Eggborough Power Limited

Annual report and financial statements
Registered number 03782700
For the 12 months ended
31 December 2017

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Strategic report

The Directors present their strategic report on the Company for the twelve month period ended 31 December 2017.

Principal Activities

Eggborough Power Limited ("EPL") is a limited liability company incorporated and domiciled in England and Wales. The Company's principal activity is generation and trading of electricity.

Throughout the period reported in these accounts, Eggborough Power Limited was a wholly owned subsidiary of EP UK Investments Limited.

Results

The loss for the financial period amounted to £19m (*15 months ended December 2016: loss of £13m*).

Review of the Business

Total generation for the period was 1.1 TWh, the plant operated at a load factor of 6%, reflecting less favourable market conditions which were experienced by all coal fired generators.

At the beginning of the reporting period two of the stations four units were contracted under a Strategic Balancing Reserve (SBR) agreement with National Grid plc. The terms of the SBR agreement were such that the units were available as reserve capacity but could not dispatch on a commercial basis.

From October 2017 all four units were operated under a 'Capacity Market' agreement with National Grid, this agreement provided a tranche of fixed income whilst making all four units available for commercial dispatch.

In February 2018, the Company participated in a further capacity auction, if successful this would have resulted in a further Capacity Market agreement for delivery of power in the winter of 2018/19. The clearing price of this auction was lower than the price required to enable economic generation, as a result, the directors concluded that generation would cease in 2018. The decommissioning of Eggborough Power Station commenced later in 2018.

The full costs of closure and staff redundancy had been provided for in prior periods and the carrying value of assets had already been reduced to a disposal value.

Business Market Review

The outlook for the UK energy market is dominated by global commodity prices and UK Government energy policy, the main priorities of which are to decarbonise electricity generation and maintaining security of supply.

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 (such as gas). Government policy has been deliberately targeted to encourage the development of lower carbon forms of generation such as nuclear and renewables.

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.

Going Concern

Due to the decision to cease operations of the coal fired power station, the accounts have not been prepared on a going concern basis. The directors believe that EPL will continue to meet its future obligations for the foreseeable future. Energetický a průmyslový holding, a.s. has provided a 'Letter of Support' that confirms their commitment to ensuring that the Company can meet these obligations.

By order of the board

Adam Booth
Director

26 September 2018

Directors' report

The directors present their report and the audited financial statements for twelve months ended 31 December 2017.

Future Developments

The company is considering options to extend the trade of the Company with a gas powered station whilst progressing the decommissioning of the coal powered station.

Research and development

Expenditure on research and development during the twelve months ended 31 December 2017 was £nil (*15 months ended 31 December 2016: £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 as follows:

Adam Booth

Andrew Neil O'Hara

Daniel Křetínský

Jan Špringl

Marek Spurný

Pavel Horský

Tom Bains

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.

Directors' report *(continued)*

Political contributions

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

Disclosure of information to auditor

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

Auditor

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.

By order of the board

Adam Booth
Director
September 2018

Eggborough Power Limited
Eggborough Power Station, Eggborough, Goole
East Yorkshire
DN14 0BS

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 (as explained in note 1.2, the directors do not believe that it is appropriate to prepare these financial statements on a going concern basis).

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.

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 2017 which comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity and related notes, including the accounting policies.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2017 and of its loss 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.

Emphasis of matter - non-going concern basis of preparation

We draw attention to the disclosure made in note 1.2 to the financial statements which explains that the financial statements are now not prepared on the going concern basis for the reason set out in that note. Our opinion is not modified in respect of this matter.

Strategic report and directors' report

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

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

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

Matters on which we are required to report by exception

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

- 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

28 September 2018

Profit and Loss Account

for the Year ended 31 December 2017

	Note	**12 months ended 31 Dec 2017**	15 months ended 31 Dec 2016
		£m	£m
Revenue	*2*	**106**	220
Direct costs		**(54)**	(144)
Gross profit		**52**	76
Other operating charges	*3*	**(82)**	(98)
Exceptional items	*5*	**10**	(4)
EBITDA (1)		**(20)**	(26)
Depreciation and other amounts written off tangible and intangible fixed assets	*10*	-	(4)
Unrealised gains on derivative contracts		-	16
Operating Loss		**(20)**	(14)
Other interest receivable and similar income	*7*	-	-
Interest payable and similar charges		-	-
Loss on ordinary activities before taxation		**(20)**	(14)
Tax on loss on ordinary activities	*8*	**1**	1
Loss for the financial period		**(19)**	(13)

All results relate to continuing operations.

Notes:

(1) EBITDA is profit before interest, tax, depreciation, amortisation, and unrealised gains and losses on derivative contracts.

The notes on pages 14 to 28 form part of these financial statements.

Statement of Comprehensive Income
for the Year ended 31 December 2017

	Note	12 months ended 31 Dec 2017 £m	15 months ended 31 Dec 2016 £m
Loss for the period		**(19)**	(13)
Other comprehensive income			
Items that's will not be classified to profit or loss:			
Remeasurement of defined benefit liability	*20*	**(2)**	(14)
Deferred tax which will not be reclassified to profit and loss	*18*	**-**	1
Other comprehensive income		**(2)**	(13)
Total loss and comprehensive income for the period		**(21)**	(26)
Total comprehensive loss for the period attributable to equity holders		**(21)**	(26)

There are no other comprehensive gains or losses in the period ending 31 December 2017.

The notes on pages 14 to 28 form part of these financial statements.

Statement of Financial Position
at 31 December 2017

	Note	**31 Dec 2017 £m**	31 Dec 2016 £m
Assets			
Non-current assets			
Property, plant and equipment	*10*	**25**	25
Intangible assets	*9*	**3**	10
		28	35
Current assets			
Inventories	*11*	**10**	7
Trade and other receivables	*12*	**31**	50
Derivative financial instruments	*13*	**-**	19
Cash and cash equivalents	*14*	**25**	35
		66	111
Liabilities			
Current liabilities			
Trade and other payables	*15*	**(29)**	(50)
Derivative financial instruments	*17*	**-**	(2)
		(29)	(52)
Net current assets		**37**	59
Non-current assets			
Deferred tax asset	*18*	**-**	3
		-	3
Non-current liabilities			
Other provisions	*19*	**(68)**	(79)
Deferred tax liability	*18*	**-**	(3)
Retirement benefit obligations	*20*	**(14)**	(11)
		(82)	(93)
Net assets		**(17)**	4
Shareholders' equity			
Called up share capital	*21*	**82**	82
Capital reserve		**2**	2
Revaluation reserve		**13**	13
Profit and loss account		**(114)**	(93)
Shareholders' funds		**(17)**	4

The notes on pages 14 to 28 form part of these financial statements.

These financial statements were approved by the board of directors on 26 September 2018 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 2017

	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 / (loss) for the period	-	-	-	(21)	(21)
Balance at 31 December 2017	**82**	**2**	**13**	**(114)**	**(17)**

The notes on pages 14 to 28 form part of these financial statements.

Notes

1 Accounting policies

Eggborough Power Limited ("EPL") is a company incorporated and domiciled in the UK.

1.1 Measurement convention

The financial statements are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: financial instruments classified as fair value through the profit or loss or as available-for-sale; freehold land is stated at net market value.

1.2 Going concern

In previous years, the financial statements have been prepared on a going concern basis. However, in February 2018 following the results of the capacity auction, the directors took the decision to cease trading. Accordingly the directors have not prepared the financial statements on a going concern basis. At the balance sheet date, the net liabilities position includes full provision for closure and future decommissioning. Assets are held at their recoverable values.

The Company's owner Energetický a průmyslový holding, a.s. ("EPH") has provided a 'Letter of Support' which confirms their commitment to ensuring that EPL has sufficient funds to meet its obligations for the foreseeable future.

1.3 Foreign currency

The functional currency of the Company is pounds sterling.

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

1.4 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.

Notes *(continued)*

1 Accounting policies *(continued)*

1.5 Derivative financial instruments and hedging

Derivative financial instruments

Derivative financial instruments are recognised at fair value. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss

1.6 Tangible fixed assets

Plant and equipment is stated at scrap values and is not depreciated.

Land is stated at the expected net market value that would be achieved following the successful decommissioning and demolition of Eggborough Power Station.

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.

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.

Notes *(continued)*

1 Accounting policies *(continued)*

1.10 Employee benefits (continued)

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

Short-term benefits

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

Termination benefits

Termination benefits are recognised as an expense when the company is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if the company has made an offer of voluntary redundancy, it is probably 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.

1.11 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.

1.12 Revenue

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

Revenue from the sale of Power is specified under contract terms or prevailing market rates.

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.

1.13 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 *(continued)*

2 Revenue

	12 months ended 31 Dec 2017 £m	15 months ended 31 Dec 2016 £m
Total revenue	**106**	220
By activity:		
Power generation	**59**	183
Contracts with National Grid	**47**	37
	106	220
By geographical market		
United Kingdom	**106**	220

3 Expenses and auditor's remuneration

Material components of other operating charges:

	Note	**12 months ended 31 Dec 2017 £m**	15 months ended 31 Dec 2016 £m
Gross profit		**52**	76
The following expenditure has been charged in other operating charges:			
Repairs and maintenance expenditure on property, plant and equipment		**(24)**	(31)
Other operating and administrative expenses		**(34)**	(35)
Staff expenditure	*4*	**(24)**	(32)
Total other operating charges		**(82)**	(98)
Exceptional items	*5*	**10**	(4)
EBITDA (Loss)		**(20)**	(26)

EBITDA is profit/loss before interest, tax, depreciation, amortisation and unrealised gains or losses on derivative contracts.

Auditor's remuneration:

	12 months ended 31 Dec 2017 £000	15 months ended 31 Dec 2016 £000
Audit fees:		
Audit of these statements and group financial package statements	**62**	65
Other fees receivable by the company's auditor:		
Taxation compliance services	7	7
Total non-audit fees	7	7
Total auditor's remuneration	69	72

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

Notes *(continued)*

4 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	
	12 months ended 31 Dec 2017	15 months ended 31 Dec 2016
Management and support staff	**60**	58
Asset management	**72**	80
Operations	**97**	107
	229	245

The aggregate payroll costs of these persons were as follows:

	12 months ended 31 December 2017 £m	15 months ended 31 December 2016 £m
Wages and salaries	**18**	24
Social security costs	**2**	2
Expenses related to defined benefit plans	**4**	6
	24	32

5 Exceptional expenditure

Included in profit/loss are the following:

	12 months ended 31 Dec 2017 £m	15 months ended 31 Dec 2016 £m
Expenditure included in exceptional:		
Redundancy and pension provision	**-**	(4)
Adjustment to site restoration provision	**4**	-
Adjustment to early retirement deficiency provision	**6**	-
	10	(4)

During the period, the directors have re-assessed the cost of future commitments to cease activities at Eggborough Power Station. These estimates have been based on the most recent information available.

Notes *(continued)*

6 Directors' remuneration

	12 months ended 31 Dec 2017 £m	15 months ended 31 Dec 2016 £m
Directors' remuneration	**1**	2
Compensation for loss of office	**1**	-
	2	2

The aggregate remuneration of the highest paid director was £1.0m *(15 months ended 31 December 2016: £1.2m)*. Company pension contributions of £0.05m *(18 months ended 30 September 2015: £0.1m)* were made to a money purchase scheme on his behalf.

	Number of directors	
	12 months ended 31 Dec 2017	15 months ended 31 Dec 2016
Retirement benefits are accruing to the following number of directors under:		
Money purchase schemes	**1**	1
Defined benefit schemes	**2**	1
	2	2
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	**-**	-
	-	-

7 Other interest receivable and similar income

	12 months ended 31 Dec 2017 £m	15 months ended 31 Dec 2016 £m
Net interest on net defined benefit plan assets	**-**	-
Total interest receivable and similar income	**-**	-

Interest receivable and similar income includes income from group undertakings £nil *(15 months ended 31 December 2016: £nil)*.

Notes *(continued)*

8 Taxation

Recognised in the profit and loss account

	12 months ended 31 Dec 2017 £m	15 months ended 31 Dec 2016 £m
UK Corporation tax		
Adjustments in respect of prior periods	1	1
Total current tax	1	1
Deferred tax		
Origination and reversal of temporary differences	-	(2)
Total Deferred tax	-	(2)
Tax on profit on ordinary activities	1	(1)

Reconciliation of effective tax rate

	12 months ended 31 Dec 2017 £m	15 months ended 31 Dec 2016 £m
Loss excluding taxation	**(20)**	(14)
Tax using the UK Corporation tax rate of 19.3% *(2016:20%)*	**(4)**	(3)
Non-deductible expenses	-	1
Recognition of previously unrecognised tax losses	-	(3)
Current period losses for which no deferred tax asset was recognised	**4**	3
Under / (over) provided in prior periods	**1**	1
Total tax expense (including tax on discontinued operations)	**1**	(1)

UK Corporation tax is the main rate of tax and is calculated at 19.3% *(2016: 20%)* of the estimated assessable profit for the period.

The Finance Act 2016 enacted a reduction in the main rate of corporation tax from 20% to 19% with effect from 1 April 2017 and to 17% with effect from 1 April 2020.

No deferred tax provisions are kept because there is no expectation of future tax payments or receipts.

9 Intangible assets

	Carbon assets £m
Balance at 1 January 2017	**10**
Additions	**3**
Disposals	**(10)**
Balance at 31 December 2017	**3**

Intangible assets represent EUA certificates purchased to meet obligations under the EU emissions trading system.

Notes *(continued)*

10 Tangible fixed assets

	Land and buildings £m	Plant and equipment £m	Software £m	Total £m
Cost				
Balance at 1 January 2017	54	164	4	222
Revaluations	-	-	-	-
Disposals	-	-	-	-
Balance at 31 December 2017	**54**	**164**	**4**	**222**
Depreciation and impairment				
Balance at 1 January 2017	34	159	4	197
Depreciation charge for the period	-	-	-	-
Impairment losses	-	-	-	-
Disposals	-	-	-	-
Balance at 31 December 2017	**34**	**159**	**4**	**197**
Net book value				
At 31 December 2017	**20**	**5**	**-**	**25**

The net book value of property, plant and equipment at 31 December 2017 is £12m, which represents the estimated recoverable scrap value. The net book value of land at 31 December 2017 is £13m which represents the expected value of the freehold site following successful decommissioning and demolition.

If land was held at historical cost the value reported would be £105,000.

11 Inventories

	31 December 2017	31 December 2016
	£m	£m
Coal	**9**	6
Other fuels and consumables	**1**	1
	10	7

Raw materials and consumables recognised as cost of sales in the period amounted to £49m *(15 months 31 December 2016 : £105m)*.

Notes *(continued)*

12 Trade debtor and other receivables

	Note	31 Dec 2017 £m	31 Dec 2016 £m
Trade debtors		4	13
Amounts owed by Group undertakings		22	-
Other debtors		4	34
Prepayments and accrued income		1	3
		31	50
Due within one year		31	50

13 Derivative financial instruments

	31 Dec 2017 £m	31 Dec 2016 £m
Financial assets designated as fair value through profit or loss	-	19

14 Cash and cash equivalents

	31 Dec 2017 £m	31 Dec 2016 £m
Restricted cash (note 20)	20	26
Cash at bank and in hand	5	9
Cash and cash equivalents	25	35

15 Creditors: amounts falling due within one year

	Note	31 Dec 2017 £m	31 Dec 2016 £m
Trade creditors		5	12
Amounts owed to Group undertakings	*16*	-	2
Taxation and social security		8	8
Other creditors		4	11
Accruals and deferred income		12	17
		29	50

Notes *(continued)*

16 Interest-bearing loans and borrowings

This note provides information about the contractual terms of the Company's interest-bearing loans and borrowings, which are measured at amortised cost.

	31 Dec 2017	31 Dec 2016
	£m	£m
Creditors falling due within less than one year		
Parental loan	-	2

Terms and debt repayment schedule

	Currency	Nominal interest rate	Year of maturity	Face value 31 Dec 2017	Carrying amount 31 Dec 2017	Face value 31 Dec 2016	Carrying amount 31 Dec 2016
				£m	£m	£m	£m
Parental Loan	GBP	5%	2017	-	-	2	2

17 Derivative financial instruments

	31 Dec 2017	31 Dec 2016
	£m	£m
Amounts falling due within one year		
Financial liabilities designated as fair value through profit or loss	-	2

18 Deferred tax assets and liabilities

It is not expected that current taxation will be payable or receivable in future periods. Accordingly, no deferred tax assets or liabilities have been recognised (unutilised losses amount to £57m).

Notes *(continued)*

19 Provisions

	Site restoration £m	Restructure & other £m	Total £m
Balance at 1 January 2017	57	22	79
Provisions used during the period	-	(1)	(1)
Provisions reversed during the period	(4)	(6)	(10)
Balance at 31 December 2017	**53**	**15**	**68**

The site restoration provision provides for all costs of the eventual decommissioning, demolition and decontamination of the coal operations of Eggborough Power Limited.

20 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 2015. This valuation has been adjusted using agreed assumptions to roll the position forwards by the Company's actuary, Broadstone, using methodology prescribed under IAS19 employee benefits.

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 2017 was:

Company Contributions	£3.5m
Member Contributions	£0.1m

Notes *(continued)*

20 Employee benefits *(continued)*

The Company pays contributions toward the cost of the additional benefits being accrued during the period. For the 12 month period to 31 December 2017, the total cost of this accrual, including the member share amounted to £3.5m *(15 months to 31 December 2016: £7.2m).* The Company did not make deficit repair contributions in the year *(2016: £4.7m).* Based on the ongoing funding assumptions from the 2015 Actuarial Valuation, this cost of accrual represents 41.1% of pensionable earnings.

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

	31 Dec 2017	31 Dec 2016
	£m	£m
Total defined benefit asset	**178**	172
Total defined benefit liability	**(192)**	(183)
Net asset/liability for defined benefit obligations (see following table)	**(14)**	(11)

Movements in net defined benefit liability/asset

	Defined benefit obligation		**Fair value of plan assets**		**Net defined benefit (liability)/ asset**	
	31 Dec 2017	31 Dec 2016	**31 Dec 2017**	31 Dec 2016	**31 Dec 2017**	31 Dec 2016
	£m	£m	**£m**	£m	**£m**	£m
Balance at 31 December 2016	**(183)**	(139)	**172**	137	**(11)**	(2)
Included in profit or loss						
Current service cost	**(5)**	(5)	**-**	-	**(5)**	(5)
Interest (cost)/income	**(5)**	(7)	**6**	7	**-**	-
	(193)	(151)	**178**	144	**(16)**	(7)
Included in OCI*						
Remeasurements loss/(gain):						
Actuarial loss (gain) arising from						
- Change in financial assumptions	**(9)**	(36)	**-**	24	**(9)**	(12)
- Change in demographic assumptions	**5**	-	**-**		**5**	
- Experience adjustment	**-**	(2)	**1**	-	**2**	(2)
	(2)	(38)	**1**	24	**(2)**	(14)
Other						
Contributions paid by the employer	**-**	-	**3**	10	**3**	10
Benefits paid	**4**	6	**(4)**	(6)	**-**	-
	4	6	**(1)**	4	**3**	10
Balance at 31 December 2017	**(192)**	(183)	**178**	172	**(14)**	(11)

An additional £8m of future costs associated with early retirement obligations 'pension curtailments' are included in other provisions.

Restricted cash balances (note 14) include £20.5m *(31 December 2016: £20.4m)* which is held in an Escrow arrangement under a funding agreement with the Pension Trustees, these amounts are not reflected in the above.

Notes *(continued)*

20 Employee benefits *(continued)*

Plan assets

	31 Dec 2017	31 Dec 2016
	£m	£m
Cash and cash equivalents	**1**	2
Equity instruments	**35**	31
Debt instruments e.g. Government bonds	**110**	109
Investment funds	**31**	30
Total	**177**	172

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)

	31 Dec 2017	31 Dec 2016
Discount rate at 31 December	**2.6%**	2.8%
Future salary increases	**1.0%**	3.3%
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: 86.7 years (male), 88.6 years (female).
- Future retiree upon reaching 63: 88.3 years (male), 90.5 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:

	31 Dec 2017	31 Dec 2016
	£m	£m
Discount rate		
0.25% increase	**-9.4**	-8.7
0.25% decrease	**+9.9**	+9.4
Inflation rate		
0.25% increase	**+9.9**	+8.5
0.25% decrease	**-9.4**	-7.9
Life expectancy		
1 year increase	**+8.0**	+7.3
1 year decrease	**-8.0**	-7.3

In valuing the liabilities of the pension fund at December 2017, mortality assumptions have been made as indicated. If life expectancy had been changed to assume that all members of the fund lived for one year longer, the value of the reported liabilities at December 2017 would have increased by £8.0m before deferred tax.

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 2015 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.

Notes *(continued)*

20 Employee benefits *(continued)*

Funding

The Company expects to pay £1m in contributions to its defined benefit plans in 2018. The weighted average duration of the defined benefit obligation at the end of the reporting period is 20 years (*2016:20 years*).

Defined contribution plans

The Company also operates a defined contribution pension plans for staff who are not members of the Eggborough Power scheme.

The total expense relating to these plans in the current period was £0.2m *(15 months ended 31 December 2016: £0.2m)*.

21 Called up share capital

Share capital

In thousands of shares	**31 Dec 2017**	31 Dec 2016
On issue and issued for cash	**82,000**	82,000

	31 December 2017 £m	31 December 2016 £m
Allotted, called up and fully paid		
Ordinary shares of £1 each	**82**	82

22 Commitments

Capital and other commitments

At 31 December 2017, the Company had £nil capital commitments (*31 December 2016: £nil*) and £10m (*31 December 2016: £2m*) commitment to purchase fuel.

23 Immediate and Ultimate Parent Company undertakings

The Company is a subsidiary undertaking of EP Investment S.à.r.l. which is the ultimate parent company, incorporated in Luxembourg. The ultimate controlling party is Mr. Křetínský, who is the majority shareholder.

The entire share capital of the Company is owned by EP UK Investments Limited, Berger House, 36-38 Berkeley Square, London, W1J 5AE, a company incorporated in England and Wales.

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 largest group in which the results of the Company are consolidated is that headed by Energetický a průmyslový holding, 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 Pařížská 26, 110 00 Prague 1, Czech Republic.

24 Subsequent events

In February 2018, the Company was unsuccessful in achieving a further commercially sustainable agreement with National Grid plc in its 'Capacity Market' auction. As a result of this, it was decided that the coal powered station would cease generation during 2018 and that decommissioning would commence.

Notes *(continued)*

25 Accounting estimates and judgements

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

Property, plant and equipment in the financial statements carried at estimated scrap value.

Freehold land is reported at estimated net market value following the assumed successful decommissioning and demolition of Eggborough Power Station. This valuation was independently produced in 2015.

Defined benefit obligations

The actuarial valuation of the scheme assets and liabilities is performed annually and depends on assumptions regarding future salary and pension increases, inflation, interests and mortality.

The company has a pension deficit at balance sheet date, as the scheme liabilities exceed its assets.

Decommissioning provision

The estimated cost of decommissioning the coal powered station is reviewed annually and is based on price levels and technology at the balance sheet date.