EP SHB LIMITED

Annual Report and Financial Statements

For the Year ended 31 December 2019

Registered Number - **02571241**

Directors

Antonia Charlotte Stockton
Jan Špringl
Marek Spurný
Pavel Horský
Tarloke Singh Bains
Victoria Rose Pearson

Company Secretary

John Marcus Nettleton (resigned 24 May 2020)

Registered office

Byron House
7-9 St James's Street
London
SW1A 1EE

Independent Auditor

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

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EP SHB LIMITED
Strategic Report
For the Year ended 31 December 2019

The directors present their Strategic Report on the Company for the period ended 31 December 2019.

Principal activities

EP SHB Limited ("EP SHB Limited" 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 UK Investments Limited ("EPUKI"), a Company incorporated in England and Wales.

The largest group in which the results of the Company are consolidated is that headed by Energetický a průmyslový holding, a.s. ("the Group").

Results

The profit for the year ended 31 December 2019 was £16.9m; (16 months ended 31 December 2018 £6.1m 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.

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.

During the period the Company operated under a "Capacity Market" agreement with National Grid, which provides a tranche of fixed income for making capacity available to the National Grid at times of system stress. The General Court of Justice of the European Union's annulled 2014 state aid approval for the GB Capacity market in November 2018. Following an in-depth investigation, the commission confirmed in October 2019 that the Capacity market scheme does indeed comply with EU state rules. Following this announcement, the Company has recognised revenue back dating to October 2018 and this was subsequently received in full in January 2020.

Key performance indicators

Key performance indicators are reported to the Company's owner Energetický a průmyslový holding, a.s. which reports key performance indicators in its Consolidated Annual Report and Financial Statements.

Principal risks and uncertainties

The Company is a subsidiary undertaking of EP Investment S.à.r.l. which is the ultimate parent company, incorporated in Luxembourg.

The largest group in which the results of the Company are consolidated is that headed by Energetický a průmyslový holding, a.s. ("the Group").

The principal risks and uncertainties impacting on the company are discussed in the context of Energetický a průmyslový holding, a.s., as a whole in its Consolidated Annual Report and Financial Statements. These risks are managed on a group-wide basis including Brexit risk, which for the Company is deemed relatively small.

Going Concern

Notwithstanding net current liabilities of £77,172k as at 31 December 2019 (2018: £49,347), 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, EP Power Europe, 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 and the parent company EP UK Investments Limited, not seeking repayment of the amounts currently due, which at 31 December 2019 amounted to £21,631k and £74,478k respectively, or the intermediate parent company, EP Power Europe, a.s, providing additional financial support.

EP Power Europe, 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.

The company has closely monitored the spread of Covid-19 and its resulting impact on staff, the economy, energy markets and relevant supply chains. Policies and measures have been put in place dynamically, based on the most up to date information, to maintain the safety of its employees and minimise disruption to the business. To date there has not been a significant financial impact as a result of the COVID-19 pandemic. The company believes that the impact on staff, the economy, energy markets and supply chains does not impact the financial statements for the year ending 31 December 2019 or the assumptions used in their preparation.

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 Year 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,
29 June 2020

Registered office
Byron House
7-9 St James's Street
London
SW1A 1EE

The directors present their report and the audited financial statements for the Year ended 31 December 2019.

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 year up to the date of signing the financial statements are detailed on page 1.

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 (2018: nil).

Directors Duties

The Directors of the Company, as those of all UK Companies, must act in accordance with a set of general duties. These duties are detailed in section 172 of the UK Companies Act 2006. The Directors consider that they have acted in good faith.

The Directors recognise their duty to act in a way which they consider, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole in accordance with section 172 of the UK Companies Act 2006. The Directors' section 172 duties are part of Board discussions. The Directors continue to have regard to the interest of the company's key stakeholders and, throughout the year, the Board and management engage with key stakeholders on items relevant to them.

Risk Management

The Directors effectively identify, evaluate, manage and mitigate the risks the Company faces. For details of these please refer to the EPH Group Accounts.

Our People

The Directors are committed to the Company being a responsible business. Safety of our people is paramount, many of the workforce are trained safety representatives. For the Company to succeed staff are developed and managed whilst ensuring efficient operation.

The Company engages regularly with the union representatives and staff to provide an open forum for discussions. Regular communication helps to aid engagement and is welcomed by the employees.

Business Relationships

The Directors ensure that management operate the business in a responsible manner with high standards of conduct and governance as set out in the Company's policies.

The Company values its suppliers and have multi-year contracts with key suppliers. Regular meetings to review performance and feedback occur and development of strong collaborative relationships and encouraged through this process.

Community and Environment

The Directors continue to focus on the social and environmental aspects of the business and keep and open and active dialogue with different stakeholders in the region. The Company carefully considers the environmental, social and economic aspects relevant to the operations and does the utmost to maintain a balanced approach to decision making.

Statement as to disclosure of information to the Auditor

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.

Re-appointment of Auditors

Following a competitive tender in respect of the EPH Group, KPMG LLP will resign as auditors. Deloitte LLP will be appointed as auditors for the year ending 31 December 2020.

On behalf of the Board

Tarloke Singh Bains
Director
29 June 2020

Registered office
Byron House
7-9 St James's Street
London
SW1A 1EE

Statement of directors' responsibilities in respect of Strategic Report, The Directors' Report and the financial statements

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

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

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

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

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

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdiction.

Independent auditors report to the members of EP SHB LIMITED

Opinion

We have audited the financial statements of the Company for the year ended 31 December 2019 which comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity and related notes, including the accounting policies in note 2.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease its operations, and as they have concluded that the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

Strategic report and directors' report

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

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

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

Independent auditors report to the members of EP SHB LIMITED (continued)

Matters on which we are required to report by exception

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

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

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 7, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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

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

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

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

David Morritt (Senior Statutory Auditor)

for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants
1 Sovereign Square
Sovereign Street
Leeds
LS1 4DA

June 2020

EP SHB LIMITED
Statement of Comprehensive Income
For the year to 31 December 2019

	Note	Year to 31 December 2019 £000	16 months to 31 December 2018 (restated) £000
Revenue	4	**329,577**	287,789
Cost of sales	5	**(255,219)**	(232,188)
Gross Margin		**74,358**	55,601
Operating costs	5	**(48,369)**	(59,225)
Profit/(loss) before interest and taxation		**25,989**	(3,624)
Other interest received and similar income	8	**112**	-
Interest payable and similar charges	9	**(4,819)**	(5,092)
Profit/(loss) before income tax		**21,282**	(8,716)
Taxation	10	**(4,346)**	2,599
Profit/(loss) for the year attributable to the equity shareholders		**16,936**	(6,117)
Attributable to;			
- Owners of the parent		**16,936**	(6,117)
Total profit/(loss) for the period attributable to the equity shareholders		**16,936**	(6,117)

The accompanying notes on pages 13 to 25 are an integral part of this Statement of Comprehensive Income. All results relate to continuing activities. There were no other recognised gains or losses in the current period; accordingly, a Statement of Other Comprehensive Income has not been presented.

EP SHB LIMITED
Statement of Financial Position
As at 31 December 2019

	Note	31 December 2019 £000	31 December 2018 £000
Non-Current Assets			
Property, plant and equipment	11	**150,787**	176,936
Deferred tax asset	12	**1,424**	2,226
		152,211	**179,162**
Current assets			
Amounts due from other group companies	13	**17,911**	11,179
Trade receivables and other debtors	14	**36,351**	5,733
Inventory	15	**6,420**	6,925
Cash and cash equivalents	-	**15,178**	14,102
		75,860	**37,939**
Current liabilities			
Amounts due to other group companies	16	**(99,057)**	(65,004)
Trade payables and other payables	17	**(53,975)**	(22,282)
		(153,032)	**(87,286)**
Net current liabilities		**(77,172)**	**(49,347)**
Non-current liabilities			
Amounts due to other group companies after 1 year	16	-	(71,639)
Provisions for liabilities	18	**(7,102)**	(7,175)
		(7,102)	(78,814)
Net assets		**67,937**	51,001
Shareholders' equity			
Equity attributable to the owners of the parent			
Ordinary shares	19	**20,000**	20,000
Share premium account		**8,436**	8,436
Capital contribution reserve		**8,371**	8,371
Retained earnings		**31,130**	14,194
Shareholders' funds		**67,937**	51,001

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

The financial statements on pages 10 to 25 were approved by the Board of Directors on 29 June 2020 and were signed on its behalf by:

Tarloke Singh Bains
Director

Company number: 02571241

EP SHB LIMITED
Statement of Changes in Equity
For the year ended 31 December 2019

	Called up Share Capital	Share Premium 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
Profit and total comprehensive profit for the period	-	-	-	(6,117)	(6,117)
31 December 2018	20,000	8,436	8,371	14,194	51,001
1 January 2019	20,000	8,436	8,371	14,194	51,001
Profit and total comprehensive profit for the period	-	-	-	16,936	16,936
31 December 2019	20,000	8,436	8,371	31,130	67,937

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, cash flow statement, 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 £77,172k as at 31 December 2019 (2018: £49,347), 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, EP Power Europe, 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 and the parent company EP UK Investments Limited, not seeking repayment of the amounts currently due, which at 31 December 2019 amounted to £21,631k and £74,478k respectively, or the intermediate parent company, EP Power Europe, a.s, providing additional financial support.

EP Power Europe, 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.

The company has closely monitored the spread of Covid-19 and its resulting impact on staff, the economy, energy markets and relevant supply chains. Policies and measures have been put in place dynamically, based on the most up to date information, to maintain the safety of its employees and minimise disruption to the business. To date there has not been a significant financial impact as a result of the COVID-19 pandemic. The company believes that the impact on staff, the economy, energy markets and supply chains does not impact the financial statements for the year ending 31 December 2019 or the assumptions used in their preparation.

2.2 Going Concern (continued)
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 Year 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.

2.5 Taxation (continued)

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.

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. Initial borrowing costs are capitalised and amortised over the life of the loan.

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).

2.8 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.

2.9 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.

2.9 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	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.

2.10 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

2.11 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.

2.12 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.

2.13 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.

2.14 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.

2.14 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.

2.15 Finance leases
The Company has applied IFRS 16: Leases from 1 January 2019 for the period. This has been adopted using the modified retrospective method and as a result the comparatives have not been restated and are reported under IAS 17, with no adjustments to opening reserves.

As a lessee, the Company leases office buildings, and under IFRS the Company recognised a lease liability, being the future fixed and variables payments discounted using the Incremental Borrowing rate, and a Right of use Asset, being the lease liability adjusted for any initial costs and estimated costs of asset restoration.
Interest on the lease liability is included within Finance expenses, and depreciation on the Right of use Asset is recognised in Administration expenses.
Any immaterial leases are recognised as an expense in the Income statement along the length of the initial lease term.

The Company has not entered into any transactions which would cause the Company to act as a lessor.

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 their 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

	Year to 31 December 2019 £000	16 months to 31 December (restated) 2018 £000
Power station income	**327,461**	286,073
Ancillary and other revenue	**2,116**	1,716
	329,577	287,789

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

5. Costs

	Year to 31 December 2019			16 months to 31 December 2018 (restated)		
	Cost of Sales **£000**	***Operating*** **Costs £000**	**Total £000**	*Cost of* Sales £000	*Operating* Costs £000	Total £000
Cost of sales	**255,219**	**-**	**255,219**	232,188	-	232,188
Depreciation expense	**-**	**18,130**	**18,130**	-	24,516	24,516
TNUOS charges	**-**	**4,156**	**4,156**	-	4,904	4,904
Other operating expenses	**-**	**26,083**	**26,083**	-	29,805	29,805
	255,219	**48,369**	**303,588**	232,188	59,225	291,413

KPMG LLP was the Company's auditor for the year ended 31 December 2019. Audit fees included in other operating expenses amounted to £54,150 (16 months ended 31 December 2018: £87,000).

6. Staff numbers and costs

Average number of employees	**2019 Number**	2018 Number
Management and operational staff	**79**	81

The aggregate payroll costs of these persons were as follows:

	Year to 31 December 2019 £000	16 months to 31 December 2018 £000
Wages and salaries	**4,993**	7,027
Social security costs	**497**	765
Pension costs	**548**	1,055
	6,038	8,847

7. Directors' Emoluments

The Company's directors were employed and remunerated by other group companies.

8. Other Interest received and similar income

	Year to 31 December 2019 £000	16 months to 31 December 2018 £000
Interest income from amounts owed by group undertakings	37	-
Other interest receivable	75	-
	112	-

9. Interest payable and similar charges

	Year to 31 December 2019 £000	16 months to 31 December 2018 (restated) £000
Interest on amounts owed to group undertakings	4,645	4,941
Right of use asset and other interest	29	-
Provisions: unwinding of discounts	145	127
Other	-	24
	4,819	5,092

10. Taxation

a. Tax charged in the income statement

Tax on profit/(loss) on ordinary activities

UK corporation tax	Year ended 31 Dec 2019 £000	Year ended 31 Dec 2018 £000
UK corporation tax on profits for the year	2,182	
Adjustment in respect of prior year	1,362	-
Total current tax	3,544	-

Deferred tax	Year ended 31 Dec 2019 £000	Year ended 31 Dec 2018 £000
Adjustments in respect of prior year	(1,284)	(373)
Current year	2,086	(2,226)
Total deferred tax credit	802	(2,599)

Tax on Profit	Year ended 31 Dec 2019 £000	Year ended 31 Dec 2018 £000
Total Corporation tax	3,544	-
Total deferred tax	802	(2,599)
Total deferred tax credit	4,346	(2,599)

10. Taxation (continued)

a. Reconciliation of effective tax rate

The tax expense for the year is in higher than (16 months ended 31 December 2018: higher credit) the expense that would have been charged using the standard rate of corporation tax in the UK of 19% 16 months ended 31 December 2018: 19%) applied to the profit before tax. The differences are explained below:

	Year to 31 December 2019 £000	16 months to 31 December 2018 £000
Profit/ (loss) before Income tax	**21,282**	**(8,716)**
Tax Credit at Standard UK rate 19% (2018: 19%)	**4,044**	(1,656)
Effects of:		
Net expenses non-deductible for tax purposes	**895**	209
CIR Allowances	**(836)**	-
Impact of rate change	**168**	-
Prior period adjustment	**1,362**	(373)
Increase/(decrease) from timing differences	**-**	(1,082)
Deferred tax credit relating to changes in tax rates or laws	**(1,287)**	303
Increases from unrecognised tax losses	**-**	-
Total income tax expense	**4,346**	(2,599)

A reduction in the UK corporation tax rate from 19% to 17% (effective from 1 April 2020) was substantively enacted on 6 September 2016, and the UK deferred tax asset as at 31 December 2019 has been calculated based on this rate. In the 11 March 2020 Budget it was announced that the UK tax rate will remain at the current 19% and not reduce to 17% from 1 April 2020. This will have a consequential effect on the Company's future tax charge. If this rate change had been substantively enacted at the current balance sheet date the deferred tax asset would have increase by £168,000.

11. Tangible Assets

Property, plant and equipment

	Land and Buildings £000	Power Station Assets £000	Turbines, Plant & Equipment £000	ROU asset £'000	ARO Asset £000	Total £000
Cost						
Balance at 1 January 2019	2,210	559,629	224,345	-	6,336	792,520
Additions	-	322	1,199	380	-	1,901
Disposals	-	(1,395)	(18,975)	-	-	(20,370)
Change in discount rates	-	-	-	-	(467)	(467)
Balance at 31 December 2019	**2,210**	**558,556**	**206,569**	**380**	**5,869**	**773,584**
Depreciation						
Balance at 1 January 2019	-	512,951	101,431	-	1,202	615,584
Depreciation charge	-	7,006	10,715	24	385	18,130
Disposals	-	(649)	(10,268)	-	-	(10,917)
Balance at 31 December 2019	**-**	**519,308**	**101,878**	**24**	**1,587**	**622,797**
Net Book Value						
At 31 December 2018	2,210	46,678	122,914	-	5,134	176,936
At 31 December 2019	**2,210**	**39,248**	**104,691**	**356**	**4,282**	**150,787**

11. Tangible fixed assets (continued)

In 2019 the fair value of the Company's decommissioning asset (ARO asset) was revalued due to a change in the discount rate from 2.3% to 1.76%. This resulted in a revaluation revision of £218,403 in the balance sheet. This is in addition to correction of a prior year adjustment of £248,509 (see note 17).

During the year, the Company recognised a £379,727 Right-of-use (ROU) asset relating to a forty-year foreshore lease with Associated British Ports. The Company applied the simplified approach and calculated all Right-of-use Assets and Lease Liabilities upon transition at 1 January 2019. The lease has been discounted using an incremental borrowing rate of 5%.

12. Deferred taxation asset

	Assets		Liabilities		Net	
	2019	2018	2019	2018	2019	2018
	£000	£000	£000	£000	£000	£000
Tangible fixed assets	-	-	(33)	-	(33)	-
Tax value of loss carry-forwards	-	2,226	-	-	-	2,226
Provisions	1,457	-	-	-	1,457	-
Tax assets / (liabilities)	1,457	2,226	(33)	-	1,424	2,226
Net tax assets / (liabilities)	1,457	2,226	(33)	-	1,424	2,226

Movement in deferred tax During the year	1 January	Recognised in income statement	31 December
	2019	2019	2019
	£000	£000	£000
Tangible fixed assets	-	(33)	(33)
Tax value of loss carry-forwards	2,226	(2,226)	-
Provisions	-	1,457	1,457
	2,226	(802)	1,424

Movement in deferred tax in prior year

	1 January	Recognised in income statement	31 December
	2018	2019	2018
	£000	£000	£000
Tangible fixed assets	-	-	-
Tax value of loss carry-forwards	-	2,226	2,226
Provisions	-	-	-
	-	2,226	2,226

13. Amounts due from other group companies

	2019 £000	2018 £000
Intercompany receivables within 1 year	**13,888**	11,179
Intercompany loans receivable within 1 year	**4,023**	-
Amounts due from other group companies	**17,911**	11,179

Intercompany receivables are trading receivables due within one month of invoicing.

The Intercompany loan relates to a short-term loan issued to a fellow Group company. Interest is charged at LIBOR + 2.3%, both the principal and accrued interest were settled in full in January 2020.

14. Trade receivables and other debtors

	2019 £000	2018 £000
Trade receivables	**32,171**	433
Prepayments and accrued income	**2,637**	632
Other Receivables	**1,543**	4,668
	36,351	5,733

15. Inventories

	2019 £000	2018 £000
Consumables and strategic spares	**7,847**	7,618
Obsolescence provision	**(1,427)**	(693)
	6,420	6,925

16. Amounts due to other group companies

	2019 £000	2018 £000
Intercompany payables within 1 year	**2,948**	41
Group loans payable within 1 year	**96,109**	64,963
	99,057	65,004
Group loans payable in more than 1 year	-	71,639
Amounts due to other group companies	**99,057**	136,643

The loan balances reported above include accrued interest payable.

Intercompany payable balances are reported on a net basis and are repayable upon demand.

Terms and debt repayment schedule	Currency	Interest rate	Year of Maturity	Principal £'000	Interest Accrued £'000	Balance at 31 December 2019 £'000
EP UK Finance	GBP	LIBOR +2.6%	2020	21,614	17	21,631
EP UK Investments	GBP	4%	2020	71,291	3,187	74,478
				92,905	**3,204**	**96,109**

17. Trade payables and other payables

	2019	2018
	£000	£000
Trade payables	**313**	4,640
Accruals and deferred income	**2,167**	1,058
Other payables	**51,495**	16,584
	53,975	22,282

Included in other payables is £44,978,695 EUA creditor (2018: £12,729,267).

18. Provisions for liabilities

Decommissioning Provision	**£000**
Balance at 1 January 2019	**7,175**
Revaluations	**(218)**
Accretion of interest	**145**
Balance at 31 December 2019	**7,102**

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 1.76% (2018: 2.3%).

19. Called-up share capital

	2019		2018	
	No	£	No	£
Allotted and fully paid up:				
Ordinary Shares of £1 each	**20,000,000**	**20,000,000**	20,000,000	20,000,000

20. Commitments and contingencies

Capital commitments

Contracted future expenditure as at 31 December 2019 was £746,000, (2018: £486,000).

All material leases are now accounted for under IFRS 16 - Leases

21. Financial risk management, objectives and policies

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

22. 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.

23. Prior year restatement

Following a UK group wide review the directors of the Company have assessed the classifications of all income and costs within the Income Statement. The directors have therefore restated Turnover, Cost of sales, operating costs and interest payable and similar expenses for the financial year ended 31 December 2018 for the financial statements to be comparable within the group. This will improve the presentation of the financial statements and the reader's understanding of the business more clearly.

Management's view is that those costs that are directly attributable to the generation of electricity and ancillary income will be classified as costs of sales. These costs include, but are not limited to, gas consumption, EUA emissions and spares usage. Therefore, we have reclassified the carbon price support from Operating costs to cost of sales. Other costs that are not directly in relation to generation such as salaries, depreciation, rates and FX gains/losses are included within operating costs.

Profit after taxation has remained the same and there has been no restatement of the balance sheet.

The below table shows the impact per Financial statement line item and the reclassifications that have been made.

	FY18	Adjustment	**FY 18 restated**
Revenue	287,498	**291**	**287,789**
Cost of sales	(219,956)	**(12,232)**	**(232,188)**
Operating Costs	(71,190)	**11,965**	**(59,225)**
Interest payable and similar charges	(5,068)	**(24)**	**(5,092)**

23. Prior year restatement (continued)

	FY18	Adjustment	**FY 18 restated**
	£000	£000	**£000**
Revenue	287,498	291	**287,789**
Cost of sales	(219,956)	(12,232)	**(232,188)**
Gross Margin	67,542	(11,941)	**55,601**
Operating costs	(71,190)	11,965	**(59,225)**
Profit/(loss) before interest and taxation	(3,648)	24	**(3,624)**
Other interest received and similar income	-	-	-
Interest payable and similar charges	(5,068)	(24)	**(5,092)**
Profit/(loss) before income tax	(8,716)	-	**(8,716)**
Taxation	2,599	-	**2,599**
Profit/(loss) for the year attributable to the equity shareholders	(6,117)	-	**(6,117)**

Revenue

	Year to 31 December 2018	Adjustment	**Year to 31 December 2018**
	£'000	£'000	**£'000**
Power station income	277,280	8,793	**286,073**
Ancillary and other revenue	10,218	(8,502)	**1,716**
	287,498	291	**287,789**