes on pages 14 to 25 form part of these financial statements.

Statement of Financial Position
31 December 2018

	Note	2018	2017
		£m	£m
Assets			
Non-current assets			
Tangible fixed assets	11	**13**	25
Intangible assets	10	**-**	3
		13	28
Current assets			
Inventories	12	**-**	10
Trade and other receivables	13	**4**	31
Cash and cash equivalents	14	**20**	25
		24	66
Liabilities			
Current liabilities			
Trade and other payables	15	**(12)**	(29)
		(12)	(29)
Net current assets		**25**	37
Non-current liabilities			
Other provisions	17	**(20)**	(68)
Retirement benefit obligations	18	**(2)**	(14)
		(22)	(82)
Net Assets		**3**	(17)
Shareholders' equity			
Called up share capital	19	**82**	82
Capital reserve		**2**	2
Revaluation reserve		**13**	13
Profit and loss account		**(94)**	(114)
Shareholders' funds		**3**	(17)

The notes on pages 14 to 25 form part of these financial statements.

These financial statements were approved by the board of directors on September 2019 and were signed on its behalf by:

Adam Booth
Director

Company registered number: 03782700

Statement of Changes in Equity
for the year ended 31 December 2018

	Called up share capital	Capital Reserve	Revaluation reserve	Profit and loss account	Total equity
	£m	£m	£m	£m	£m
Balance at 1 January 2017	82	2	13	(93)	4
Total comprehensive income for the period	-	-	-	(21)	(21)
Balance at 31 December 2017	82	2	13	(114)	(17)
Balance at 1 January 2018	**82**	**2**	**13**	**(114)**	**(17)**
Total comprehensive income for the period	-	-	-	20	20
Balance at 31 December 2018	**82**	**2**	**13**	**(94)**	**3**

The notes on pages 14 to 25 form part of these financial statements.

Notes to the financial statements (continued)

For the year ended 31 December 2018

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 arising from the electricity generation process and decommissioning associated with the closure of the Eggborough coal power station. The main power plant was decommissioned in 2018 and subsequently sold in June 2019.

1.1 Measurement convention

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 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 21 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 at least 12 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 ultimate parent company, Energetický a průmyslový holding a.s., to meet its liabilities as they fall due for that period.

Those forecasts are dependent on Energetický a průmyslový holding a.s. providing additional financial support during that period. Energetický a průmyslový holding a.s. has indicated its intention to continue to make available such funds as are needed by the company 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.

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.

Notes to the financial statements (continued)

For the year ended 31 December 2018

Accounting policies (continued)

1.4 Foreign currency (continued)

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.

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.

Notes to the financial statements (continued)

For the year ended 31 December 2018

Accounting policies (continued)

1.9 Employee benefits (continued)

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.

e 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.

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.

Notes to the financial statements (continued)

For the year ended 31 December 2018

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 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.

Notes to the financial statements (continued)

For the year ended 31 December 2018

3 Revenue

	2018	2017
	£m	£m
Total revenue	**46**	106
By activity:		
Power generation	**10**	59
Contracts with National Grid	**36**	47
	46	106
By geographical market		
United Kingdom	**46**	106

4. Other Operating Costs

	2018	2017
	£m	£m
Net expenses after decommissioning provision release	**2**	-
Recharges to other group companies	**(3)**	(6)
Repairs and maintenance expenditure on property, plant and equipment	**-**	24
Other operating and administrative expenses	**-**	40
Staff expenditure *(note 5)*	**11**	24
	10	82

	2018	2017
	£000	£000
Audit fees:		
Audit of these financial statements and group financial package	**43**	62
Other fees receivable by the company's auditor:		
Taxation compliance and advisory services	**13**	7
Total auditor's remuneration	**56**	69

KPMG LLP were the company's auditors in both of the periods reported above.

5. 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	
	2018	2017
Management and support staff	**28**	60
Asset management	**48**	72
Operations	**44**	97
	120	229

The aggregate payroll costs of these persons were as follows:

	2018	2017
	£m	£m
Wages and salaries	**9**	18
Social security costs	**1**	2
Expenses related to defined benefit plans	**1**	4
	11	24

Notes to the financial statements (continued)

For the year ended 31 December 2018

6. Exceptional items

	2018	2017
	£m	£m
Adjustment to site restoration provision	**16**	4
Adjustment to staffing restructure provision	**1**	6
Reversal of impairment of scrap	**(12)**	-
Write off of receivable from Group Affiliate	**(1)**	
Credit/(Charge) in income statement	**4**	10

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.

The decommissioned power station site was sold on 10 June 2019. The provision associated with demolition has been reversed and the value associated with sale of scrap metal (once demolished) has also been de-recognised in the period.

7. Directors' remuneration

	2018	2017
	£m	£m
Directors' remuneration	-	1
Compensation for loss of office	-	1
	-	2

During 2018, the remuneration of all directors previously paid by EPL was transferred to the immediate parent, EP UK Investments Limited. The fair value of directors remuneration is deemed £nil, as the Company's parent has not recharged any expenditure to the Company.

	Number of directors	
	2018	2017
Retirement benefits are accruing to the following number of directors under:		
Money purchase schemes	-	1
Defined benefit schemes	-	2
	-	3
The number of directors who exercised share options was	-	-
The number of directors in respect of whose qualifying services shares were received or receivable under long term incentive schemes was	-	-
	-	-

8. Interest Payable and similar charges

	2018	2017
	£m	£m
Loss on financial coal contracts entered into in the period	**1**	-

Notes to the financial statements (continued)

For the year ended 31 December 2018

9. Taxation

Recognised in the Income Statement

	2018 £m	2017 £m
UK Corporation tax		
Adjustments in respect of prior periods	-	1
Total current tax	-	1
Deferred tax		
Origination and reversal of temporary differences	-	-
Total Deferred tax	-	-
Tax on profit on ordinary activities	-	1

The charge for the year incorporates adjustments in respect of both trading and non-trading losses in the Company in the anticipation of both future trading profits and non-trade loan relationship income.

Reconciliation of effective tax rate

The tax expense for the year is lower (2017: higher) than the expense that would have been charged using the standard rate of corporation tax in the UK of 19% (2017: 19.25%) applied to the profit before tax. The differences are explained below:

	2018 £m	2017 £m
Profit/ (Loss) excluding taxation	7	(19)
Tax using the UK Corporation tax rate of 19% *(2017:19.3%)*	1	(4)
Tax on profits created by provision movements previously disallowed	(1)	-
Current period losses for which no deferred tax asset was recognised	-	4
Under provided in prior periods	-	1
Total tax expense	-	1

During the year the UK corporation tax rate was 19%. The UK Finance Act reduced the rate of corporation tax to 17% with effect from April 2020. This rate was fully enacted on 15 September 2016.

10. Intangible assets

	Carbon assets £m
Balance at 1 January 2018	3
Additions	-
Disposals	(3)
Balance at 31 December 2018	-

Intangible assets represent EUA certificates purchased to meet obligations under the EU Emissions Trading System.

At 31 December 2018, £5m of liabilities in respect of the EU ETS were held as current liabilities in relation to 2018 Carbon emissions. Whilst no EUAs were owned at 31 December 2018, the value of this liability is determined by an agreement with EPL's immediate parent undertaking (EP UK Investments Limited) which has fixed the price at which they will be purchased during 2019.

Notes to the financial statements (continued)

For the year ended 31 December 2018

11. Tangible fixed assets

	Land and buildings £m	Plant and equipment £m	Software £m	Total £m
Cost				
Balance at 1 January 2018	54	164	4	222
Balance at 31 December 2018	**54**	**164**	**4**	**222**
Depreciation and impairment				
Balance at 1 January 2018	34	159	4	197
Depreciation charge for the period	-	-	-	-
Reversal of previous impairment	7	5	-	12
Balance at 31 December 2018	**41**	**164**	**4**	**209**
Net book value				
At 31 December 2018	**13**	**-**	**-**	**13**
At 31 December 2017	20	5	-	25

The net book value of property, plant and equipment at 31 December 2017 was £12m, being the fair value of recoverable scrap value, which has been reversed following the sale.

Land is valued at its market value of £13m. The Company retained two sites of freehold land. The main ash disposal site at Gale Common and land with granted planning consent to develop a combine cycle gas turbine power station has been retained.

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.

12. Inventories

	2018 £m	2017 £m
Coal	-	9
Other fuels and consumables	-	1
	-	10

Raw materials and consumables recognised as cost of sales in the period amounted to £18m (2017: £49m).

13. Trade and other receivables

	2018 £m	2017 £m
Trade debtors	**1**	4
Amounts owed by Group undertakings	**2**	22
Other debtors	**1**	4
Prepayments and accrued income	-	1
Due with one year	**4**	31

Notes to the financial statements (continued)

For the year ended 31 December 2018

14. Cash and cash equivalents

	2018	2017
	£m	£m
Restricted cash (note 18)	19	20
Cash at bank and in hand	1	5
Cash and cash equivalents	20	25

15. Creditors: amounts falling due within one year

	2018	2017
	£m	£m
Trade creditors	1	5
Taxation and social security	-	8
Other creditors	5	4
Accruals and deferred income	6	12
	12	29

16. Deferred tax assets and liabilities

It is not expected that current taxation will be payable or receivable in future periods, no deferred tax assets or liabilities have been recognised (unutilised trading losses amount to £66m).

17. Other Provisions

	Site restoration	Restructure & other	Total
	£m	£m	£m
Balance at 1 January 2018	53	15	68
Provisions used during the period	(25)	(6)	(31)
Provisions reversed during the period	(16)	(1)	(17)
Balance at 31 December 2018	12	8	20

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

18. 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). The disclosures have been based on the results of the triennial actuarial valuation of the scheme as at 31 March 2018. This valuation has been adjusted using agreed assumptions to roll the position forwards by the Company's actuary, Broadstone using methodology prescribed under FRS101 employee benefits.

Notes to the financial statements (continued)

For the year ended 31 December 2018

18. Employee benefits (continued)

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

The following contributions were made to the pension arrangements during the twelve month period ended 31 December 2018 was:

Company Contributions	£3.6m
Member Contributions	£0.0m

The Company pays contributions towards the cost of additional benefits being accrued during the period. For the 12 month period to 31 December 2018, the total cost of accrual, including the member share amounted to £3.6m *(2017: £3.5m)*. Based on the ongoing funding assumptions from the 2015 Actuarial Valuation, this cost of accrual represents 41.1% of pensionable earnings, but following the completion of the 2016 Actuarial Valuation the cost has now increased to 45.1% of pensionable earnings. The Company did not make deficit repair contributions in the year *(2017: £0m)*.

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.

	2018 **£m**	2017 £m
Total defined benefit asset	**165**	178
Total defined benefit liability	**(167)**	(192)
Net asset/liability for defined benefit obligations (see following table)	**(2)**	(14)

Movements in net defined benefit liability/asset

	Defined benefit obligation		**Fair value of plan assets**		**Net defined benefit (liability)/ asset**	
	31 Dec 2018	31 Dec 2017	**31 Dec 2018**	31 Dec 2017	**31 Dec 2018**	31 Dec 2017
	£m	£m	**£m**	£m	**£m**	£m
Balance at 31 December 2017	**(192)**	(183)	**178**	172	**(14)**	(11)
Included in profit or loss						
Current service cost	**(2)**	(5)	**-**	-	**(2)**	(5)
Past service cost	**(1)**	-	**-**	-	**(1)**	-
Curtailment	**(1)**	-	**-**	-	**(1)**	-
Interest (cost)/income	**(5)**	(5)	**5**	6	**-**	-
	(201)	(193)	**183**	178	**(18)**	(16)
Included in OCI*						
Remeasurements loss/(gain):						
Actuarial loss (gain) arising from						
- Change in financial assumptions	**14**	(9)	**-**	-	**14**	(9)
- Change in demographic assumptions	**2**	5	**-**	-	**2**	6
- Experience adjustment	**5**	-	**(8)**	1	**(3)**	1
	21	(2)	**(8)**	1	**13**	(2)
Other						
Contributions paid by the employer	**-**	-	**3**	3	**3**	3
Benefits paid	**13**	4	**(13)**	(4)	**-**	-
	13	4	**(10)**	(1)	**3**	3
Balance at 31 December 2018	**(167)**	(192)	**165**	178	**(2)**	(14)

Notes to the financial statements (continued)

For the year ended 31 December 2018

18. Employee benefits (continued)

An allowance has been made in the Scheme as at 31 December 2018 for the equalisation of GMP benefits for males and females. This equated to 0.3% of the liabilities and has been registered as a past service cost.
Restricted cash balances include £19m (31 December 2017: £20m) which is held in an Escrow arrangement under a funding agreement with the Pension Trustees, these amounts are not reflected in the above.

Plan assets

	2018 **£m**	2017 £m
Cash and cash equivalents	**1**	1
Equity instruments	**32**	35
Debt instruments e.g. Government bonds	**98**	111
Investment funds	**34**	31
Total	**165**	178

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)

	2018	2017
Discount rate at 31 December	**3.0%**	2.6%
Future salary increases	**3.3%**	1.0%
Future pension increases	**3.1%**	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 63-year old to live for a number of years as follows:

- Current pensioner aged 63: 87 years (male), 89 years (female).
- Future retiree upon reaching 63: 89 years (male), 90 years (female).

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:

	2018 **£m**	2017 £m
Discount rate		
0.25% increase	**-8.1**	-9.4
0.25% decrease	**+8.5**	+9.9
Inflation rate		
0.25% increase	**+8.5**	+9.9
0.25% decrease	**-8.1**	-9.4
Life expectancy		
1 year increase	**+7.0**	+8.0
1 year decrease	**-7.0**	-8.0

Notes to the financial statements (continued)

For the year ended 31 December 2018

18. Employee benefits (continued)

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 2018 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.

Funding

The Company expects to pay £1m in contributions to its defined benefit plans in 2019 (£3m in 2018). The weighted average duration of the defined benefit obligation at the end of the reporting period is 20 years (*2017:20 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 £0.1m (2017: £0.2m).

19. Called up share capital

Share capital

In thousands of shares	**2018**	2017
On issue and issued for cash	**82,000**	82,000

Allotted, called up and fully paid	**31 December 2018 £m**	31 December 2017 £m
Ordinary shares of £1 each	**82**	82

20. Commitments

At 31 December 2018, the Company had £nil capital commitments (2017: £nil) and £nil (2017: £10m) commitment to purchase fuel.

21 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.

22. Subsequent events

The sale of the main power station site was concluded on 10 June 2019 for £3.2m. EPL continues to hold the freehold of land consented for a future combined cycle gas turbine power station and the former ash disposal facility.