EP SHB Limited

(formerly Centrica SHB Limited)

Annual Report and Financial Statements

For the 16 months ended 31 December 2018

Registered Number - **02571241**

Directors

Antonia Charlotte Stockton (appointed 31 August 2017)
Daniel Křetínský (appointed 31 August 2017)
Jan Špringl (appointed 31 August 2017)
Marek Spurný (appointed 31 August 2017)
Pavel Horský (appointed 31 August 2017)
Tarloke Singh Bains (appointed 31 August 2017)
Victoria Rose Pearson, Née Gallagher (appointed 31 August 2017)

Company Secretary

John Marcus Nettelton (appointed 31 August 2017)

Registered office

Berger House
36-38 Berkeley Square
London
W1J 5AE

Independent Auditor

KPMG LLP
1 Sovereign Square
Sovereign Street Leeds
West Yorkshire
LS1 4DA

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The directors present their Strategic Report on the Company for the 16 months ended 31 December 2018.

Principal activities

EP SHB Limited ("EP SHB" or "the Company") is a limited liability company incorporated and domiciled in England and Wales.

On 31st August 2017 the Company was sold to EP UK Investments Limited ("EPUKI") and the Company's name was changed from "Centrica SHB Limited" to "EP SHB Limited".

The Company's principal activity is the operation of a 1,285MW gas-fired electricity generating facility at Stallingborough, North Lincolnshire.

The Company is a subsidiary undertaking of EP Power Europe, a.s ("EPPE"), incorporated in the Czech Republic.

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

Results

The loss for the 16 months to 31 December 2018 amounted to £(6.1)m; (8 months to 31 August 2017 £(0.2)m loss).

Review of the business

The Company owns and operates a gas-fired power station located near Stallingborough, North Lincolnshire in North East England, with a total site capacity is 1,285 MW.

On 31 August 2017, the company was sold to EP UK Investments Limited, (EPUKI).

The Company generates and trades power through an internal agreement with EPUKI, the nominated commodity trading business which holds the external commodity (power, gas etc) contracts. EPUKI charges a trading commission to the Company for this service.

The power station consists of two phases and during the summer of 2018 a major overhaul of the Phase 1 gas turbines was undertaken. In Q2 2018 a failure occurred on Phase 1 which resulted in a prolonged outage until Q4 2018.

During the period the Company operated under a "Capacity Market" agreement with National Grid, resulting in a tranche of fixed income for making capacity available. On 15 November 2018 the General Court of Justice of the European Union's judgement against the European Commission resulted in the annulment of the Commissions State Aid approval for the UK Capacity Market. The judgement had the effect of suspending payments to Capacity providers.

On 19 December 2018 the Company changed its financing structure and became a guarantor of external debt raised by a fellow Group company.

Key performance indicators

Key performance indicators are reported to the Company's ultimate owner EP Lux which reports key performance indicators in its Consolidated Annual Report and Financial Statements.

Principal risks and uncertainties

The principal risks and uncertainties impacting on the Company are discussed in the context of the Group as a whole in its Consolidated Annual Report and Financial Statements. These risks are managed on a group-wide basis.

Going Concern

Notwithstanding net current liabilities of £49,347,000 as at 31 December 2018 and a loss for the year then ended of £6,117,000, the financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons.

The directors have prepared cash flow forecasts for a period of 18 months from the date of approval of these financial statements which indicate that, taking account of reasonably possible downsides, the company will have sufficient funds, through funding from its intermediate parent company, Energetický a průmyslový holding a.s.,to meet its liabilities as they fall due for that period.

Those forecasts are dependent on a fellow subsidiary, EP UK Finance Limited not seeking repayment of the amounts currently due, which at 31 December 2018 amounted to £64,963,000 and the intermediate parent company, Energetický a průmyslový holding a.s, providing additional financial support during that period.

Energetický a průmyslový holding a.s. has indicated its intention to continue to make available such funds as are needed by the company for the period covered by the forecasts. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

Consequently, the directors are confident that the company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

On behalf of the Board

Tarloke Singh Bains
Director,
June 2019

Registered office
Berger House
36-38 Berkeley Square
London
W1J 5AE

EP SHB Limited (formerly Centrica SHB Limited)
Directors Report
For the 16 months ended 31 December 2018

The directors present their report and the audited financial statements for the 16 months ended 31 December 2018.

Future developments

The Company continues to operate a gas-fired power station, generating and selling power through its internal agreement with EPUKI.

Directors

The directors who were in office during the period up to the date of signing the financial statements were as follows:

Antonia Charlotte Stockton (appointed 31 August 2017)
Daniel Křetínský (appointed 31 August 2017)
Jan Špringl (appointed 31 August 2017)
Marek Spurný (appointed 31 August 2017)
Pavel Horský (appointed 31 August 2017)
Tarloke Singh Bains (appointed 31 August 2017)
Victoria Rose Pearson, née Gallagher (appointed 31 August 2017)

The directors who resigned following the sale of the company to EPUKI Limited were:

Mark Futyan (resigned 31 August 2017)
Mark Taylor (resigned 31 August 2017)
Richard McCord (resigned 31 August 2017)

Employees

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

The Company is committed to employment policies, which follow best practice, based on equal opportunities for all employees, irrespective of sex, race, colour, disability or marital status. The Company gives full and fair consideration to applications for employment of disabled persons, having regard to their aptitudes and abilities and to protect the interests of existing members of staff who are disabled. Appropriate arrangements are made for the continued employment and training, career development and promotion of disabled persons employed by the Company.

Dividends

No dividend is proposed; (2017 proposed and paid: £143,960,074).

Statement as to disclosure of information to auditors

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

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

Independent auditor

The auditors, KPMG LLP, have indicated their willingness to continue in office.

On behalf of the Board

Tarloke Singh Bains
Director
June 2019

Registered office
Berger House
36-38 Berkeley Square
London
W1J 5AE

Statement of directors' responsibilities in respect of the Strategic Report, the Directors' Report and the Financial Statements

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

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

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations or have no realistic alternative but to do so.

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

Independent Auditors Report to the members of EP SHB Limited (formerly Centrica SHB Limited)

Opinion

We have audited the financial statements of EP SHB Limited ("the company") for the period 1 September 2017 to 31 December 2018 which comprise the Profit and Loss Account, Statement of Comprehensive Income, Statement of Financial Position, and Statement of Changes in Equity and related notes, including the accounting policies (note 2).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its loss for the period then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

Strategic report and directors' report

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

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

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

Matters on which we are required to report by exception

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

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

We have nothing to report in these respects.

Independent auditors report to the members of EP SHB Limited (formerly Centrica SHB Limited) (continued)

Directors' responsibilities

As explained more fully in their statement set out on pages 6, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

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

David Morritt (Senior Statutory Auditor)

for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants
1 Sovereign Square
Sovereign Street
Leeds
LS1 4DA
June 2019

EP SHB Limited (formerly Centrica SHB Limited)
Profit and Loss Account
For the period 1 September 2017 to 31 December 2018

	Note	1 September 2017 to 31 December 2018 £000	1 January 2017 to 31 August 2017 £000
Revenue	4	**287,498**	19,929
Cost of sales	5	**(219,956)**	(22,057)
Gross Margin		**67,542**	(2,128)
Operating Costs	5	**(71,190)**	(9,569)
Exceptional items - write off inter company receivable		-	(9,410)
Exceptional items - write-back of impairment of tangible assets		-	26,072
Other (expenses)/income	5	-	-
Profit/(loss) before interest and taxation		**(3,648)**	4,965
Other interest received and similar income	7	-	12,765
Interest payable and similar charges	8	**(5,068)**	(11,575)
Profit/(loss) before income tax		**(8,716)**	6,155
Taxation	9	**2,599**	(6,332)
Loss for the financial period		**(6,117)**	(177)

The results have been wholly derived from continuing operations.

The Company had no recognised gains or losses other than the results for the financial period reported above.

The notes on pages 13 to 25 form part of these financial statements.

EP SHB Limited (formerly Centrica SHB Limited)
Statement of Financial Position
As at 31 December 2018

	Note	31 December 2018 £000	31 August 2017 £000
Non Current Assets			
Property, plant and Equipment	10	**176,936**	158,590
Deferred Tax Asset		**2,226**	-
		179,162	**158,590**
Current assets			
Amounts due from other group companies	11	**11,179**	-
Trade receivables and other debtors	12	**5,733**	10,390
Inventory	13	**6,925**	7,401
Cash and cash equivalents	14	**14,102**	580
		37,939	**18,371**
Current liabilities			
Amounts due to other group companies	15	**(65,004)**	(90,069)
Trade Payables and other payables	16	**(22,282)**	(24,966)
		(87,286)	**(115,035)**
Net current liabilities		**(49,347)**	**(96,664)**
Non-current liabilities			
Creditors - amounts falling due in more than one year		-	(365)
Amounts due to other group companies after more than 1 year	15	**(71,639)**	-
Provisions for Liabilities	17	**(7,175)**	(4,443)
Net assets		**51,001**	57,118
Equity			
Ordinary Shares	18	**20,000**	20,000
Share premium account		**8,436**	8,436
Capital contribution reserve		**8,371**	8,371
Retained Earnings		**14,194**	20,311
Total shareholders' funds		**51,001**	57,118

The notes on pages 13 to 25 form part of these financial statements.

The financial statements on pages 10 to 26 were approved by the Board of Directors on June 2019 and were signed on its behalf by:

Tarloke Singh Bains
Director

Company number: 02571241

EP SHB Limited (formerly Centrica SHB Limited)
Statement of Changes in Equity
For the 16 months to 31 December 2018

	Called up Share Capital	Share Premuim Account	Capital Contribution Reserve	Profit and Loss Account	Total Equity
	£000	£000	£000	£000	£000
1 September 2017	20,000	8,436	8,371	20,311	57,118
Loss and total comprehensive loss for the period	-	-	-	(6,117)	(6,117)
31 December 2018	20,000	8,436	8,371	14,194	51,001

The Company has £20,000,000 of ordinary share capital that is made up of 20,000,000 ordinary shares of £1.00 each.

The notes on pages 13 to 25 form part of these financial statements.

1. General information

EP SHB Limited is a limited company incorporated and domiciled in England. The Company's principal activity is the operation of a 1,285 MW gas-fired electricity generating facility at Stallingborough, North Lincolnshire.

2. Summary of significant accounting policies

The principal accounting policies, which have been applied in the preparation of these financial statements, are set out below. These polices have been consistently applied unless otherwise stated.

2.1 Basis of preparation

The financial statements have been prepared on a going concern basis (as set out in the Strategic Report), in a historical cost convention and in accordance with acceptable United Kingdom financial reporting and accounting standards. The financial statements have been prepared in pounds sterling because that is the currency of the primary economic environment in which the Company operated. The Company is incorporated in England and is limited by shares.

The Company meets the definition as a qualifying entity under FRS 100 (Financial Reporting Standard 100) issued by the Financial Reporting Council. These financial statements are prepared under FRS 101 (Financial Reporting Standard 101) 'Reduced Disclosure Framework' as issued by the Financial Reporting Council.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to financial instruments, capital management, presentation of comparative information in respect of certain assets, disclosure of standards not yet effective and presentation of related party transactions.

The Company's shareholders do not object to the disclosure exemptions used by the Company in these financial statements.

These financial statements are separate financial statements. Note 21 gives the details of the Company's ultimate parent, from where consolidated financial statements prepared in accordance with IFRS may be obtained.

2.2 Going Concern

Notwithstanding net current liabilities of £49,347,000 as at 31 December 2018 and a loss for the year then ended of £6,117,000, the financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons.

The directors have prepared cash flow forecasts for a period of 18 months from the date of approval of these financial statements which indicate that, taking account of reasonably possible downsides, the company will have sufficient funds, through funding from its intermediate parent company, Energetický a průmyslový holding a.s.,to meet its liabilities as they fall due for that period.

Those forecasts are dependent on a fellow subsidiary, EP UK Finance Limited not seeking repayment of the amounts currently due, which at 31 December 2018 amounted to £64,963,000 and the intermediate parent company, Energetický a průmyslový holding a.s, providing additional financial support during that period.

Energetický a průmyslový holding a.s. has indicated its intention to continue to make available such funds as are needed by the company for the period covered by the forecasts. EP UK Finance Limited has indicated that it does not intend to seek repayment of these amounts for the period covered by the forecasts. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

Consequently, the directors are confident that the company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

2.3 Functional and reporting currency

a) Functional and presentational currency

The financial statements are presented in Pounds Sterling which is the functional currency of the Company.

b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation from year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss. Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the profit and loss with 'finance income and costs'. All other foreign exchange gains and losses are presented in the income statement within 'Operating Costs'.

2.4 Revenue Recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and provision of services in the ordinary course of the company's activities and is recognised to the extent that it is probable that the economic benefits will flow to the company and the revenue can be measured reliably. Revenue is recognised on the basis of power supplied during the period. Power purchases and sales entered into optimise the performance of power generation facilities are presented net within revenue.

Revenue is recognised on an accruals basis and is shown net of sales/value added tax, returns, rebates and discounts.

2.5 Taxation

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit and losses, except that a change attributable to an item of income or expense recognised as other comprehensive income is also recognised directly in other comprehensive income.

Current tax, including UK corporation tax and foreign tax is provided at amounts expected to be paid (or recovered) using the tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all temporary differences identifies at the balance sheet date, except to the extent that the deferred tax arises from the initial recognition of goodwill (if impairment of goodwill is not deductible for tax purposes) or the initial recognition of an asset or liability in a transaction which is a business combination and at the time of the transaction affects neither accounting profit nor taxable profit and loss. Temporary differences are the difference between the carrying amount of the company's assets and liabilities and their tax base.

Deferred tax liabilities are offset against deferred tax assets when the company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority. Any remaining deferred tax asset is recognised only when, on the basis of all available evidence, it can be regarded as probable that there will be suitable taxable profits within the same jurisdiction in the foreseeable future against which the deductible temporary difference can be utilised.

Deferred tax is provided on temporary differences arising on subsidiaries, joint ventures and associates, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future. The carrying amount of deferred tax assets are reviewed at each reporting date and a valuation allowance is set up against deferred tax assets so that the net carrying amount equals the highest amount that is more likely than not to be recovered based on current or future taxable profit.

2.5 Taxation (continued)

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the asset is realised or liability settled, based on tax rates and law that have been enacted or substantively enacted by the balance sheet date. Measurement of deferred tax liabilities and assets reflects the tax consequences expected from the manner in which the asset or liability is recovered or settled.

The amount of deferred tax provided is based on the expected manner of realisation or settlement using tax rates that have been enacted or substantively enacted at the balance sheet date.

2.6 Payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

2.7 Interest-bearing loans

All interest-bearing loans are initially recognised at the fair value of the consideration received less directly attributable transactions costs. After initial recognition at fair value, loans are held at amortised cost. Borrowing costs are expensed through the profit and loss account.

Loans from parent undertakings with terms that are different to arms-length market rates are also reported at fair value, with appropriate adjustment recognised and released over the term of the loan (unless considered to be repayable on demand).

2.7 De-recognition of financial assets and liabilities

a) Financial assets:
A financial asset (or where appropriate a part of a financial asset) is de-recognised where the rights to receive cash flows from the asset have expired.

b) Financial liabilities:
A financial liability is de-recognised when the obligation under the liability is discharged, cancelled or expired.

2.8 Property Plant and Equipment

PP&E is included in the statement of financial position at cost less accumulated depreciation and any provisions for impairment. The initial cost of an asset comprises its purchase price or construction cost and any costs directly attributable to bringing the asset into operation. The purchase price or construction cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset.
Subsequent expenditure in respect of items of PP&E such as the replacement of major parts, inspections or overhauls, are capitalised as part of the costs of the related asset where it is probable that future economic benefits will arise as a result of the expenditure and the cost can be reliably measured. All other subsequent expenditure, including the costs of day-to-day servicing, repairs and maintenance, is expensed as incurred.

Freehold land is not depreciated. Other PP&E is depreciated on a straight-line basis at rates sufficient to write off the cost of individual assets over their estimated useful lives.

Gas Turbine components depreciation is provided to write off the cost of the asset over their operating lives, to the earlier of next major "C" inspection or end of station life.

2.8 Property Plant and Equipment (continued)
Depreciation is charged so as to write off the cost of the assets over their estimated useful lives as follows:

Asset Class	**Depreciation Method and Rate**
Power station assets and decommissioning asset	Straight-line – up to 24 years
Buildings	Straight-line – up to 24 years
Other Plant and Machinery	Straight-line – 3 to 10 years
Turbine components	EOH, EOSL or Major Inspection

The carrying values are tested annually for impairment when events or change in circumstances indicate that the carrying value may not be recoverable. Residual values and useful lives are reassessed annually and if necessary, changes are accounted for prospectively.

2.9 Inventories
Inventories are stated at the lower of costs incurred in bringing each item to its present location and condition and net realisable value. Provision is made where necessary for obsolete, slow-moving and defective inventories. Cost is determined on an average cost basis

2.10 Receivables
Receivables are initially recognised at fair value and subsequently at amortised cost. Receivables are disclosed in accordance with their maturity as current or non-current in the statement of financial position. Non-current receivables are due in more than one year of the balance-sheet date.

2.11 Provisions
Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, that can be measured reliably, and it is probable that the company will be required to settle the obligation. Provisions are measured at the best estimate of the expenditure required to settle the obligation at the balance sheet date and are discounted to present value where the effect is material.

2.12 Decommissioning Costs
Provision is made for the net present value of the estimated cost of decommissioning power stations at the end of their useful lives based on price levels and technology at the balance sheet date.

When this provision relates to an asset with sufficient future economic benefits a decommissioning asset is recognised and included as part of the associated PP&E and depreciated accordingly. Changes in these estimates and changes to the discount rates are dealt with prospectively and reflected as an adjustment to the provision and corresponding decommissioning asset included within PP&E. The unwinding of the discount on the provision is included in the income statement within interest expense.

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

The recoverable amount of the Company's power generation asset is calculated as the higher of fair values less costs to sell or by discounting the pre-tax cash flows expected to be generated by the assets and is dependent on views of forecast power generation and forecast power gas carbon and capacity prices (where applicable) and the timing and extent of capital expenditure. Where forward market prices are not available, prices are determined based on internal model inputs.

2.13 Impairment (continued)
An impairment loss is recognised if the carrying amount of an asset or its cash generating unit (CGU) exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

3. Critical accounting judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, which are described in note 2, the Directors may be required to make judgements, estimates and assumptions about the carrying amounts of asset and liabilities that are not readily apparent from other sources. Such estimates and the associated assumptions would be based on historical experience or other factors that are considered to be relevant. Actual result may differ from these estimates. In the Directors' opinion there are no critical judgements, apart from those involving estimates (which are dealt with separately below).

Key sources of estimation uncertainty
The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet dates, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Decommissioning Costs
The estimated cost of decommissioning of power stations is reviewed periodically and is based on price levels and technology at the balance sheet date. Provision is made for the estimated cost of decommissioning at the balance sheet date. The payment dates of total expected future decommissioning costs are uncertain and dependent on the lives of the facilities; but are currently anticipated to be incurred in 2034.

Impairment
The company has material long-life assets that are assessed or tested for impairment at each reporting date in accordance the Company's accounting policy disclosed in note 2. The Company makes judgements and estimates in considering whether the carrying value of there assets or CGUs are recoverable.

The recoverable amount of the Company's assets is calculated as the higher of fair value less costs to sell or by discounting the pre-tax cash flows expected to be generated by the assets and is dependent on views of forecast extent of capital expenditure. Where forward market prices are not available, prices are determined based on internal model input.

4. Revenue

	1 September 2017 to 31 December 2018	1 January 2017 to 31 August 2017
	£000	£000
Power station income	277,280	12,428
Ancillary and other revenue	10,218	7,501
	287,498	19,929

Power station income in the year is derived from transactions with subsidiary companies.

5. Costs

	1 September 2017 to 31 December 2018			1 January 2017 to 31 August 2017		
	Cost of Sales	Operating Costs	Total	Cost of Sales	Operating Costs	Total
	£000	£000	£000	£000	£000	£000
Other Cost of Sales	219,956	-	219,956	16,829	-	16,829
Depreciation expense	-	24,516	24,516	5,228	-	5,228
Other Operating Expenses	-	46,674	46,674	-	9,569	9,569
	219,956	71,190	291,146	22,057	9,569	31,626

Depreciation expense was reclassified from Cost of Sales to Operating Costs to align with EPUKI accounting policies. KPMG LLP was the Company's auditor for the period 1 September 2017 to 31 December 2018. Audit Fees included in Other Operating Expenses amounted to £87,000, (2017: £12,000).

6. Staff numbers and costs

Staff transferred from a Centrica plc Group company under TUPE on 1 September 2017 and are directly employed by EP SHB Limited.

Number of employees	31 December 2018 Number	1 September 2017 Number
Management and Operational Staff	81	77

The aggregate payroll costs of these persons were as follows:

	1 September 2017 to 31 December 2018 £000	1 January 2017 to 31 August 2017 £000
Wages and salaries	7,027	3,841
Social security costs	765	-
Pension costs	1,055	391
	8,847	4,232

2017 payroll costs were incurred under an employee services agreement with a Centrica Group company.

Directors' Emoluments
The Company's directors were employed by other group companies. The aggregate emoluments paid to Directors in respect of their qualifying services were £245,000; (2017: £66,403).

7. Other Interest received and similar income

	1 September 2017 to 31 December 2018 £000	1 January 2017 to 31 August 2017 £000
Interest income from amounts owed by group undertakings	-	12,765
	-	12,765

8. Interest payable and similar charges

	1 September 2017 to 31 December 2018 £000	1 January 2017 to 31 August 2017 £000
Interest on amounts owed to group undertakings	4,941	11,540
Provisions: unwinding of discounts	127	35
	5,068	11,575

9. Taxation

a. Tax charged in the income statement

	1 September 2017 to 31 December 2018 £000	1 January 2017 to 31 August 2017 £000
Current tax		
- UK corporation tax on profits for the year	**-**	-
- UK corporation tax adjustment to prior periods	**-**	39
Deferred tax		
- Prior year adjustment	**(373)**	-
- Recognition of deferred tax on losses	**(2,226)**	-
- Effect of changes in tax rates	**-**	(878)
- Origination and reversal of timing differences	**-**	7,171
Total deferred tax	**(2,599)**	6,293
Tax expense on profit	**(2,599)**	6,332

b. Reconciliation of effective tax rate

The tax expense for the year is higher (8 months ended 31 August 2017: higher) than the expense that would have been charged using the standard rate of corporation tax in the UK of 19% (8 months ended 31 August 2017: 19.37%) applied to the profit before tax. The differences are explained below:

	1 September 2017 to 31 December 2018 £000	1 January 2017 to 31 August 2017 £000
Loss before Income tax	**(8,716)**	**6,155**
Tax Credit at Standard UK rate 19% (31 August 2017: 19.37%)	**(1,656)**	1,192
Effects of:		
Net expenses non-deductible for tax purposes	**209**	2,164
Increase arising from group relief tax reconciliation		3,119
Increase/(decrease) from transfer pricing adjustments	**-**	44
Increase in current tax from unrecognised tax loss or credit		-
Prior period adjustment	**(373)**	39
Increase/(decrease) from timing differences	**(1,082)**	
Deferred tax credit relating to changes in tax rates or laws	**303**	(878)
Increases from unrecognised tax losses	**-**	652
Total income tax expense	**(2,599)**	6,332

9. Taxation (continued)

b. Reconciliation of effective tax rate (continued)

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

10. Tangible Assets

Property, plant and equipment

	Land and Buildings	Power Station Assets	Turbines, plant and Equipment	Decommissioning Asset	Total
	£000	£000	£000	£000	£000
Cost or Valuation					
Balance at 1 September 2017	2,210	553,544	215,091	3,714	774,559
Additions	-	6,085	40,154	2,622	48,860
Disposals	-	-	(30,900)	-	(30,900)
Balance at 31 December 2018	**2,210**	**559,629**	**224,345**	**6,336**	**792,520**
Depreciation and impairment					
Balance at 1 September 2017	-	496,858	118,164	946	615,968
Depreciation charge for the perio	-	16,093	8,167	256	24,516
Disposals		-	(24,900)	-	(24,900)
Balance at 31 December 2018	**-**	**512,951**	**101,431**	**1,202**	**615,584**
Net Book Value					
At 1 September 2017	2,210	56,686	96,927	2,767	158,590
At 31 December 2018	**2,210**	**46,678**	**122,914**	**5,134**	**176,936**

In 2018 the fair value of the Company's decommissioning asset was revalued due to a change in the discount rate to 2.3% (real) from 1.2% (real). This resulted in a revaluation revision of £2,472,000 in the balance sheet in 2018 (see note 17).

11. Amounts due from other group companies

	At 31 December 2018	At 31 August 2017
	£000	£000
Intercompany Receivables within 1 year	11,179	-

The amounts due from other group companies are trading receivables due within one month of invoicing.

12. Trade receivables and other debtors

Trade and other receivables

	At 31 December 2018	At 31 August 2017
	£000	£000
Trade receivables	433	7,308
Prepayments and accrued income	632	3,082
Other Receivables	4,668	-
	5,733	10,390

13. Inventories

	At 31 December 2018	At 31 August 2017
	£000	£000
Consumables and strategic spares	7,618	7,401
Obsolesence Provision	(693)	-
	6,925	7,401

14. Cash and cash equivalents

	At 31 December 2018	At 31 August 2017
	£000	£000
Cash at bank and in hand	14,102	580

15. Amounts due to other group companies

	At 31 December 2018	At 31 August 2017
	£000	£000
Intercompany payables within 1 year	41	-
Group loans payable within 1 year	64,963	90,069
	65,004	90,069
Group loans payable in more than 1 year	71,639	-
Amounts due to other group companies	136,643	90,069

The loan balances reported above include accumulated interest payable.

Terms and debt repayment schedule

	Currency	Notional Interest	Year of Maturity	Balance at 31 December 2018
Loan with EP Finance Ltd	GBP	LIBOR +2.6%	2019	49,947
Loan with EP Finance Ltd (rolling credit facility)	GBP	LIBOR +2.3%	2019	15,016
				64,963
Loan with EPUKI	GBP	4%	2020	71,639

16. Trade payables and other payables

	At 31 December 2018	At 31 August 2017
	£000	£000
Trade payables	4,640	3,887
Accruals and Deferred Income	1,058	18,159
Other Payables (including EU ETS Emissions obligations)	16,584	2,920
	22,282	24,966

17. Provisions for liabilities

Decommissioning Provision	£000
Balance at 1 September 2017	4,443
Additions and revaluations	2,622
Other	(17)
Accretion of interest	127
Balance at 31 December 2018	7,175

The company has recognised provisions for its obligations to decommission the power station at the end of its operating life, which is expected to occur in 2028 and 2029. The provision recognised represents the best estimate of the expenditures required to settle the present obligation at the current balance sheet date, based on existing technology and current legislation requirements. Such cost estimates, expressed at current price levels at the date of the estimate, are discounted using a long-term pre-tax rate of 2.3% (2017: 1.2%).

18. Called-up share capital

	At 31 December 2018		At 31 August 2017	
	No	£	No	£
Allotted and fully paid up:				
Ordinary Shares of £1 each	20,000,000	20,000,000	20,000,000	20,000,000

19. Commitments and contingencies

Leases as Lessee

At 31 December 2018 the company had commitments under non-cancellable operating leases with the following maturity:

	at 31 December 2018	at 31 August 2017
In two to five years	231	274
In over five years	444	485
	675	759

The amount of non-cancellable operating lease payments recognised as an expense during the period as a cost of sales was £116,000 (2017: £26,000).

Capital commitments

Contracted future expenditure as at 31 December 2018 was £486,000, (2017: £36,835,000).

20. Financial risk management, objectives and policies

The Company is funded by loans from Group other Companies owned by Energetický a průmyslový holding, a.s. Financials risks and management of those risks are included in the Consolidated Annual Report and Financial Statements.

21. Immediate and Ultimate Parent Company undertakings

The Company is a subsidiary undertaking of EPUKI Limited, a wholly owned subsidiary of Energetický a průmyslový holding, a.s. (resp. EP Power Europe, a.s.). EP Investment S.a r.l. is the ultimate parent company, incorporated in Luxembourg. The ultimate controlling party is Daniel Křetínský, who is the majority shareholder.

The largest group in which the results of the Company are consolidated is that headed by EP Investment S.a r.l., its registered office is 39, Avenue John F. Kennedy, L-1855 Luxembourg .

The smallest group in which the results are consolidated is that headed by EP Power Europe, a.s. its registered office is Pařížská 26, 110 00 Prague 1, Czech Republic.

The consolidated financial statements of these groups are available to the public and may be obtained from offices of each company.