Registered Number: 03782700

EGGBOROUGH POWER LIMITED

ANNUAL REPORT AND CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2014

Eggborough Power Limited
Directors and Advisors

DIRECTORS

Jason Clarke
Peter Douglas Coleman
Zachary Lewis
Andrew Neil O'Hara
William Rickett
Paul 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

Eggborough Power Limited
Strategic Report for the year ended 31 March 2014

The directors present their strategic report on the group for the year ended 31 March 2014.

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.a.r.l, a company registered in Luxembourg. The Directors consider the ultimate parent undertaking to be Field Point IV S.àr.l, a company incorporated in Luxembourg.

REVIEW OF THE BUSINESS

The result for the financial year is set out in the profit and loss account on page 9. The Group's profit for the financial year of £27m (2013: £46m profit) was added to reserves. The Directors consider the results to be satisfactory.

Total generation for the year was 11.8 TWh and the plant operated at a load factor of 71% reflecting strong market conditions for coal generation and excellent plant availability thougout the year.

The Company did not receive any free EUA allowances during the year (2013: the Company sold free EUA allowances to a value of £24m).

On 1 April 2013, the UK government launched the Carbon Price Support (CPS) mechanism which materially increased the level of taxation payable; this is reported through our Cost of Sales.

The combined impact of CPS and the end of free EUA allowances was to reduce Gross Margin by around £88m when compared to 2013.

EXCEPTIONAL ITEMS

Exceptional items contributed a net £1m to Profit on ordinary activities before tax. A £2m charge has been recorded that relates to eliminating the book value associated with assets that are no longer required following a successful change in operational processes.

A £3m credit has been recognised in connection with an insurance claim that was settled in full during the year.

A further £7m of insurance proceeds have been recognised in Other Income (2013: £nil).

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	2014	2013
Generation	Station output in TWh, after deductions for works power and direct supply sales	11.8 TWh	11.9 TWh
Load Factor	Generation as a proportion of total theoretical station capacity (including planned outages)	71.00%	71.38%
EBITDA[1]	Earnings before interest, tax, depreciation and amortisation	£49m	£70m
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	2.66	3.18

[1] *EBITDA is a non-statutory measure and is calculated by adding back depreciation and amortisation to operating profit*

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 recently recognised with a Gold award in the 2014 RoSPA 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 minisiming cost to consumers.

In recent years coal prices have fallen from their long term cyclical highs due 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. Coal electricity generators in Europe have benefited from this structural change. At the same time gas prices have been boosted by demand for LNG from Japan following the closure of their nuclear generating plants after the accident at the Fukushima nuclear plant in 2011.

Carbon prices have remained subdued throughout the period from 2013 to 2014 weighed down by the ongoing ecomonic recession in Europe and excess EUA issues.

In April 2013 the UK Government introduced the Carbon Price Support (CPS) which is a tax on fossil fuel generators, broadly calculated as a top up of the carbon price from the EU Emissions Trading System to the published UK 'floor price' trajectory, which rises from £15/te in 2013 to £30/te by 2020 and to £70/te by 2030 (2009 real prices). In The March 2014 Budget the UK government announced that the CPS rate will be capped at £18/te from 2016/17 until 2019/20.

Given the very high reliance the UK electricty grid places on both gas and coal generation, the Directors consider that significant market intervention by the UK government and regulators or an increase in wholesale power prices is required to maintain security of supply. To that end National Grid has recently announced the Supplemental Balancing Reserve (SBR) to commence in winter 2014. In addition, DECC has announced a Capacity Mechanism to commence in winter 2018. Both interventions are designed to ensure fossil fuel plants such as Eggborough Power Limited maintain operations whilst investment in new plant capacity is brought on stream in the period from 2014 to 2024.

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 year.

The risk management process operating throughout the year 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 year 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.

FUNDING AND CASHFLOW

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

A resolution was signed on 26 April 2013 to reduce 90,069,460 ordinary £1 shares to 82,000,000 and the whole of the share premium account totalling £55,572,000 was extinguished. A dividend of 61 pence (2013: £nil) per ordinary share amounting to £50m was approved by the Shareholders on 26 April 2013 and paid on 10 May 2013.

Group cash balances, including restricted cash were £141m at 31 March 2014, an increase of £5m, reflecting strong cashflows from operating activities, offset by the dividend payment.

FUTURE DEVELOPMENTS

The future activity of the Group will continue to be the operation of the Eggborough coal-fired power station. The station is currently 'Opted In' into the Large Combustion Plant Directive (LCPD) which limits emmissions to levels prescribed under that directive. From 1 January 2016 the station has the option to either 'Opt in' under the Industrial Emmissions Directive (IED) and continue operations following capital investment to enable the station to meet tigher emissions limits under the IED or the station can 'Opt Out' of the IED and operate for 17,500 hours or until 31 December 2023 whichever occurs first.

The station has a range of capital investment options to continue operations to either comply with IED including emissions abatement technology or biomass conversion, accordingly the estimated remaining economic life of the plant is considered to be 2020 (note 1).

By order of the board

Andrew Neil O'Hara
Director
17 June 2014

The directors present their annual report and audited consolidated financial statements of the Group for the year ended 31 March 2014.

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 year, and up to the date of signing the accounts, unless otherwise stated were:

Jason Clarke
Peter Douglas Coleman
Zachary Lewis
Andrew Neil O'Hara
William Rickett
Paul Tomlinson

DIVIDEND

A resolution was signed on 26 April 2013 to reduce 90,069,460 ordinary £1 shares to 82,000,000 and the whole of the share premium account totalling £55,572,000 was extinguished. A dividend of 61 pence (2013: £nil) per ordinary share amounting to £50m was approved by the Shareholders on 26 April 2013 and paid on 10 May 2013.

CHARITABLE AND POLITICAL DONATIONS

The Group made charitable donations during the year of £2,643 (2013: £11,099) of which £900 (2013: £125) was made in support of the local community and £1,743 (2013: £10,884) were made to two national registered charities. No political donations were made during the year (2013: £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 year was £3.6m (2013: £4.9m).

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 AUDITOR

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
17 June 2014

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

Report on the financial statements

Our opinion

In our opinion the financial statements, defined below:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 March 2014 and of the Group's profit and cash flows for the year 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.

This opinion is to be read in the context of what we say in the remainder of this report.

What we have audited

The group financial statements and parent company financial statements (the "financial statements"), which are prepared by Eggborough Power Limited, comprise:

- the Consolidated and Company Balance Sheets as at 31 March 2014;
- the Consolidated Profit and Loss Account and the Statement of Total Recognised Gains and Losses for the year then ended;
- the Consolidated Cashflow Statement for the year 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 their preparation is applicable law and United Kingdom Accounting Standards (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.

What an audit of financial statements involves

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ("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 parent 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.

In addition, we read all the financial and non-financial information in the Annual Report and Consolidated Financial Statements (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.

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 year 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 parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent 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 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.

Mark Hoskyns-Abrahall (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Edinburgh
17 June 2014

Eggborough Power Limited
Consolidated Profit and Loss Acount for the Year Ended 31 March 2014

	Note	2014 £m	2013 £m
Turnover	2	**653**	619
Other income	2	**7**	24
Cost of sales		**(498)**	(484)
Gross profit		**162**	159
Operating costs	3	**(133)**	(100)
Operating profit on ordinary activities before interest and taxation		**29**	59
Finance charges	6	**2**	1
Exceptional Items	7	**1**	-
Profit on ordinary activities before taxation		**32**	60
Taxation on profit on ordinary activities	8	**(5)**	(14)
Profit for the financial year	20	**27**	46

All activities are continuing.

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

Statement of Total Recognised Gains and Losses for the Year Ended 31 March 2014

	Note	2014 £m	2013 £m
Group profit for the financial year		**27**	46
Items taken directly to the reserves			
Actuarial (loss)/ gain	18	**(6)**	3
Pension Asset not recognised	18	**2**	(3)
Inter-Company debt waiver		**-**	(1)
Capital reduction	20	**64**	-
Dividend paid	9	**(50)**	-
Total recognised gains for the year		**37**	45

Eggborough Power Limited
Consolidated and Company Balance Sheets at 31 March 2014

		Group		Company	
At 31 March 2014	Note	**2014**	2013	**2014**	2013
		£m	£m	**£m**	£m
Fixed Assets					
Intangible assets	10	**64**	87	**64**	87
Tangible assets	11	**69**	84	**69**	84
Investments	12	**-**	-	**-**	-
Current Assets					
Stocks	13	**11**	14	**11**	14
Debtors	14	**45**	56	**46**	56
Restricted cash		**27**	24	**27**	24
Cash at bank and in hand		**114**	112	**113**	112
		197	206	**197**	206
Creditors - Amounts falling due within one year	16	**(135)**	(155)	**(139)**	(159)
Net current assets		**62**	51	**58**	47
Debtors - Amounts falling after one year	14	**-**	-	**4**	4
Provisions for liabilities and charges	17	**(22)**	(22)	**(22)**	(22)
Net assets excluding pension liability		**173**	200	**173**	200
Pension liability	18	**-**	-	**-**	-
Net assets including pension liability		**173**	200	**173**	200
Capital and reserves					
Called up share capital	19	**82**	90	**82**	90
Share premium account	20	**-**	56	**-**	56
Capital Reserves	20	**134**	134	**134**	134
Profit and loss reserve	20	**(43)**	(80)	**(43)**	(80)
Total shareholders' funds		**173**	200	**173**	200

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 17 June 2014 and signed on its behalf by:

Andrew Neil O'Hara
Director
17 June 2014

Eggborough Power Limited
Consolidated Cashflow Statement for the year ended 31 March 2014

	Note	2014 £m	2013 £m
Net cash inflow from operating activities	24	**60**	52
Taxation		**(8)**	(4)
Capital expenditure and financial investment			
Purchase of tangible fixed assets		**-**	(1)
Proceeds on disposal of fixed assets		**3**	-
Equity Dividends paid to shareholders		**(50)**	-
Financing			
Shareholder loan	22	**-**	(8)
Change in cash		**5**	39

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.

There have been no changes to any of the accounting policies adopted by the Group during the year; as a result the policies in place 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 a 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 (EUAs) in order to settle the liability arising on carbon emissions in the period. Where contracts have been entered into to acquire these EUA certificates, or where EUA 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 will be valued at the prevailing market price for EUA certificates at the period end date.

Amounts payable to HMRC in respect of Carbon Price Support on coal stock delivered to the Station are recognised as an expense at the point of delivery.

Oil and Biomass costs are valued on a weighted average cost basis.

(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.

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 European Emissions Trading Scheme and purchased emissions allowances relating to the National Emissions Reduction Plan (NERP), both Intangible Assets are held at cost and due to the short timing before obligations fall due are not amortised.

(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.

Plant and strategic spares are depreciated on a straight line basis, over their useful economic life which is currently estimated to be 31 March 2020.

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, existent 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 2020 (2013: 31 March 2023). This is reflected in depreciation charges in the current period of account.

The costs of decommissioning the power station have been estimated on the basis of ongoing assessments of the processes and methods likely to be used for decommissioning and quotations received from experts in power station decommissioning.

(iix) Leases

Assets acquired and made available to third parties under operating leases are recorded as property, plant and equipment and are depreciated on a straight-line basis to their estimated residual values over their estimated useful lives. Operating lease income is charged on a straight-line basis to the date of the next rent review.

(ix) Stocks of Spares, Coal, Oil, Biomass and Consumables

Stocks of spares, coal, oil, biomass and consumables are valued at average cost.

A stock of plant spares is expected to still be present at the scheduled station closure date. As any such remaining spares will have nil value once the station is closed, a provision is built up each year such that these stocks will have a nil net book value at that date.

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.

(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 a 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

	2014 £m	2013 £m
Turnover	**653**	619
Other income		
Insurance proceeds	**7**	-
Sale of free carbon allowances within the year	**-**	24
	7	24

All income is attributable to continuing activities.

3. OPERATING COST DISCLOSURE

Group and Company

	2014 £m	2013 £m
Operating costs		
Materials and services	**89**	62
Depreciation and, movements in provisions	**18**	11
Staff costs (note 4)	**26**	27
Total operating costs	**133**	100

The auditor's remuneration for audit services was £68,870 (2013: £66,920).The auditor's remuneration for other services was £68,700 (2013: £31,530).

4. STAFF COSTS

Group and Company

a) Staff costs

	2014 £m	2013 £m
Wages and salaries	**19**	21
Social security costs	**2**	3
Pension costs (note 18)	**5**	3
Total staff costs	**26**	27

b) Employee numbers

	2014 Number	2013 Number
Average number of employees during the year was:		
Management and support staff	**61**	61
Asset management	**108**	108
Operations	**138**	141
	307	310

5. SUMMARY OF DIRECTORS' EMOLUMENTS

Group and Company

	2014 £m	2013 £m
Directors' emoluments		
Aggregate amounts	**3**	2

	2014 £m	2013 £m
Highest paid director		
Aggregate amounts	**2**	1

The number of directors who:	Number of directors 2014	2013
Are members of a money purchase pension scheme	**1**	1
Are members of a defined benefit pension scheme	**1**	1

All emoluments in both years were made by the Company.

6. FINANCE CHARGES

Group and Company

	2014 £m	2013 £m
Interest receivable and similar income		
Expected return on assets in the pension scheme (note 18)	7	6
Interest on pension scheme liabilities (note 18)	(5)	(5)
	2	1

7. EXCEPTIONAL ITEMS

Group and Company

	2014 £m	2013 £m
Exceptional items		
Loss on disposal of fixed assests	(2)	-
Net proceeds of disposal of fixed assets affected by insurance claim	3	-
	1	-

A £2m charge has been recorded that relates to eliminating the book value associated with assets that are no longer required following a successful change in operational processes.

A £3m credit has been recognised in connection with an insurance claim that was settled in full during the year.

8. TAX ON PROFIT ON ORDINARY ACTIVITIES

Group and Company

	2014 £m	2013 £m
Current tax		
UK corporation tax on profit for the period	10	8
Deferred tax		
Origination and reversal of timing differences	(4)	7
Change in tax rate – impact on deferred tax	(1)	(1)
Tax on profit on ordinary activities	5	14

The current tax assessed for the year is higher (2013: lower) than the standard rate of corporation tax in the UK of 23% (2013: 24%). A reconciliation of the effective tax rate for the current year tax charge is set out below.

	2014 £m	2013 £m
Profit on ordinary activities before taxation	32	60
Tax charge on profit on ordinary activities at standard rate 23% (2013: 24%)	8	14
Depreciation on qualifying capital expenditure in year in excess of capital allowances	3	1
Movement in pension provision and other timing differences	(1)	-
Utilisation of tax losses	-	(7)
Current tax charge for year	10	8

9. DIVIDENDS

Group and Company

	2014 £m	2013 £m
Equity - Ordinary		
Final paid (2014); 61pence per £1.00 share	50	-

No dividend is proposed for the year ended 31 March 2014.

10. INTANGIBLE ASSETS

Group and Company

	Intangible assets £m
Cost	
At 1 April 2013	87
Additions	64
Disposals	(87)
At 31 March 2014	**64**

The Company has an intangible asset of £64m (2013: £87m). £63m relates to European Union Allowances (EUA) purchased to settle the Company's carbon liability for the year ended 31 December 2013; these are valued at the weighted average purchase price of these certificates. £1m relates to purchased National Emission Reduction Plan (NERP) emissions allowances which will be used to settle the Company's liability for the year ended 31 December 2014; these are valued at the 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 2013	37	12	161	4	214
Additions	1	-	-	-	1
Disposals	-	(1)	(6)	-	(7)
At 31 March 2014	**38**	**11**	**155**	**4**	**208**
Accumulated depreciation					
At 1 April 2013	30	5	93	2	130
Charge for the year	1	-	10	2	13
Disposals	-	-	(4)	-	(4)
At 31 March 2014	**31**	**5**	**99**	**4**	**139**
Net book amount					
At 31 March 2014	**7**	**6**	**56**	**-**	**69**
At 31 March 2013	7	7	68	2	84

Freehold land, with a cost of £105,000 (2013: £105,000), has not been depreciated.

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.

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

	2014 £m	2013 £m
Spares	**8**	8
Fuel	**1**	3
Consumables	**2**	3
	11	14

14. DEBTORS

	Group		Company	
	2014	2013	**2014**	2013
	£m	£m	**£m**	£m
Amounts falling due within one year:				
Trade debtors	**26**	33	**27**	33
Other debtors	**17**	22	**17**	22
Prepayments and other receivables	**2**	1	**2**	1
	45	56	**46**	56

Other debtors include £17m (2013: £22m) 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	
	2014	2013	**2014**	2013
	£m	£m	**£m**	£m
Amounts falling due after more than one year:	**-**	-	**4**	4

£4m represents a loan to Eggborough Newco Limited which is unsecured, interest free and has no fixed repayment date.

15. DEFERRED TAXATION

Group and Company

	2014	2013
	£m	£m
Accelerated capital allowances	**8**	12
Short term timing differences	**(1)**	-
Taxation losses	**-**	-
Deferred tax liability	**7**	12

	£m
As at 1 April 2013	12
Deferred tax charge:	
- disclosed in Profit and Loss Account	(5)
As at 31 March 2014	**7**

Group and company

	2014	2013
	£m	£m
Included in:		
Retirement benefits (note 18)	**-**	-
Provisions for liabilities and charges (note 17)	**7**	12
	7	12

During the year, a change in the UK corporation tax rate to reduce the main rate of corporation tax from 23% to 21% from 1 April 2014 and to 20% from 1 April 2015 was enacted in Finance Act 2013. The relevant closing deferred tax balances have been recognised at 20% accordingly as this is the tax rate at which the deferred tax balances are expected to unwind.

16. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Company	
Amounts due within one year:	**2014**	2013	**2014**	2013
	£m	£m	**£m**	£m
Trade creditors	**6**	14	**6**	14
Amounts owed to group undertakings	**-**	-	**4**	4
Corporation tax	**6**	4	**6**	4
Taxation and social security	**1**	17	**1**	17
Other creditors	**80**	106	**80**	106
Accruals and deferred income	**42**	14	**42**	14
	135	155	**139**	159

16. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR (continued)

Other creditors include £80m (2013: £106m) 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.

Intercompany transactions are on an unsecured basis with no interest payable and no fixed repayment date. Intercompany balances are reported on a net basis, reflecting the agreement in place.

17. PROVISIONS FOR LIABILITIES AND CHARGES

Group and Company

	Deferred Tax £m	Station Closure £m	Total £m
As at 1 April 2013	12	10	22
(Decreased)/ increased during year	(5)	5	-
As at 31 March 2014	**7**	**15**	**22**

The site restoration provision is to provide for all costs of the eventual decommissioning of Eggborough Power Station scheduled in 2020 (2013: 2023) and is stated at 2014 prices. During the year £4m was recognised in relation to the bond held by the Environmental Agency in respect of the Company's ash disposal site.

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 2013/14:

Company Contributions	£6.4m
Member Contributions	£0.1m

The Company contributions include deficit repair contributions of £2.5m (2013: £2.1m). The Company also pays contributions toward the cost of the additional benefits being accrued during the year. For the year 2013/14, the total cost of this accrual, including the member share amounted to £4.0m (2013: £3.6m). This ongoing cost now represents 47.8% of pensionable earnings (2013: 28.2%). The main contributors to these changes over the year have been; changes to the funding assumptions and changes to the age profile of the scheme following the completion of the actuarial valuation dated 31 March 2012.

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.

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

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

Restricted cash balances include £15.9m (2013: £12.6m) which is held in an Escrow arrangement under a funding agreement with the Pension Trustees, these amounts are not reflected above.

18. POST RETIREMENT BENEFIT OBLIGATIONS (continued)

Group and Company

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

	2014 % pa	2013 % pa
Retail price inflation (RPI)	3.30	3.20
Rate of general increase in salaries	3.80	4.20
Rate of increase of pensions in payment	3.20	3.10
Discount rate	4.40	4.40
Expected return on assets	6.10	5.80

Mortality assumptions:

	2014 Male years	**2014 Female years**	2013 Male years	2013 Female years
Life expectancy for members currently aged 63	87.1	89.5	86.9	89.3
Life expectance for members aged 63 in 20 years time	89.4	91.9	88.3	90.9

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

	2014 £m	2013 £m
Opening fair value of plan assets	**113**	94
Expected return on plan assets	**7**	6
Actuarial (losses)/ gains	**(3)**	10
Contributions by employer	**6**	5
Benefits paid	**(3)**	(2)
Closing fair value of plan assets	**120**	113

The actual return on scheme assets during the year was £3m (2013: £15m).

The major categories of plan assets are as follows:

	2014 £m	2013 £m
Equities	**60**	53
Bonds	**48**	50
Target Return Funds	**12**	10
Closing fair value of plan assets	**120**	113

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

	2014 £m	2013 £m
Opening defined benefit obligations	**110**	97
Current service cost	**5**	3
Interest cost	**5**	5
Actuarial losses	**2**	7
Benefits paid	**(3)**	(2)
Closing defined benefit obligations	**119**	110

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

	2014 £m	2013 £m
Current service cost	**5**	4
Interest cost	**5**	5
Expected return on plan assets	**(7)**	(6)
Total amounts recognised in the profit and loss account	**3**	3

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

	2014 £m	2013 £m
Total actuarial (loss)/gain	**(6)**	3
Deferred Tax	**-**	-
Total amounts recognised in the STRGL	**(6)**	3

18. POST RETIREMENT BENEFIT OBLIGATIONS (continued)

The history of experience gains and losses is as follows:

	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	3%	9%	1%	2%	21%
Experience gains arising on plan liabilities	(3)	-	-	-	1
As % of plan liabilities at the end of the year	2%	0%	0%	0%	1%

19. CALLED UP SHARE CAPITAL

Group and Company

	2014 £m	2013 £m
Allotted, called up and fully paid		
82,000,000 (2013: 90,069,460) ordinary shares of £1 each	82	90

A resolution was signed on 26 April 2013 to reduce 90,069,460 ordinary shares to 82,000,000 and to extinguish the whole of the amount standing in the share premium account of 55,572,000.

20. RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENT ON RESERVES

Group and Company

	Called up Share capital £m	Share premium £m	Capital reserves £m	Profit & Loss account £m	Total £m
Reserves position at 1 April 2013	90	56	134	(80)	200
Profit for the financial year	-	-	-	27	27
Capital reduction	(8)	(56)	-	64	-
Dividend paid	-	-	-	(50)	(50)
FRS 17 acturial movements				(4)	(4)
As at 31 March 2014	82	-	134	(43)	173

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 Holdco 2 S.àr.l and to extinguish the whole of the amount standing on the share premium account of £55,572,000.

A final dividend of 61p (2012: £nil) per ordinary share amounting to £50m was declared on 26 April 2013 and approved by the shareholders on that date and subsequently paid on 10 May 2013.

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, of which £84m has been depreciated and consequently is distributable.

21. COMMITMENTS

At 31 March 2014, the Company had £nil capital commitments (2013: £nil) and £nil (2013: £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. The current agreement is an extension of the original agreement and expires 31 March 2015. If this agreement had ended on 31 March 2014 the value of the liability would have been £58m.

22. RELATED PARTIES

Group and Company

The Group is ultimately owned by a consortium consisting of a number 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.

The Company had a net intercompany debtor with Eggborough Newco Ltd of £0.4m (2013: £0.1m). This net position includes a loan of £3.6m (2013: £3.6m) from EPL to ENL against which no cash has been transferred and no interest is payable. The Company accounts report this as a Debtor due after more than one year and also a creditor owed to group undertakings.

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

An £8m loan was repaid by Eggborough Newco Limited on 12 December 2012 to a panel of lenders who were major shareholders. The majority ownership was held by affiliates of funds and accounts managed by Strategic Value Partners, LLC, its affiliates and Bluebay Asset Management.

23. ULTIMATE PARENT UNDERTAKING

Group and Company

In the opinion of the Directors, the Company is controlled by Brookside S.àr.l., Field Point I-A S.àr.l., and Strategic Value Master Fund Ltd, which are affiliates of funds managed by Strategic Value Partners, LLC and its affiliates.

The parent undertaking of the largest group is Eggborough HoldCo1 S.àr.l., a company incorporated in Luxembourg. 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	2014 £m	2013 £m
Operating profit		**29**	59
Depreciation charge, provision movement and net disposals		**18**	11
Pension deficit repair payments	18	**(2)**	(2)
		45	68
Decrease in stocks	13	**1**	1
Decrease /(increase) in debtors	14	**11**	(11)
(Decrease) /increase in creditors	16	**(20)**	13
Total net decrease in working capital		**(8)**	3
Net decrease/ (increase) in emissions allowances		**23**	(19)
Net Cash inflow from operating activities		**60**	52

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

Group

	2014 £m	2013 £m
Increase in cash in the period	**5**	39
Cash outflow from decrease in shareholder loan	**-**	8
Movement in net debt for the period	**5**	47
Net cash at 1 April 2013	**136**	89
Net cash at 31 March 2014	**141**	136

26. ANALYSIS OF NET FUNDS

Group

	At 1 April 2013 £m	Cash Flows £m	**At 31 March 2014 £m**
Cash at bank in hand	112	2	**114**
Restricted Cash	24	3	**27**
Debt due within 1 year	-	-	**-**
Debt due after 1 year	-	-	**-**
	136	5	**141**