Registered Number: 03782700

EGGBOROUGH POWER LIMITED

ANNUAL REPORT AND CONSOLIDATED FINANCIAL STATEMENTS

FOR THE EIGHTEEN MONTH PERIOD ENDED 30 SEPTEMBER 2015

Eggborough Power Limited
Directors and Advisors

DIRECTORS

Pavel Horský
Daniel Křetínský
Andrew Neil O'Hara
Jan Špringl
Marek Spurný
Paul David Tomlinson

COMPANY SECRETARY

Eversecretary Limited

REGISTERED OFFICE

Eggborough Power Station
Goole
East Yorkshire
DN14 0BS

INDEPENDENT AUDITORS

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditor
Atria One
144 Morrison Street
Edinburgh
EH3 8EX

SOLICITORS

Eversheds LLP
Bridgewater Place,
Water Lane,
Leeds,
LS11 5DR

The Directors present their strategic report on the group for the eighteen month period ended 30 September 2015.

PRINCIPAL ACTIVITIES

The principal activity of the company and its subsidiary during the year was the operation of the Eggborough coal-fired power station. Trading of the station's output is carried out under the Energy Management Services Agreement (EMSA) between the Company and a third party Commodity Agent experienced in trading power, coal and carbon within the UK electricity market.

Since 31 March 2010 Eggborough Power Limited has been a wholly owned subsidiary of Eggborough Holdco 2 S.àr.l, a company registered in Luxembourg. On 15 January 2015, Eggborough Holdco 2 S.àr.l was acquired by EP United Kingdom s.r.o. a company incorporated in the Czech Republic. The Directors consider the ultimate parent undertaking to be Energetický a průmyslový holding, a.s., a company incorporated in the Czech Republic.

REVIEW OF THE BUSINESS

The result for the financial period is set out in the profit and loss account on page 9. The Group's loss for the period was £179m (2014 (restated): £34m profit) was transferred to reserves. The Directors consider the results to be satisfactory.

Total generation for the period was 8.5 TWh and the plant operated at a load factor of 33% reflecting less favourable market conditions for coal fired generators in the UK. The reduced load factor is consistent with other UK coal generators and reflects the impact of UK Government policy and lower gas prices.

During the period covered by these Financial Statements the expectation of future net cash flows that will be created by the power station assets has been reassessed downwards (reflecting the adverse movements in commercial factors noted previously). As a result, it was necessary to impair the book value of fixed assets and inventory.

The Company decided to commence formal consultation with employees in September 2015 in connection with a possible cessation of generation in March 2016. In December 2015, the Station was awarded a contract (by National Grid plc) to enter two units into the Strategic Balancing Reserve in the winter of 2016/17.

The most likely date for cessation of generation is March 2017, however, government policy to support coal generation is being introduced such as the capacity market auctions in spring 2017 which may enable the Station to continue operations for a number of years.

EXCEPTIONAL ITEMS

Exceptional items relating to the fall in future coal spreads and expected future cash generation, along with the subsequent recognition of a potential closure of the Station in March 2017, contributed to a net £118m charge (2014: £1m gain).

- £47m impairment of fixed assets to scrap value
- £39m acceleration of expected timing and re-examination of costs of decommissioning
- £20m business restructuring
- £12m impairment of inventory to scrap value

KEY PERFORMANCE INDICATORS

The Group uses a number of key performance indicators ("KPIs") to measure its safety and operational performance.
The principal KPIs are set out below:

Key Performance Indicator	Description	18 months to 30 September 2015	12 months to 31 March 2014 (Restated)
Generation	Station output in TWh, after deductions for works power and direct supply sales	8.5 TWh	11.8 TWh
Load Factor	Generation as a proportion of total theoretical station capacity (including planned outages)	33%	71%
EBITDA[1]	Earnings before interest, tax, depreciation and amortisation	£(70)m	£53m
Employee Lost Time Incidents	Incidents resulting in employees taking more than 24 hours off work	1	1
All Accident Rate	Number of employee and contractor incidents (of any severity) per 100,000 hours worked	2.96	2.66

[1] EBITDA is a non-statutory measure which is calculated by adding back depreciation and amortisation to operating (loss)/profit excluding exceptional items.

Key Performance Indicators (continued)

Achieving safe and profitable generation is considered by the Directors to be of fundamental importance. Eggborough's approach to occupational safety and health is industry leading and this was recognised with a Gold award in the 2015 and 2014 RoSPA (Royal Society for the Prevention of Accidents) Safety Awards.

BUSINESS AND 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, maintaining security of supply whilst reducing cost to consumers.

In April 2013 the UK Government introduced the Carbon Price Support (CPS) which is a tax on the fuel used by fossil fuel generators. In the period covered by these Financial Statements, there were two substantial increases in the rate of CPS. The approximate cost impact from April 2014 was £21 per tonne of coal delivered; rising to £41 per tonne from April 2015 (it was approximately £11 per tonne in the period ending March 2014).

Coal prices have continued to fall over the period covered in these Financial Statements due to the to the combined effect of lower demand from China and increased coal exports from the US which is being displaced by the growth of US shale gas. This price fall has not been large enough, however, to offset the increase in costs due to CPS.

At the same time, wholesale gas prices have fallen significantly, furthermore, gas generation is relatively less affected by increases in CPS. This has resulted in higher output from gas powered stations.

In May 2016, the UK Government announced an early Capacity Market auction to take place early in 2017 for the 2017/18 delivery year. This auction is intended to provide revenue support to stations such as Eggborough to continue to provide generation capacity.

PRINCIPAL RISKS AND UNCERTAINTIES

The Board is responsible for determining strategies and policies for risk and control, and management is responsible for Designing, operating and monitoring risk and control processes which implement Board policies effectively. Risk management and internal control are considered by the Board and its committees during the accounting period.

The risk management process operating throughout the accounting period and up to the date of approval of the report was based on the identification, mitigation and monitoring of the key risks that influence the Group's strategy and business objectives.

The Board reviews the Group's business objectives and the strategic, financial, legal and regulatory and operational risks and controls associated with these. Risks reviewed by the Board include:

- safe operation of the plant;
- security;
- plant condition and reliability;
- human performance;
- IT systems and business continuity;
- major contracts;
- the financial position of the Group;
- treasury and trading financial exposures including collateral;
- changes in energy markets (including electricity, coal and carbon prices and future developments in carbon schemes);
- policy proposals by legislative bodies in the markets in which we operate;
- safety regulations; and
- commercial and environmental regulation.

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

The conduct of risk assessment involves senior management of the entire Group in addition to the Executive Directors. The results of these assessments are summarised and reported to the Board. These risk assessments will continue to be used as part of the Group's evaluation of the risks it faces.

FINANCIAL RISK MANAGEMENT

The Company is exposed to market price fluctuations in the price of coal, EUA's and wholesale power. It manages these risks by entering forward contracts on each of these items for a proportion of expected output.

FUNDING AND CASHFLOW

The group has no debt and was fully equity funded throughout the period.

Group cash balances, including restricted cash, were £50m at 30 September 2015, a decrease of £91m, reflecting the increasing margin challenges faced by coal generators and higher than average levels of expenditure on the plant.

The reported net liabilities position of £(6)m includes full provision for costs of closure and decommissioning the power station. The great majority of these decommissioning cashflows will occur after cessation of generation and after a period of cash generative operations over winter 2015/16 and the SBR contract over winter 2016/17.

PRIOR YEAR RESTATEMENT

During the 18 months ended 30 September 2015, the Group amended its accounting policy on reporting Carbon Price Support (CPS). As a result of this change, the Group now records CPS on the Balance Sheet under inventory, which is measured on a LIFO (last in, first out stock valuation) basis. Previously, the Group recognised all CPS charges directly to the Profit and Loss at the point that the liability to HMRC was triggered (delivery). With the exception of this change, all other accounting polices remain the same and have been applied consistently throughout the financial year.

The adoption of this revised policy better aligns the Company's treatment with other coal powered power stations.

As a result of this change, profit before tax in the 12 months ended 31 March 2014 is restated to a level that is £7m higher than was previously reported. The profit before tax in 18 months to 30 September 2015 would have been £5m lower if the previous accounting policy had been applied. £12m of prepaid CPS is reported on the Group Balance Sheet at 30 Sept 2015.

GOING CONCERN

The Directors believe that the Going Concern basis is appropriately applied within these Financial Statements. The Company's ultimate 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 under the Supplemental Balancing Reserve Contract.

FUTURE DEVELOPMENTS

With effect from 1 January 2016, the station has chosen to 'Opt Out' of the Industrial Emissions Directive (IED). This means that it avoids the need for major capital investment to improve emissions performance but also means that it may only operate for 17,500 hours or until 31 December 2023, whichever occurs first.

The Station has a contract to run two units in the SBR until March 2017 and continues to actively develop further options to extend plant operations beyond March 2017.

By order of the board

Andrew Neil O'Hara
Director
29 June 2016

The directors present their eighteen month report and audited consolidated financial statements of the Group for the period ended 30 September 2015.

COMPANY REGISTRATION

The Company is registered in England with the company number 03782700.

DIRECTORS

The Directors of the Company who were in office during the eighteen months, and up to the date of signing the financial statements, unless otherwise stated were:

Jason Richard Lee Clarke	(resigned 16 January 2015)
Peter Douglas Coleman	(resigned 16 January 2015
Pavel Horský	(appointed 16 January 2015)
Daniel Křetínský	(appointed 16 January 2015)
Zachery Lewis	(resigned 16 January 2015)
Andrew Neil O'Hara	
William Francis Sebastian Rickett	(resigned 16 January 2015)
Jan Śpringl	(appointed 16 January 2015)
Marek Spurný	(appointed 16 January 2015)
Paul David Tomlinson	

DIVIDEND

No dividends have been paid or are proposed.

CHARITABLE AND POLITICAL DONATIONS

The Group made charitable donations during the eighteen month period of £3,781 (2014: £2,643) of which £nil (2014: £900) was made in support of the local community and £3,781 (2014: £1,743) were made to two national registered charities. No political donations were made during the year (2014: £nil).

RESEARCH AND DEVELOPMENT

The Group is committed to investing in new technologies to improve plant and environmental performance to ensure it is in the best position to meet the demands of future environmental constraints. Expenditure on research and development during the eighteen months ended 30 September 2015 was £nil (2014: £3.6m).

EMPLOYEES

The Company is committed to involving employees in the business through a policy of communication and consultation. Arrangements have been established for the regular provision of information to all employees through briefings, staff conferences and well-established formal consultation procedures.

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

The Group 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 Group gives full and fair consideration to applications for employment of disabled persons, having regard to their particular aptitudes and abilities. Appropriate arrangements are made for the continued employment and training, career development and promotion of disabled persons employed by the group. If members of staff become disabled the group continues employment, either in the same or an alternative position, with appropriate retraining being given if necessary. The policy is supported by a Code of Practice on harassment that recognises that all employees have the right to be treated with dignity and respect.

DIRECTORS' STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

Having made enquiries of fellow Directors and of the auditor, each of the Directors confirms that:

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

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

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Annual 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 the directors have prepared the group and parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and the company and of the profit or loss of the group for that period. In preparing these financial statements, the directors are required to:

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and the group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

By order of the board

Andrew Neil O'Hara
Director
29 June 2016

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

Report on the financial statements

Our opinion

In our opinion, Eggborough Power Limited's group financial statements and company financial statements (the "financial statements"):

- give a true and fair view of the state of the group's and of the company's affairs as at 30 September 2015 and of the group's loss and cash flows for the 18 month period (the "period") then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited

The financial statements, included within the Annual Report and consolidated financial statements (the "Annual Report"), comprise:

- the consolidated and company balance sheets as at 30 September 2015;
- the consolidated profit and loss account and consolidated statement of total recognised gains and losses for the period then ended;
- the consolidated cashflow statement for the period then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards, and applicable law (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion, the information given in the Strategic Report and the Directors' Report for the financial period for which the financial statements are prepared is consistent with the financial statements

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

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

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- the company financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of directors' responsibilities set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the group's and the company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

What an audit of financial statements involves (continued)
We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Mark Hoskyns-Abrahall (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Edinburgh
30 June 2016

Eggborough Power Limited
Consolidated Profit and Loss Account for the eighteen month period ended 30 September 2015

	Note	Eighteen months ended 30 Sept 2015 £m	Twelve months ended 31 Mar 2014 Restated £m
Turnover	2	**510**	653
Other income	2	**-**	7
Cost of sales		**(388)**	(491)
Gross profit		**122**	169
Operating costs	3	**(201)**	(133)
Operating (loss) / profit on ordinary activities before interest and taxation		**(79)**	36
Finance charges	6	**3**	2
Exceptional Items	7	**(118)**	1
(Loss) / profit on ordinary activities before taxation		**(194)**	39
Taxation on (loss) / profit on ordinary activities	8	**15**	(7)
(Loss)/ profit for the financial period	20	**(179)**	32

All activities are continuing.

The prior year comparative (2014) has been restated to reflect a change in accounting policy on Carbon Price Support (note 1).

There is no material difference between the (loss)/profit on ordinary activities before taxation and the (loss)/profit for the financial year stated above and their historical costs equivalents.

Consolidated Statement of Total Recognised Gains and Losses for the eighteen month Period Ended 30 September 2015

	Note	Eighteen months ended 30 Sept 2015 £m	Twelve months ended 31 Mar 2014 Restated £m
(Loss) / profit for the financial period/year		**(179)**	27
Restatement of prior year due to change in accounting policy		**-**	7
Prior year tax adjustment in respect of accounting change		**-**	(2)
Group profit for the financial year (after restatement)		**(179)**	32
Items taken directly to the reserves			
Actuarial (loss) / gain	18	**(10)**	(6)
Recognise prior year pension asset	18	**1**	2
Deferred Tax	15	**2**	-
Capital reduction	20	**-**	64
Total recognised (losses) / gains for the period/year		**(186)**	**92**

During the period, the Company changed its policy on accounting for Carbon Price Support (CPS) (note 1).

The cumulative impact on recognised profit at 30 September 2015 resulting from the change in accounting policy on CPS is an increase of £12m (before any adjustment for taxation). £12m is now recognised in Stock at 30 September 2015, refer note 13. Profit before tax in the period to 30 September 2015 wouldl have been £5m lower if the previous accounting policy had been applied.

Eggborough Power Limited
Consolidated and Company Balance Sheets as at 30 September 2015

		Group		Company	
	Note	**30 Sept 2015**	31 Mar 2014 Restated	**30 Sept 2015**	31 Mar 2014 Restated
		£m	£m	**£m**	£m
Fixed Assets					
Intangible assets	10	**-**	64	**-**	64
Tangible assets	11	**16**	69	**16**	69
Investments	12	**-**	-	**-**	-
Current Assets					
Stocks	13	**13**	18	**13**	18
Debtors	14	**28**	45	**28**	46
Restricted cash		**28**	27	**28**	27
Cash at bank and in hand		**22**	114	**22**	113
		91	204	**91**	204
Creditors – Amounts falling due within one year	16	**(34)**	(135)	**(34)**	(139)
Net current assets		**57**	69	**57**	65
Debtors - Amounts falling after one year	14	**-**	-	**-**	4
Provisions for liabilities and charges	17	**(77)**	(22)	**(81)**	(22)
Net (liabilities)/assets excluding pension liability		**(4)**	180	**(8)**	180
Pension liability	18	**(2)**	-	**(2)**	-
Net (liabilities)/assets including pension liability		**(6)**	180	**(10)**	180
Capital and reserves					
Called up share capital	19	**82**	82	**82**	82
Share premium account	20	**-**	-	**-**	-
Capital Reserves	20	**2**	134	**134**	134
Profit and loss reserve	20	**(90)**	(36)	**(226)**	(36)
Total shareholders' (deficit)/funds		**(6)**	180	**(10)**	180

The accompanying notes are an integral part of these financial statements.

The financial statements on pages 9 to 22 were approved by the Board of Directors on 29 June 2016 and signed on its behalf by:

Andrew Neil O'Hara
Director
29 June 2016

Eggborough Power Limited
Consolidated Cashflow Statement for the eighteen month period ended 30 September 2015

	Note	**30 Sept 2015**	31 Mar 2014 Restated
		£m	£m
Net cash (outflow)/inflow from operating activities	24	**(96)**	60
Taxation		**4**	(8)
Capital expenditure and financial investment			
Proceeds on disposal of fixed assets		**1**	3
Equity Dividends paid to shareholders		**-**	(50)
Change in cash		**(91)**	5

1. ACCOUNTING POLICIES

(i) Basis of Preparation
These financial statements are prepared on the going concern basis under the historical cost convention and in accordance with aspects of the Companies Act 2006 and applicable accounting standards in the United Kingdom.

The preparation of financial statements in conformity with Generally Accepted Accounting Principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results can differ from those estimates.

Management believe that the going concern basis is appropriately applied. At the balance sheet date, the negative net assets position includes full provision for closure and future decommissioning, it also precedes cash generative operations after the balance sheet date. Furthermore, the company's ultimate owner Energetický a průmyslový holding, a.s., has provided a 'Letter of Support' to the Company and a guarantee to the main pension scheme (note 18).

During the 18 months ended 30 September 2015, the Group amended its accounting policy on reporting Carbon Price Support (CPS). As a result of this change, the Group now records CPS on the Balance Sheet under inventory, which is measured on a LIFO basis. Previously, the Group recognised all CPS charges directly to the Profit and Loss at the point that the liability to HMRC was triggered (delivery). With the exception of this change, all other accounting polices remain the same and have been applied consistently throughout the financial year.

(ii) Basis of Consolidation
The financial statements consolidate the financial statements of the Company and its subsidiary undertaking, Eggborough Newco Limited.

The subsidiary is consolidated into the financial statements of the Group from the date that control commences until the date control ceases, using the acquisition method of accounting.

Control exists when the company has power, directly or indirectly, to govern the financial and operating policies of the entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

Intra-Group balances and any unrealised gains and losses or income and expenses arising from intra-group transactions are eliminated in preparing the consolidated financial statements.

(iii) Turnover
Turnover is recognised through the Energy Management Services Agreement with the Commodity Agent, and represents the net settled position of power sale and purchase contracts. Turnover also includes revenues from participating within the Balancing Mechanism (in periods where this results in net revenue), the provision of ancillary services, direct sales to end customers and sales of station by-products. Turnover is shown net of value added tax and climate change levy.

(iv) Fuel Costs
All fuel costs which relate to the generation of electricity are included within cost of sales.

Coal burn costs are valued at the prevailing market price, and are net of gains and losses made on any settled financial coal swaps transacted by the Commodity Agent.

Carbon costs represent the cost of acquiring certificates under the European Union Emissions Trading Scheme (EU ETS) in order to settle the liability arising on carbon emissions in the period. Where contracts have been entered into to acquire these EU ETS certificates, or where EU ETS certificates are already held by the Company, the liability will be valued at the weighted average purchase price of these certificates. Where carbon emissions exceed the contracted level of certificates, the excess is valued at the prevailing market price for EU ETS certificates at the period end date.

During the 18 month period, the Company amended its accounting policy on Carbon Price Support (CPS) as described above.

(v) Research and Development
Research and development expenditure is charged to the Profit and Loss Account in the period in which it is incurred, until such time that the expenditure leads to further investment that can be shown to have an economic payback.

(vi) Pensions and Other Post Retirement Benefits
The Group provides for pension costs in accordance with FRS 17 – Post Retirement Benefits. Contributions to the Group's defined benefit pension scheme are assessed by qualified actuaries. Pension plan assets are measured using market values. Pension plan liabilities are measured using the projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability.

Any increase in the present value of the liabilities of the Group's defined benefit pension plan expected to arise from employee service in the period is charged against operating profit. The expected return on the plan's assets and the increase during the period in the present value of the plan's liabilities arising from the passage of time are included in other finance income.

Actuarial losses are recognised immediately in the Statement of Total Recognised Gains and Losses. Actuarial gains are only recognised to the extent that the year end coincides with a triennial valuation of the pension scheme and the recoverability of the asset has been agreed with the pension trustees.

1. ACCOUNTING POLICES (continued)

(vii) Intangible Assets
Intangible assets represent carbon certificates that have been purchased by the company to surrender against its obligations under the EU Emissions Trading System (EU TS).

(viii) Tangible Fixed Assets and Depreciation, including Decommissioning Costs
IT assets are depreciated over four years on a straight line basis.

Land is held at historical cost value and is not depreciated.

During the period, Plant and Strategic Spares have been impaired to residual scrap value. An impairment is reflected in the financial period as a result of future market margins declining. Prior to this, plant and strategic spares were valued at full historical cost and were depreciated on a straight-line basis over the useful economic life of the Power Plant.

A review has been performed by the Directors to appraise the remaining useful economic life of the operating plant. Taking into account the current configuration of the plant, existing and emergent legislation, and expectations of future market developments, the plant has been assessed as having a useful economic life that ends on 31 March 2017 (2014: 31 March 2020). This is reflected in depreciation charges in the current period of account.

The costs of decommissioning the power station have been re-estimated in the period. An assessment of the processes and methods likely to be used for decommissioning has been undertaken and quotations received from experts in power station decommissioning.

The directors' annually consider the carrying value of tangible assets based on market indicators to ensure they are appropriately valued in the financial statements.

(ix) Stocks of Spares, Coal, Oil, Biomass and Consumables
Stocks of coal, oil, and biomass are valued at average cost.

Inventory, including general consumables is valued at net realisable value (scrap), this is consistent with the treatment of fixed assets noted above. Prior to this, the provision increased year on year to ensure that any inventory held at station closure (2014: 31 March 2020) was valued at £nil.

Coal stock represents coal which has been transferred to the mill bunkers but not yet burnt. All remaining coal held onsite is owned by a third party commodity agent.

The carrying value of inventory for the Power Station is reduced to scrap value following an impairment review.

(x) Taxation
Current tax is provided at amounts expected to be paid or recovered using the tax rates and laws that have been enacted or substantively enacted at the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date. Timing differences are differences between taxable profits and those stated in the financial statements. Deferred tax is measured, on an undiscounted basis, at the tax rates that are expected to apply in the periods in which the timing differences are expected to reverse based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax assets are only recognised to the extent that it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing difference can be deducted.

Deferred tax is recognised in the Profit and Loss Account except to the extent that it is attributable to a gain or loss that is or has been recognised directly in the Statement of Total Recognised Gains and Losses in which case the deferred tax is recognised directly in that statement.

(xi) Restricted Cash
Cash which is placed in term deposits which mature more than one day after the end of the financial year, has been used as collateral with counterparty is classified under current assets as restricted cash.

Restricted cash includes amounts held in a restricted bank account as part of the pension funding agreement with the Trustees of the main Company pension scheme (note 18).

2. TURNOVER

Group and Company

	18 months ended 30 Sept 2015 £m	12 months ended 31 Mar 2014 £m
Turnover	**510**	653
Other income		
Insurance proceeds	**-**	7
	-	7

All income is attributable to continuing activities.

3. OPERATING COST DISCLOSURE

Group and Company

	18 months ended 30 Sept 2015 £m	12 months ended 31 Mar 2014 restated £m
Operating costs		
Materials and services	**145**	89
Depreciation and, movements in provisions	**10**	18
Staff costs (note 4)	**46**	26
Total operating costs	**201**	133

The Materials and Services prior year comparator is restated due to the Group's change in Accounting Policy relating to recognition of Carbon Price Support.

The auditor's remuneration for audit services was £95,333 (2014: £68,870).The auditor's remuneration for other services was £151,847 (2014: £68,700).

4. STAFF COSTS

Group and Company

a) Staff costs	18 months ended 30 Sept 2015 £m	12 months ended 31 Mar 2014 £m
Wages and salaries	**35**	19
Social security costs	**4**	2
Pension costs (note 18)	**7**	5
Total staff costs	**46**	26

b) Employee numbers

	18 months ended 30 Sept 2015 Number	12 months 31 Mar 2014 Number
Average number of employees during the eighteen months / year was:		
Management and support staff	**59**	61
Asset management	**103**	108
Operations	**136**	138
	298	307

5. SUMMARY OF DIRECTORS' EMOLUMENTS

Group and Company

	18 months ended 30 Sept 2015 £m	12 months ended 31 Mar 2014 £m
Directors' emoluments		
Aggregate amounts	4	3

	18 months ended 30 Sept 2015 £m	12 months ended 31 Mar 2014 £m
Highest paid director		
Aggregate amounts	3	3

	Number of directors	
	18 months ended 30 Sept 2015	12 months ended 31 Mar 2014
The number of directors who:		
Are members of a money purchase pension scheme	1	1
Are members of a defined benefit pension scheme	1	1

All emoluments in the eighteen months ended 30 September 2015 and year ended 31 March 2014 were made by the Company.

6. FINANCE CHARGES

Group and Company

	18 months ended 30 Sept 2015 £m	12 months ended 31 Mar 2014 £m
Interest receivable and similar income		
Expected return on assets in the pension scheme (note 18)	11	7
Interest on pension scheme liabilities (note 18)	(8)	(5)
	3	2

7. EXCEPTIONAL ITEMS

Group and Company

	18 months ended 30 Sept 2015 £m	12 months ended 31 Mar 2014 £m
Exceptional items		
Restructuring and other	20	-
Spares impairment	12	-
Fixed asset impairment	47	-
Decommissioning provision	39	-
Loss on disposal of fixed assets	-	2
Net proceeds of disposal of fixed assets affected by insurance claim	-	(3)
	118	(1)

The potential cessation of generation in March 2017 has resulted in the recognition of a £20m provision for the termination of operations at Eggborough Power Station.

The value of spares and fixed assets has been reduced to scrap value (refer note 1).

During the period the cost of decommissioning the Station was re-assessed using a range of expert inputs, furthermore, the present value of the liability has been adjusted to reflect the revised cessation date of March 2017.

In 2014, a £2m charge was recorded eliminating the book value associated with assets that are no longer required following a successful change in operational processes. In addition, a £3m credit was recorded recognising a settled insurance claim.

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

Group and Company

	18 months ended 30 Sept 2015	12 months ended 31 Mar 2014 Restated
	£m	£m
Current tax		
UK corporation tax on (loss)/profit for the period	**(12)**	12
Adjustments in respect of prior periods	**2**	-
	(10)	12
Deferred tax		
Origination and reversal of timing differences	**(5)**	(4)
Change in tax rate – impact on deferred tax	**-**	(1)
	(5)	(5)

The current tax assessed for the year is lower (2014: higher) than the standard rate of corporation tax in the UK of 20.67% (2014: 23%). A reconciliation of the effective tax rate for the current year tax charge is set out below.

	18 months ended 30 Sept 2015	12 months ended 31 Mar 2014 Restated
	£m	£m
(Loss)/profit on ordinary activities before taxation	**(194)**	39
Tax charge on profit on ordinary activities at standard rate 20.67% (2014: 23%)	**(40)**	9
Expenses not allowable	**8**	-
Accelerated capital allowances	**10**	-
Effect of other timing differences	**2**	-
Difference in tax rates for losses carried back	**(1)**	-
Adjustment in respect of prior periods	**2**	-
Effect of tax losses not recognised	**9**	-
Depreciation on qualifying capital expenditure in year in excess of capital allowances	**-**	3
Current tax charge for period/year	**(10)**	12

9. DIVIDENDS

Group and Company

	18 months ended 30 Sept 2015	12 months ended 31 Mar 2014
	£m	£m
Equity - Ordinary		
Final paid (2014); 61pence per £1.00 share	**-**	50

No dividend is proposed for the eighteen month period ended 30 September 2015.

10. INTANGIBLE ASSETS

Group and Company

	Intangible assets £m
Cost	
At 1 April 2014	64
Additions	35
Disposals	(99)
At 30 September 2015	-

The Company has an intangible asset of £nil (2014: £64m). Intangible assets relate to European Union Allowances (EUA) purchased to settle the Company's carbon liability for 2013 (£64m) and 2014 (£35m). EUA allowances that have been contracted for the six month period to September 2015 are yet to be transferred across to the Company's registry and therefore are not recognised as an intangible asset. All EUA allowances are valued at their weighted average purchase price.

11. TANGIBLE ASSETS

Group and Company fixed assets

	Buildings £m	Strategic Spares £m	Plant & Machinery £m	Software £m	Total £m
Cost or valuation					
At 1 April 2014	38	11	155	4	208
Other adjustments	3	-	-	-	3
Transfer	-	(3)	3	-	-
Disposals	-	(2)	-	-	(2)
Impairment of Assets	(1)	(2)	(44)	-	(47)
At 30 September 2015	40	4	114	4	162
Accumulated depreciation and impairment losses					
At 1 April 2014	31	5	99	4	139
Depreciation for the period	1	1	6	-	8
Transfer	-	(1)	1	-	-
Disposals	-	(1)	-	-	(1)
At 30 September 2015	32	4	106	4	146
Net book amount					
At 30 September 2015	8	-	8	-	16
At 31 March 2014	7	6	56	-	69

Freehold land, with a cost of £105,000 (2014: £105,000), has not been depreciated.

Net book value of £16m at 30 September 2015 represents the estimated recoverable scrap value at that date.

12. INVESTMENTS

Group and Company

The Company acquired the entire issued share capital of Eggborough Newco Limited (a company incorporated in the United Kingdom) on 31 March 2010 for a consideration of £2. A decision was made to voluntarily dissolve Eggborough Newco Limited on 3 November 2015.

In addition, the Company was gifted 22,000 shares in the Electricity Supply Pension Scheme on 31 March 2010. No value is attributable to this investment.

13. STOCKS

Group and Company

	30 Sept 2015 **£m**	31 Mar 2014 Restated £m
Spares	-	8
Fuel and prepaid CPS	13	8
Consumables	-	2
	13	18

2014 prior year comparative has been restated to include prepaid Carbon Price Support, following a change in accounting policy.

During the period, the net value of Spares has been reduced to scrap value. This is explained in note 1.

14. DEBTORS

	Group		Company	
	30 Sept 2015	31 Mar 2014	**30 Sept 2015**	31 Mar 2014
	£m	£m	**£m**	£m
Amounts falling due within one year:				
Trade debtors	**7**	26	**7**	27
Other debtors	**17**	17	**17**	17
Prepayments and other receivables	**4**	2	**4**	2
	28	45	**28**	46

Other debtors include £17m (2014: £17m) relating to EUA certificates acquired on the group's behalf by a third party commodity agent that had not been transferred to the Groups EU ETS registry at the balance sheet date. These certificates are valued at the weighted average price paid for them in the year.

Transactions between Eggborough Power Limited and Eggborough Newco Limited are presented on a net basis reflecting the agreement in place. These transactions are on an unsecured basis with no interest chargeable and no fixed repayment date.

	Group		Company	
	30 Sept 2015	31 Mar 2014	**30 Sept 2015**	31 Mar 2014
	£m	£m	**£m**	£m
Amounts falling due after more than one year:	**-**	-	**-**	4

Eggborough Newco Limited was liquidated on the 3 November 2015. The £4m intercompany loan to Eggborough Newco Limited which is unsecured, interest free was cancelled in June 2015.

15. DEFERRED TAXATION

Group and Company

	30 Sep 2015	31 Mar 2014
	£m	£m
Accelerated capital allowances	**2**	8
Short term timing differences	**4**	(1)
Taxation losses	**9**	-
Deferred tax not recognised	**(15)**	-
Deferred tax asset	**-**	7

	£m
As at 1 April 2014	7
Deferred tax charge:	
- disclosed in Profit and Loss Account	(5)
- disclosed in Statement of Recognised Gains and Losses	(2)
As at 30 September 2015	-

Group and company

	30 Sep 2015	31 Mar 2014
	£m	£m
Included in:		
Retirement benefits (note 18)	**-**	-
Provisions for liabilities and charges (note 17)	**-**	7
	-	7

The Finance Bill 2015 (2) announced that the corporation tax rate will be reduced to 19% from 1 April 2017 and to 18% from 1 April 2020. The Finance Bill was not enacted at the balance sheet date and deferred taxes balances have been recognised at 20%, the different rate of corporation tax.

The deferred tax asset has not been recognised due to potential closure on 31 March 2017.

16. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Company	
Amounts due within one year:	**30 Sep 2015**	31 mar 2014	**30 Sep 2015**	31 Mar 2014
	£m	£m	**£m**	£m
Trade creditors	**5**	6	**5**	6
Amounts owed to group undertakings	**-**	-	**-**	4
Corporation tax	**-**	6	**-**	6
Taxation and social security	**1**	1	**1**	1
Other creditors	**17**	80	**17**	80
Accruals and deferred income	**11**	42	**11**	42
	34	135	**34**	139

Other creditors include £17m (2014: £80m) relating to the Company's obligations under the European Union Emissions Trading Scheme. The obligation is to be settled in EUA certificates, which have been valued at the average purchase price of certificates acquired in the year.

Amounts owed to group undertakings are on an unsecured basis with no interest payable with no fixed repayment date and are reported on a net basis, reflecting the agreement in place.

17. PROVISIONS FOR LIABILITIES AND CHARGES

Group and Company

	Deferred Tax	**Restructure & other**	**Site restoration**	**Total**
	£m	**£m**	**£m**	**£m**
As at 1 April 2014	7	-	15	22
(Decreased)/ increased during the period	(7)	20	42	55
As at 30 September 2015	-	20	57	77

The site restoration provision is to provide for all costs of the eventual decommissioning of Eggborough Power Station scheduled in 2017 (2014: 2020) and is stated at 2015 prices.

18. POST RETIREMENT BENEFIT OBLIGATIONS

Group and Company

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 FRS 17 liabilities have been based on the results of the triennial actuarial valuation of the scheme as at 31 March 2012 which have been adjusted using agreed assumptions to roll the valuation forwards by Broadstone using methodology prescribed under Financial Reporting Standard 17.

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 eighteen month period ended 30 September 2015 was:

Company Contributions	£11.0m
Member Contributions	£0.2m

The Company contributions include deficit repair contributions of £3.8m (2014: £2.5m). The Company also pays contributions toward the cost of the additional benefits being accrued during the year. For the 18 month period to 30 September 2015, the total cost of this accrual, including the member share amounted to £7.2m (12 month to 31 March 2014: £4.0m). Based on the ongoing funding assumptions from the 2012 Actuarial Valuation, this cost of accrual represents 47.8% of pensionable earnings.

Following the completion of the 31 March 2012 actuarial valuation, a deficit repair plan was agreed between the shareholders and trustees whereby additional contributions of £2.6m per annum would be paid into the scheme until 31 December 2019.

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

18. POST RETIREMENT BENEFIT OBLIGATIONS (continued)

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

	2015	**2014**	2013	2012	2011	2010
	£m	**£m**	£m	£m	£m	£m
Fair value of plan assets	**137**	**120**	113	94	82	72
Present value of defined benefit obligations	**(139)**	**(119)**	(110)	(97)	(80)	(86)
	(2)	**1**	3	(3)	2	(14)
Related deferred tax asset	**-**	**-**	-	1	-	4
Adjustment to derecognise pension asset	**-**	**(1)**	(3)	-	(2)	-
Net pension liability	**(2)**	**-**	-	(2)	-	(10)

Restricted cash balances include £19.8m (2014: £15.9m) which is held in an Escrow arrangement under a funding agreement with the Pension Trustees, these amounts are not reflected above.

Group and Company

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

	30 Sep 2015	31 Mar 2014
	% pa	% pa
Retail price inflation (RPI)	**3.1**	3.3
Rate of general increase in salaries	**3.6**	3.8
Rate of increase of pensions in payment	**3.0**	3.2
Discount rate	**3.8**	4.4
Expected return on assets	**5.0**	6.1

Mortality assumptions:

	30 Sep 2015	**30 Sep 2015**	31 Mar 2014	31 Mar 2014
	Male	**Female**	Male	Female
	years	**years**	years	years
Life expectancy for active members currently aged 63	86.6	89.1	87.1	89.5
Life expectance for active members aged 63 in 20 years time	88.9	91.4	89.4	91.9

Changes in the fair value of plan assets are as follows:

	30 Sep 2015	31 Mar 2014
	£m	£m
Opening fair value of plan assets	**120**	113
Expected return on plan assets	**11**	7
Actuarial (losses)/ gains	**1**	(3)
Contributions by employer	**11**	6
Benefits paid	**(6)**	(3)
Closing fair value of plan assets	**137**	120

The actual return on scheme assets during the 18 month period to 31 September 2015 was £11m (2014: £4m).

The major categories of plan assets are as follows:

	30 Sep 2015	31 Mar 2014
	£m	£m
Equities	**65**	60
Bonds	**60**	48
Target Return Funds	**12**	12
Closing fair value of plan assets	**137**	120

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

	30 Sep 2015	31 Mar 2014
	£m	£m
Opening defined benefit obligations	**119**	110
Current service cost	**8**	5
Interest cost	**8**	5
Actuarial losses	**10**	2
Benefits paid	**(6)**	(3)
Closing defined benefit obligations	**139**	119

18. POST RETIREMENT BENEFIT OBLIGATIONS (continued)

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

	30 Sep 2015 £m	31 Mar 2014 £m
Current service cost	7	5
Interest cost	8	5
Expected return on plan assets	(11)	(7)
Total amounts recognised in the profit and loss account	4	3

Analysis of the amount recognised in the statement of total recognised gains and losses (STRGL)

	30 Sep 2015 £m	31 Mar 2014 £m
Total actuarial (loss)/gain	(10)	(6)
Deferred Tax	2	-
Total amounts recognised in the STRGL	(8)	(6)

The history of experience gains and losses is as follows:

	2015 £m	2014 £m	2013 £m	2012 £m	2011 £m	2010 £m
Actual return less expected return on post employment plan assets	-	(3)	10	(1)	2	15
As % of plan assets at the end of the year	0%	3%	9%	1%	2%	21%
Experience gains arising on plan liabilities	-	(3)	-	-	-	1
As % of plan liabilities at the end of the year	0%	2%	0%	0%	0%	1%

19. CALLED UP SHARE CAPITAL

Group and Company

	30 Sep 2015 £m	31 Mar 2014 £m
Allotted, called up and fully paid		
82,000,000 (2014: 82,000,000) ordinary shares of £1 each	82	82

20. RECONCILIATION OF SHAREHOLDERS' (DEFICIT)/FUNDS AND MOVEMENT ON RESERVES

Group and Company

	Called up Share capital £m	Capital reserves £m	Profit & Loss account £m	Total £m
Reserves position at 1 April 2014	82	134	(43)	173
Change in accounting policy on CPS	-	-	7	7
Reserves position at 1 April 2014 (restated)	82	134	(36)	180
(Loss) for the financial year	-	-	(179)	(179)
Deferred Tax (note 15)	-	-	2	2
Transfer from capital reserves to profit and loss	-	(132)	132	-
FRS 17 actuarial movements	-	-	(10)	(10)
Recognise prior year pension asset	-	-	1	1
As at 30 September 2015	82	2	(90)	(6)

The £134m Capital Reserve includes £132m that relates to the restatement of Tangible Fixed Assets to historical cost in 2011 being the total capital contribution the Group received from previous shareholders. These Tangible Fixed Assets have been fully impaired to scrap value in these financial statements.

On the 26 April 2013, the shareholders approved a share resolution that reduced 90,069,460 ordinary shares at £1 each to 82,000,000 at £1 each. The reduction was effected by cancelling and extinguishing 8,069,460 of existing ordinary shares registered in the name of Eggborough HoldCo2 S.à.r.l.

21. COMMITMENTS

At 30 September 2015, the Company had £nil capital commitments (2014: £nil) and £7m (2014: £nil) commitments to purchase fuel.

In 2010, the company sold the coal stock to a third party commodity agent with a commitment to repurchase it at market rates. The current agreement is an extension of the original agreement and expires 31 March 2016. If this agreement had ended on 30 September 2015 the value of the liability would have been £58m. At the date of signing these accounts, the agreement had expired with no financial penalties due.

22. RELATED PARTIES

Group and Company

The Group was acquired by Energetický a průmyslový holding, a.s. on the 15th January 2015. Prior to this, the Group was owned by a consortium of companies, with the majority ownership held by affiliates of funds and accounts managed by Strategic Value partners, LLC and its affiliates. The Group has controls in place to monitor expenditure with other parties who may be deemed a related party as defined by FRS 8 - Related Parties.

There was £nil net intercompany debtor with Eggborough Newco Ltd (2014: £0.4m). There was a small intercompany balance of £2k with Eggborough HoldCo 2 S.àr.l.

There were no outstanding balances or transactions entered into with any companies with whom the directors of the Group have significant influence or control over.

23. ULTIMATE PARENT UNDERTAKING

Group and Company

In the opinion of the Directors, the Company's ultimate controlling party is Energetický a průmyslový holding, a.s., a company incorporated in the Czech Republic. The parent undertaking of the largest group is EP United Kingdom s.r.o. a company incorporated in Czech Republic. The Company's immediate parent company is Eggborough HoldCo 2 S.àr.l., a company incorporated in Luxembourg.

24. RECONCILIATION OF OPERATING PROFIT TO OPERATING CASH FLOWS

Group

	Note	30 Sep 2015 £m	31 mar 2014 Restated £m
Operating (loss)/profit		**(79)**	36
Depreciation charge, provision movement and other non-cash capital additions		**2**	18
Pension deficit repair payments	18	**(4)**	(2)
		(81)	52
Decrease/(increase) in stocks	13	**5**	(6)
Decrease /(increase) in debtors	14	**17**	11
(Decrease) /increase in creditors	16	**(101)**	(20)
Total net decrease in working capital		**(79)**	(15)
Net decrease/ (increase) in emissions allowances		**64**	23
Net Cash inflow from operating activities		**(96)**	60

25. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

Group

	30 Sep 2015 £m	31 Mar 2014 £m
(Decrease)/increase in cash in the period/year	**(91)**	5
Movement in net debt for the period/year	**(91)**	5
Net cash at 1 April 2014	**141**	136
Net cash at 30 September 2015	**50**	141

26. ANALYSIS OF NET FUNDS

Group

	At 1 April 2014 £m	Cash Flows £m	At 30 Sep 2015 £m
Cash at bank in hand	114	(92)	**22**
Restricted Cash	27	1	**28**
Debt due within 1 year	-	-	**-**
Debt due after 1 year	-	-	**-**
	141	(91)	**50**