

EP UK Investments Limited

Annual Report and Financial Statements

For the Year ended 31 December 2018

Registered Number - **09255154**



Directors

Daniel Křetínský
Jan Špringl
Marek Spurný
Pavel Horský
Tarloke Singh Bains

Company Secretary

John Marcus Nettleton

Registered office

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Independent Auditor

KPMG LLP
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Strategic Report

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

Principal activities

EP UK Investments Limited (“the Company”) is a limited company incorporated and domiciled in England and Wales. The Company’s principal activity is the holding of investments and the provision of commodity trading services for subsidiary companies.

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 profit for the financial year was £2.9m (2017 £(5.4)m loss).

Review of the business

The Company continues to hold investments in wholly owned subsidiaries which own power generation assets.

Two CCGT power plants, Langage and South Humber Bank which have a total installed capacity of 2.3GW.

During the period both stations 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.

The Lynemouth Power plant was successfully converted to Biomass generation during the year following a multi-year conversion project and on 23 June 2018 successfully achieved LCCC (Low Carbon Contracts Company) accreditation which initiated the Contract for Difference mechanism. The plant has a capacity of 0.4GW, making it one of the largest biomass plants globally.

Eggborough Power Station ceased generation at the end of March 2018, decommissioning of the Station has been successfully completed and the sale of the main power station site was concluded on the 10 June 2019.

As well as being a holding company for the above assets, EPUKI is the nominated commodity trading business for these assets through external commodity (power, gas etc) contracts whilst earning a trading commission for this service and continues to explore and develop both internal and external opportunities.

The financial position of the Company is shown on the Statement of Financial Position on page 9.

On 18 December 2018 certain EPUKI subsidiaries successfully entered into a Financing arrangement, which also created a charge of the EPUKI shareholdings in these subsidiaries.

As part of this the Company issued 100 shares for £106,650,000 premium.

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.

Strategic Report (continued)

Going Concern

Notwithstanding net current liabilities of £176,973k as at 31 December 2018 and a profit for the year ended of £2,922, 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, EPH, to meet its liabilities as they fall due for that period.

Those forecasts are dependent on EPH, not seeking repayment of the amounts currently due to the group, which at 31 December 2018 amounted to £357,629k, and providing additional financial support during that period. EPH has indicated its intention to continue to make available such funds as are needed by the company, and that it does not intend to seek repayment of the amounts due at the balance sheet date, 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

Directors' Report

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

Future developments

The Company continues to provide commodity trading for its subsidiaries and evaluates investment opportunities in the UK power market.

On the 12 June 2019, the Company acquired Ballylumford and Kilroot power stations in Northern Ireland from AES Corporation, with a combined installed capacity of 1.4GW. This represents the first acquisition by EPH into the Northern Ireland energy market.

Directors

A list of Directors who served during the year can be found 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 (2017: nil).

Political and Charitable Donations

There were no political donations in the year, the company made a charitable donation of £80k to Duke of Edinburgh's International Award in the year (2017: nil).

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

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

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

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

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the 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 enough 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 UK Investments Limited

Opinion

We have audited the financial statements of EP UK Investments Limited (“the Company”) for the year ended 31 December 2018 which comprise the Statement of Comprehensive Income, Statement of Financial Position, Cash flow 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 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

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 year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

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

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

We have nothing to report in these respects.

Independent auditors report to the members of EP UK Investments Limited (continued)

Directors' responsibilities

As explained more fully in their statement set out on page 5, 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 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 Morrith (Senior Statutory Auditor)

for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

1 Sovereign Square

Sovereign Street

Leeds

LS1 4DA

June 2019

Statement of Comprehensive Income
For the year ended 31 December 2018

| | | 2018 | 2017 |
|---|------|----------------|----------------|
| | Note | £000 | £000 |
| Revenue | 4 | 7,483 | 3,469 |
| Cost of sales | | 247 | (569) |
| Gross Margin | | 7,730 | 2,900 |
| Administrative expenses | 5 | (15,949) | (7,962) |
| Other gain/(losses) net | 7 | 1,838 | (3,526) |
| Dividend received | | 400 | - |
| Operating Loss | | (5,981) | (8,588) |
| Financing | | | |
| Interest receivable | 8 | 9,719 | 3,297 |
| Interest payable | 9 | (1,072) | (832) |
| Profit/(loss) before income tax | | 2,666 | (6,123) |
| Taxation | 10 | 256 | 724 |
| Profit/(loss) for the year attributable to the equity shareholders | | 2,922 | (5,399) |
| Attributable to; | | | |
| - Owners of the parent | | 2,922 | (5,399) |
| Total profit/(loss) for the period attributable to the equity shareholders | | 2,922 | (5,399) |

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.

Statement of Financial Position
As at 31 December 2018

| | Note | 2018 £000 | 2017 £000 |
|---|------|------------------|------------------|
| Non-current assets | | | |
| Investments in subsidiaries | 11 | 213,708 | 122,396 |
| Tangible assets | 12 | 295 | - |
| Intangible assets | 13 | 6,546 | 2,545 |
| Amounts due from other Group companies - (after more than one year) | 14 | 92,215 | 238,509 |
| | | 312,764 | 363,450 |
| Current assets | | | |
| Amounts due from other Group companies | 14 | 163,540 | 16,790 |
| Trade receivables and other debtors | 15 | 92,469 | 109,296 |
| Deferred tax asset | 16 | 1,081 | 811 |
| Cash and cash equivalents | 17 | 38,908 | 8,535 |
| | | 295,998 | 135,432 |
| Current Liabilities | | | |
| Amounts due to other Group companies | 18 | (387,032) | (384,340) |
| Trade payables and other payables | 19 | (85,838) | (87,786) |
| Deferred tax liability | 20 | (101) | (87) |
| | | (472,971) | (472,213) |
| Net current liabilities | | (176,973) | (336,781) |
| Non-current liabilities | | | |
| Amounts due to other creditors | 21 | (833) | (1,283) |
| | | (833) | (1,283) |
| Net assets | | 134,958 | 25,386 |
| Shareholders' equity | | | |
| Equity attributable to the owners of the parent | | | |
| Called-up share capital | 22 | - | - |
| Share premium account | 23 | 106,650 | - |
| Capital redemption reserve | 24 | 112,860 | 112,860 |
| Profit and loss account | | (84,552) | (87,474) |
| Shareholders' funds | | 134,958 | 25,386 |

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

The financial statements on pages 9 to 25 were approved by the Board of Directors on June 2019 and were signed on its behalf by:



Tarloke Singh Bains
Director

Company number: 09255154

Statement of Changes in Equity
For the year ended 31 December 2018

| | Called- up share capital £000 | Share premium account £000 | Capital contribution reserve £000 | Profit and loss account £000 | Total equity £000 |
|----------------------------------|---|-------------------------------------|--|---------------------------------------|-------------------------|
| At 1 January 2018 | - | - | 112,860 | (87,474) | 25,386 |
| Share premium on issue of shares | - | 106,650 | - | - | 106,650 |
| Total comprehensive income | - | - | - | 2,922 | 2,922 |
| At 31 December 2018 | - | 106,650 | 112,860 | (84,552) | 134,958 |

The Company has £1 ordinary share capital that is made up of 100 ordinary shares of £0.01 each.

On the 30 November 2018 100 shares were issued and paid at a premium of £1.1m, after deducting costs.

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

Cash flow statement
For the year ended 31 December 2018

| | | 2018 | 2017 |
|--|-----------|----------------|----------|
| | Note | £000 | £000 |
| Net cash from operating activities | 27 | 17,864 | 94,294 |
| Cash flows from investing activities | | | |
| Deferred consideration paid | 12 | (450) | - |
| Acquisition of tangible fixed assets | 13 | (295) | - |
| Acquisition of other intangible assets | 13 | (13,363) | (2,484) |
| Disposal of other intangible assets | | 8,748 | - |
| Net Cash from investing activities | | (5,360) | (2,484) |
| Cash flows from financing activities | | | |
| Proceeds from loan | | 246,836 | - |
| Repayment of borrowings | | (228,967) | (83,300) |
| Net cash from financing activities | | 17,869 | (83,300) |
| Net increase in cash and cash equivalents | | 30,373 | 8,510 |
| Cash and cash equivalents at 1 January 2018 | | 8,535 | 57 |
| Cash and cash equivalents at 31 December 2018 | 17 | 38,908 | 8,535 |

Notes to the Financial Statements

For the year ended 31 December 2018

1. General information

EP UK Investments Limited is a limited company incorporated and domiciled in England. The Company's principal activity is the holding of investments and the provision of commodity trading services for subsidiary companies.

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 policies 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 26 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

The Directors, having assessed the responses of the Directors of the Company's parent undertaking, EPPE, and have no reason to believe that a material uncertainty exists that may cast significant doubt about the ability of EPPE to continue as a going concern or its ability to continue with the current banking arrangements.

On the basis of their assessment of the Company's financial position and of the enquiries made of the Directors of EPPE, the Company Directors have reasonable expectation that the Company will be able to continue in operational existence for the foreseeable future. Thus they continue to adopt the Going Concern basis of accounting in preparing the annual financial statements.

Notes to the Financial Statements (continued)
For the year ended 31 December 2018

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'.

2.4 Investment in subsidiaries and joint venture

Investments are measured initially at cost, less any provisions for impairment. As permitted by Section 400 of the Companies Act 2006, the Company does not prepare consolidated financial statements because it is wholly owned subsidiary of EP Power Europe, a.s which prepares consolidated financial statements (see note 11).

2.5 Trade 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.

2.6 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 Deferred taxation

Deferred tax assets are recognised only to the extent that it is probable that a future taxable profit will be available against which deductible temporary differences, carried forward tax credits or tax losses can be utilised. Deferred tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply when the asset is realised, or the liability is settled, based tax rates and tax laws enacted or substantively enacted at the balance sheet date.

Notes to the Financial Statements (continued)
For the year ended 31 December 2018

2.9 Tangible assets

Office fixture and fitting are measured initially at cost including direct attributable costs. The estimated useful lives are as follows:

- *Fixture and fittings* *2-4 years*

2.10 Intangible assets

Intangible assets are measured initially at cost including direct attributable costs. The estimated useful lives are as follows:

- *Software* *2-4 years*

2.11 Intangible assets – CO2 emissions allowances

Carbon assets arise upon the purchase of CO2 emission allowances required for the current financial year and are recognised at cost net of any impairment. Given their short tenor, carbon assets are not amortised.

2.12 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.

2.13 Cash and cash equivalents

Cash and cash equivalents comprise of cash balances on hand and in banks, cash deposited with central banks and short-term highly liquid investments with remaining maturities of three months or less, including treasury bills and other bills eligible for rediscounting with central banks.

2.14 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 to 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.

Notes to the Financial Statements (continued)
For the year ended 31 December 2018

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.

Critical accounting judgements

a) Measurement at fair value

A number of the Company's accounting policies requires measurement of fair values, specifically group loans received at beneficial rates and Mark to Market financial contracts. Fair value measurement requires an element of judgement in determining the most relevant inputs and valuation techniques.

a) Receivables

Judgement is required in evaluating the likelihood of collection of debt, including intercompany debt. This evaluation requires judgements to be made, including the level of provision to be made for amounts with uncertain recovery profiles.

b) Investments

Judgement is required in determining the carrying amount of investment balances. This involves assessing whether the carrying value can be supported by the net present value of future cashflow forecasts to be derived from the investment. This forecast involves cash flow projections and selecting the appropriate discount rate.

Notes to the Financial Statements (continued)
For the year ended 31 December 2018

4. Revenue

| | Year ended 31 Dec 2018 | Year ended 31 Dec 2017 |
|-------------------------------|---------------------------|---------------------------|
| | £000 | £000 |
| Commodity Trading Commissions | 7,483 | 3,469 |

All revenue is derived from transactions with subsidiary companies.

5. Administrative expenses

| | Year ended 31 Dec 2018 | Year ended 31 Dec 2017 |
|---|---------------------------|---------------------------|
| | £000 | £000 |
| Audit and non-audit fees performed by Auditor | 21 | 20 |
| Fees paid to the auditor in respect of tax and other services | 46 | 4 |
| Other operating expenditure and professional fees | 12,641 | 1,285 |
| Staff expenditure (note 6) | 4,648 | - |
| Acquisition related expenditure | 492 | 762 |
| Recharges from other group companies | 3,055 | 6,101 |
| Recharge to other group companies | (4,954) | (210) |
| | 15,949 | 7,962 |

Recharges to and from other group companies are in respect of management, shared support functions, trading and shared project costs.

KPMG LLP was the Company's auditor for both periods.

6. Staff numbers and costs

36 staff, including management and shared support staff, were transferred from Eggborough Power Limited (EPL) under TUPE on 1 June 2018. Prior to this all staff were paid for by EPL.

| Number of employees | Year ended 31 Dec 2018 | Year ended 31 Dec 2017 |
|------------------------------|---------------------------|---------------------------|
| | Number | Number |
| Management and support staff | 47 | - |

The aggregate payroll costs of these persons were as follows:

| | Year ended 31 Dec 2018 | Year ended 31 Dec 2017 |
|-----------------------|---------------------------|---------------------------|
| | £000 | £000 |
| Wages and salaries | 3,986 | - |
| Social security costs | 336 | - |
| Pension costs | 326 | - |
| | 4,648 | - |

No payroll costs were incurred in 2017, as these costs were borne by EPL.

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

6. Staff numbers and costs (continued)

From the 1 June 2018, employment costs for one director were transferred from EPL (a subsidiary of the Company) across to the Company. All other directors included on page 1 were paid and expensed in a parent Company.

Directors' remuneration

| | Year ended 31 Dec 2018 | Year ended 31 Dec 2017 |
|-------------------------|---------------------------|---------------------------|
| | £000 | £000 |
| Directors' remuneration | 688 | - |

The aggregate remuneration of the highest paid director is the same as above (£688k), which was for the nine months ended 31 December 2018.

Prior to this, no remuneration was paid to; or waived by, the directors during the current period in respect of services provided by the Company.

7. Other gain/(losses) net

| | Year ended 31 Dec 2018 | Year ended 31 Dec 2017 |
|--|---------------------------|---------------------------|
| | £000 | £000 |
| Foreign exchange gain/ (loss) on translation | - | (305) |
| Mark to market on financial contracts – gain | 73,670 | 35,906 |
| Mark to market on financial contracts – (loss) | (71,832) | (39,127) |
| | 1,838 | (3,526) |

8. Interest receivable

| | Year ended 31 Dec 2018 | Year ended 31 Dec 2017 |
|--|---------------------------|---------------------------|
| | £000 | £000 |
| Interest receivable on loans to subsidiaries | 9,719 | 3,297 |

9. Interest payable

| | Year ended 31 Dec 2018 | Year ended 31 Dec 2017 |
|---|---------------------------|---------------------------|
| | £000 | £000 |
| Interest on group loan | 701 | 571 |
| Other interest paid | 371 | 22 |
| Fair value interest recognised on group loans | - | 239 |
| | 1,072 | 832 |

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

10. Taxation

Tax on profit/(loss) on ordinary activities

| <i>UK corporation tax</i> | Year ended 31 Dec 2018 £000 | Year ended 31 Dec 2017 £000 |
|--|-----------------------------------|-----------------------------------|
| Total current tax | - | - |
| <i>Deferred tax</i> | Year ended 31 Dec 2018 £000 | Year ended 31 Dec 2017 £000 |
| Recognise deferred tax on trading losses carried forward | 724 | 811 |
| Short term timing differences | (468) | (87) |
| Total deferred tax credit | 256 | 724 |

The charge for the year incorporates adjustments in respect of both trading and non-trading losses in the Company in the anticipation of both future trading profits and non-trade loan relationship income.

Reconciliation of effective tax rate

The tax expense for the year is higher (2017: higher) than the expense that would have been charged using the standard rate of corporation tax in the UK of 19% (2017: 19.25%) applied to the profit before tax. The differences are explained below:

| | Year ended 31 Dec 2018 £000 | Year ended 31 Dec 2017 £000 |
|--|-----------------------------------|-----------------------------------|
| Profit/(loss) before income tax | 2,666 | (6,123) |
| Tax at corporation tax rate (2018: 19%)/(2017: 19.25%) | (507) | (1,179) |
| Tax impact of non-deductible expenses | 116 | 1,266 |
| Deferred tax movement | (256) | (811) |
| Utilisation of Group tax losses (17%) | (2,275) | - |
| Tax credit for the year | (256) | (724) |

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.

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

11. Fixed asset investments

| | |
|--------------------------------|----------------|
| Cost and net book value | £'000 |
| At 1 January 2018 | 122,396 |
| <i>Additions in year</i> | |
| EP UK Finance Limited | 20,000 |
| EP Langage Limited | 71,312 |
| At 31 December 2018 | 213,708 |

In November 2018 EP UK Finance Limited was acquired for £20m as part of a group wide change in its financing structure. As part of the same refinancing project, EP Langage Limited issued 1 ordinary share at a subscription price of £71.3m.

The Company has the following investment in subsidiaries:

| Investment | Class of shares | Holding | Principal activity | Investment £'000 |
|--------------------------|------------------------|----------------|---------------------------|-----------------------------|
| Eggborough Power Limited | Ordinary | 100% | Power generation | £Nil |
| EP UK Finance Limited | Ordinary | 100% | Non-trading Company | £20,000 |
| EP Langage Limited | Ordinary | 100% | Power generation | £100,608 |
| EP SHB Limited | Ordinary | 100% | Power generation | £50,248 |
| Lynemouth Power Limited | Ordinary | 100% | Power generation | £38,600 |
| RVA Group Limited | Ordinary | 100% | Holding Company | £4,252 |

Where active, subsidiary undertakings operate in the country of incorporation. The registered office for all companies unless noted below is: Berger House, 36-38 Berkeley Square, London, United Kingdom, W1J 5AE.

Eggborough Power Limited: Ground floor, Paradigm Building, 3175 Century Way, Thorpe Park, Leeds, LS15 8ZB.

Lynemouth Power Limited: Lynemouth Power Station, Ashington, Northumberland, NE63 9NW.

RVA Group Limited: 54 Bootham, York, YO30 7XZ

12. Tangible assets

| Tangible assets | Fixture & fittings £'000 | Total £'000 |
|------------------------------------|---|------------------------|
| Cost | | |
| Balance at 1 January 2018 | - | - |
| Additions | 295 | 295 |
| Balance at 31 December 2018 | 295 | 295 |
| Depreciation and impairment | | |
| Balance at 1 January 2018 | - | - |
| Depreciation charge for the year | - | - |
| Balance at 31 December 2018 | - | - |
| Net book value | | |
| At 1 January 2018 | - | - |
| At 31 December 2018 | 295 | 295 |

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

13. Intangible assets

| | Software | Work in progress | EUA Allowances | Total |
|------------------------------------|--------------|------------------|----------------|--------------|
| Intangible assets | £'000 | £'000 | £'000 | £'000 |
| Cost | | | | |
| Balance at 1 January 2018 | 1,069 | 1,565 | - | 2,634 |
| Additions | 1,339 | - | 12,024 | 13,363 |
| Disposals | - | - | (8,748) | (8,748) |
| Transfers | 1,565 | (1,565) | - | - |
| Balance at 31 December 2018 | 3,973 | - | 3,276 | 7,249 |
| Depreciation and impairment | | | | |
| Balance at 1 January 2018 | (89) | - | - | (89) |
| Depreciation charge for the year | (614) | - | - | (614) |
| Balance at 31 December 2018 | (703) | - | - | (703) |
| Net book value | | | | |
| At 1 January 2018 | 980 | 1,565 | - | 2,545 |
| At 31 December 2018 | 3,270 | - | 3,276 | 6,546 |

EUAs (European Emission Allowances) are intangible assets which represent EUA certificates purchased to meet the UK Group's obligation under the European Union Emissions Trading System.

14. Amounts due from other Group companies

| | 2018 | 2017 |
|--|----------------|----------------|
| | £000 | £000 |
| Group balances due within one year | | |
| Group loan receivable with-in 1 year (Group Loan 1) | 144,692 | - |
| Intercompany receivables within 1 year | 18,848 | 16,790 |
| Group balances due after one-year | | |
| Intercompany loans due after 1 year (Group Loan 2 & 3) | 92,215 | 238,509 |
| | 255,755 | 255,299 |

Intercompany balances are repayable upon demand at 0% interest and are reported on a net basis.

The above loans are all with fellow subsidiary companies. Balances are reported including accumulated interest receivable.

- Group Loan 1; balance at 31 December 2018: £144,692k, with interest charged at 2.6%pa. This loan is repayable on the 28 February 2019.
- Group Loan 2; balance at 31 December 2018: £71,639k, interest is charged at 4%pa. This loan is repayable on 29 August 2020.
- Group Loan 3; balance 31 December 2018: £20,575k, interest is charged at 4%pa. This loan is repayable on 29 August 2020.

Notes to the Financial Statements (continued)
For the year ended 31 December 2018

15. Trade receivables and other debtors

| | 2018 | 2017 |
|---|---------------|----------------|
| | £000 | £000 |
| Trade receivables | 89,059 | 88,689 |
| Other debtors | 2,441 | 4,558 |
| Financial asset (mark to market of commodity contracts) | 969 | 16,049 |
| | 92,469 | 109,296 |

16. Deferred tax asset

| | 2018 | 2017 |
|---|-------|------|
| | £000 | £000 |
| Deferred tax asset on trading losses carried forwards | 1,081 | 811 |

Deferred tax assets are recognised as there is an expectation of future profits.

17. Cash and cash equivalents

| | 2018 | 2017 |
|-----------------|---------------|--------------|
| | £000 | £000 |
| Cash at bank | 35,616 | 6,535 |
| Restricted cash | 3,292 | 2,000 |
| | 38,908 | 8,535 |

Restricted cash is held as collateral on commodity exchanges for trading purposes.

18. Amounts due to other Group companies

| | 2018 | 2017 |
|---|----------------|----------------|
| | £000 | £000 |
| Group balances payable within 1 year | | |
| Intercompany payables | 29,403 | 375,373 |
| Group loan 1, 2 & 3 | 357,629 | - |
| Group loans payable after 1 year | | |
| Group loans | - | 8,967 |
| | 387,032 | 384,340 |

Intercompany payables are repayable upon demand, at 0% interest. Intercompany balances are reported on a net basis.

The above loans are all with the Company's parent (EPPE). Balances are reported including accumulated interest receivable.

- a. Group Loan 1; Principal amount is €30,000k, interest was charged at 0%. This loan was repaid in full on the 5 January 2019.
- b. Group Loan 2; Principal amount is £114,922k, interest is charged at 0%. This loan is repayable on 30 June 2019.
- c. Group loan 3; The principal amount is £215,400k, interest is charged at 2.6%pa. This loan is repayable on 31 December 2019.

Notes to the Financial Statements (continued)
For the year ended 31 December 2018

19. Trade payables and other payables

| | 2018 | 2017 |
|---|---------------|--------|
| | £000 | £000 |
| Trade payables | 57,839 | 58,832 |
| Other payables | 26,226 | 10,262 |
| Financial liability (mark to market of commodity contracts) | 1,773 | 18,692 |
| | 85,838 | 87,786 |

The Directors consider the carrying amount of trade and other creditors approximate to their fair values.

20. Deferred tax liability

| | 2018 | 2017 |
|-------------------------------|-------------|------|
| | £000 | £000 |
| Short term timing differences | 101 | 87 |

21. Amounts due to other creditors

| | 2018 | 2017 |
|----------------|-------------|-------|
| | £000 | £000 |
| Other creditor | 833 | 1,283 |

This consists of deferred consideration payment in respect of RVA Group Limited, a subsidiary of the Company.

The Company paid £450,000 to RVA Group Limited as deferred consideration payment during the year. The Company expects to make two further payments in the future. RVA Group Limited paid a £400,000 dividend to the Company during the year.

22. Called-up share capital

| | 2018 | 2017 |
|---|-------------|------|
| | £ | £ |
| Allotted and fully paid: | | |
| 200 Ordinary shares of £0.01 each (2017: 100) | 2 | 1 |
| Total | 2 | 1 |

23. Share Premium

| | 2018 | 2017 |
|--------------|--------------------|------|
| | £ | £ |
| 100 shares | 106,650,000 | - |
| Total | 106,650,000 | - |

On the 30 November 2018, 100 allotted ordinary shares with a nominal value of £0.01 were allotted for cash, with a premium paid.

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

| | | |
|---------------------------------------|----------------|----------------|
| 24. Capital redemption reserve | 2018 | 2017 |
| | £'000 | £'000 |
| | 112,860 | 112,860 |

Where loan finance is advanced by group undertakings at interest rates which are lower than market rates, the opening value of the loan is shown at a discounted fair value. The difference is posted to the Capital Contribution Reserve, an equal amount of interest is recognised over the term of the loan as interest payable.

Group financing due within one year or where no loan agreement exists is not subject to fair value adjustments.

25. Financial risk management, objectives and policies

The Company is funded by several loans from Group 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.

26. Immediate and Ultimate Parent Company undertakings

The Company is a subsidiary undertaking of EP Power Europe, a.s., a wholly owned subsidiary of Energetický a průmyslový holding, 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.

27. Subsequent events

On the 12 June 2019 the Company acquired Ballylumford and Kilroot power stations, with a combined installed capacity of 1.4GW in Northern Ireland from AES Corporation. This represents the first acquisition by EPH into the Northern Ireland's energy market.

Following the results of the February 2018 capacity auction, the Company took the decision to cease trading the Eggborough Power Station (EPL). The company has fully impaired its investment in EPL. Part of site was sold on 10 June 2019.

The Company will retain the freehold of land previously used as the main ash disposal site and also land consented for development of a high efficiency gas-fuelled power station. Planning consent for a gas fuelled station of up 2,500 megawatts was granted by the Secretary of State during 2018, the development of this plant will be subject to future market conditions and Capacity Market clearing prices.

Notes to the Financial Statements (continued)
For the year ended 31 December 2018

28. Cash flows from operating activities

| | Note | Year ended 31 Dec 2018 £000 | Year ended 31 Dec 2017 £000 |
|---|------|-----------------------------------|-----------------------------------|
| Cash flows from operating activities | | | |
| Profit / (loss) before income tax | | 2,666 | (6,123) |
| Adjustments for: | | | |
| Depreciation | 13 | 614 | 89 |
| Foreign exchange losses and other | - | (2,084) | 2,140 |
| Interest receivable | - | (9,719) | (3,297) |
| Interest payable | - | 1,072 | 832 |
| | | (7,451) | (6,359) |
| Decrease/ (increase) in trade and other debtors | 15 | 16,371 | (281,116) |
| Increase in trade and other creditors | 19 | 8,944 | 381,737 |
| | | 25,315 | 100,621 |
| Net cash from operating activities | | 17,864 | 94,294 |