Company registration number 02586357 (England and Wales)

SUTTON BRIDGE POWER GENERATION

UNAUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2023

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SUTTON BRIDGE POWER GENERATION

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BALANCE SHEET

AS AT 31 MARCH 2023

		2023		2022	
	Notes	**£'000**	**£'000**	**£'000**	**£'000**
Fixed assets					
Tangible assets	**4**		125,812		125,812
Current assets					
Debtors	**5**	5,423		1,817	
Cash at bank and in hand		4,950		808	
		10,373		2,625	
Creditors: amounts falling due within one year	**6**	(31,792)		(7,885)	
Net current liabilities			(21,419)		(5,260)
Total assets less current liabilities			104,393		120,552
Provisions for liabilities	7		(6,231)		(5,574)
Net assets			98,162		114,978
Capital and reserves					
Called up share capital			42,400		42,400
Profit and loss reserves			55,762		72,578
Total equity			98,162		114,978

The directors of the company have elected not to include a copy of the profit and loss account within the financial statements.

For the financial year ended 31 March 2023 the company was entitled to exemption from audit under section 477 of the Companies Act 2006 relating to small companies.

The directors acknowledge their responsibilities for complying with the requirements of the Companies Act 2006 with respect to accounting records and the preparation of financial statements.

The members have not required the company to obtain an audit of its financial statements for the year in question in accordance with section 476.

These financial statements have been prepared and delivered in accordance with the provisions applicable to companies subject to the small companies regime.

The financial statements were approved by the board of directors and authorised for issue on 8 November 2023 and are signed on its behalf by:

Mr J J Holder
Director

Company Registration No. 02586357

1 Accounting policies

Company information

Sutton Bridge Power Generation is a private unlimited company incorporated in England and Wales. The registered office is Severn Power Station, West Nash Road, Newport, United Kingdom, NP18 2BZ.

1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006 as applicable to companies subject to the small companies regime. The disclosure requirements of section 1A of FRS 102 have been applied other than where additional disclosure is required to show a true and fair view.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £'000.

The financial statements have been prepared under the historical cost convention, modified to certain items at fair value. The principal accounting policies adopted are set out below.

1 Accounting policies **(Continued)**

1.2 Going concern

These financial statements are prepared on the going concern basis. The directors have a reasonable expectation that the company will continue in operational existence for the foreseeable future. However, the directors are aware of certain material uncertainties which may cause doubt on the company's ability to continue as a going concern.

On 24 June 2020 Calon Energy Limited ('the parent Group') – the parent company of Sutton Bridge Power Generation ('the Company') entered administration.

The Directors have prepared a cash flow forecast for the period to 31 March 2025 which represents the Directors' best estimate of the future development of the Company.

Having consulted with the secured lender, the Directors have put in place a flexible arrangement which provides funding on a month-by-month basis.

Based on the ongoing positive relationship with the secured lender and following preparation of detailed forecasts, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future and as such, believe that it remains appropriate to prepare the financial statements on a going concern basis. In making this judgement, the Directors expect that the Company's principal activity of the operation of a gas-fired power station at Sutton Bridge, Lincolnshire will continue.

The Directors also recognise that from an accounting perspective the absence of any formal long term funding arrangement creates a small level of uncertainty and therefore risk that the required level of support may not be received for the necessary timescales.

This constitutes a material uncertainty related to the assumptions described above which may cast doubt on the Company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Company were unable to continue as a going concern. In the event the Company ceased to be a going concern, the adjustments would include writing down the carrying value of assets, to their recoverable amount and providing for any further liabilities that might arise.

In addition to the third party funding, the directors have confirmation from the parent Group companies that the intercompany amounts due to them will not be requested within 12 months of the approval date of these accounts. The parent Group companies have confirmed that it is not currently their intention to demand repayment. Due to the relationship with the parent Group companies, the directors are of the view that the intercompany amounts will not be requested in the next 12 months, however the confirmation received does create a material uncertainty as it is not a guarantee that the intercompany creditors will not be recalled within 12 months from the approval dates of these accounts.

Notwithstanding the material uncertainties described above, on the basis of sensitivities applied to the cash flow forecast and that further support can be agreed in the relevant timescale, the Directors have a reasonable expectation that the Company can continue to meet its liabilities as they fall due, for a period of at least 12 months from the date of approval of this report.

1.3 Tangible fixed assets

Tangible fixed assets are included on the statement of financial position stated at historical cost or valuation, less accumulated depreciation and provision for impairment. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use. Interest relating to borrowings to fund specific assets is also capitalised as part of the cost of the asset during the period of construction.

Subsequent expenditure in respect of items of tangible fixed assets such as the replacement of major parts and major inspections are capitalised as part of the cost of the related asset where it is probable that future economic benefits will arise and the cost can be reliably measured. All other subsequent expenditure, including the costs of day-to-day maintenance, is expensed as incurred.

Capitalisation begins when expenditure for the asset is being incurred and activities that are necessary to prepare the asset for use are in progress. Capitalisation ceases when substantially all the activities necessary to prepare the asset for use are complete. Depreciation commences at the point of commercial deployment.

1 Accounting policies **(Continued)**

Depreciation is provided on tangible fixed assets other than freehold land and assets in the course of construction, at rates calculated to write off the cost of acquisition of each asset evenly over its expected useful life. Where upgrades have extended the useful life, depreciation rates are calculated to write off the remaining book value over the remaining new estimated useful life.

Freehold land and buildings	Up to 35 years
Plant and machinery	Up to 35 years
Equipment and fittings	3 to 5 years

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to profit or loss.

1.4 Impairment of fixed assets

Assets, other than those measured at fair value, are assessed for indicators of impairment at each statement of financial position date. If there is objective evidence of impairment, an impairment loss is recognised in the statement of income and retained earnings as described below:

Non-financial assets

An asset is impaired where there is objective evidence that, as a result of one or more events that occurred after initial recognition, the estimated recoverable value of the asset has been reduced. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use. The recoverable amount is calculated based on the Directors' best estimate of the present value of the future cash flows of the business.

Financial assets

For financial assets carried at cost less impairment, the impairment loss is the difference between the asset's carrying amount and the best estimate of the amount that would be received for the asset if it were to be sold at the reporting date.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

1.5 Cash and cash equivalents

Cash and cash equivalents are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

1 Accounting policies **(Continued)**

1.6 Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the company's balance sheet when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets

Basic financial assets, including trade and other receivables, cash and bank balances are initially recognised at transaction price.

Financial assets are derecognised when substantially all the risks and rewards of the ownership of the asset are transferred to another party.

Classification of financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

Basic financial liabilities

Basic financial liabilities, including trade and other payables. bank loans and loans from fellow Group companies are initially recognised at transaction price.

Debt is initially stated at the amount of the net proceeds after deduction of issue costs. The carrying amount is increased by the finance cost in respect of the accounting period and reduced by payments made in the period.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

1.7 Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of transaction costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

1.8 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

Current tax, including UK corporation tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the statement of financial position date.

Current tax assets and liabilities are offset only when there is a legally enforceable right to set off the amounts and the Group intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

1 Accounting policies **(Continued)**

1.9 Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

1.10 Foreign exchange

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction or, if hedged, at the forward contract rate. Monetary assets and liabilities denominated in foreign currencies at the statement of financial position date are reported at the rates of exchange prevailing at that date or, if appropriate, at the forward contract rate.

1.11 Finance costs

Finance costs of debt are recognised in the statement of income and retained earnings over the remaining term of such instruments, at a constant rate on the carrying amount.

1.12 Interest Income

Interest income is recognised when it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

1.13 Decommissioning costs

At the statement of financial position date, provision is made for the net present value of the estimated cost of decommissioning the power station at the end of its useful life. A related decommissioning asset is recognised in tangible fixed assets and is amortised over the remaining life of the power station. The unwinding of the discount on the provision is included in the statement of income and retained earnings within net interest payable and similar charges.

2 Judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

Critical judgements
The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements.

Critical judgements – impairment assumptions
An estimation is required of the value in use of the cash-generating unit to which the fixed assets belong. The value in use pre-tax cash flow projections are based on the company's business plan. The business plan is based on past experience, and adjusted to reflect market trends, economic conditions, key risks, the implementation of strategic objectives and changes in commodity prices, as appropriate. Commodity prices used in the planning process are based on observable market data. In completing the impairment review the directors have satisfied themselves that the estimates made are reasonable. However, the company's activities are in a complex market and historically challenging conditions, and a number of sensitivities indicate further impairments, highlighting the importance of those judgements taken.

Critical judgements – going concern
In order to assess whether it is appropriate for the company to be reported as a going concern, the directors apply judgement, having considered the business activities, the company's principal risks and uncertainties, cash flow projections and external factors. In arriving at this judgement there are a large number of assumptions and estimates involved in calculating these future cash flow projections and the prospect of securing the additional support that will be required.

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

Key source of estimation uncertainty – impairment review of tangible fixed assets
Determining whether fixed assets are impaired requires an estimation of the value in use of the cash-generating unit to which the fixed assets belong. The value in use calculation requires the Directors to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. The future cash flows are based on estimates of commodity prices, plant activity and market conditions which are inherently uncertain.

Key source of estimation uncertainty – useful economic life of tangible fixed assets
The useful economic lives of the plants were determined on purchase of each company in accordance with the contracts in place with the operators. In addition, the directors review the useful economic life of each plant following any major upgrade in order to determine the most appropriate period of use.

Key source of estimation uncertainty - decommissioning costs
The estimated cost of decommissioning at the end of the useful economic life of the plant is reviewed periodically and provision is made for the estimated cost at the statement of financial position date. The total expected future decommissioning costs are uncertain and dependent on the life of the plant and the future inflation rates applied to the most recent valuation of decommissioning costs. The provision is also dependent on the selection of a suitable discount rate to calculate present value.

3 Employees

The average monthly number of persons (including directors) employed by the company during the year was:

	2023 Number	2022 Number
Total	-	-

4 Tangible fixed assets

	Land and buildings	Plant and machinery etc	Total
	£'000	£'000	£'000
Cost			
At 1 April 2022 and 31 March 2023	154	357,900	358,054
Depreciation and impairment			
At 1 April 2022 and 31 March 2023	72	232,170	232,242
Carrying amount			
At 31 March 2023	82	125,730	125,812
At 31 March 2022	82	125,730	125,812

Included in plant and machinery is £3,077,000 (2022: £3,077,000) comprising the net book value of the asset relating to the decommissioning provision.

The cumulative borrowing costs capitalised total £37,144,000 (2022: £37,144,000). Interest was charged on the loans relating to capital expenditure at a rate of 4.5% above the LIBOR base rate.

5 Debtors

	2023	2022
Amounts falling due within one year:	£'000	£'000
Amounts owed by group undertakings	4,334	-
Other debtors	1,089	1,817
	5,423	1,817

6 Creditors: amounts falling due within one year

	2023	2022
	£'000	£'000
Trade creditors	292	280
Other creditors	31,500	7,605
	31,792	7,885

6 Creditors: amounts falling due within one year (Continued)

Other creditors includes £28,389,000 (2022: £6,374,000) of secured loans. This funding has a variable interest rate and there are no fixed terms for repayment.

7 Provisions for liabilities

	2023	2022
	£'000	£'000
Decommissioning	6,231	5,574

The decommissioning provision provides for the future costs of decommissioning the Sutton Bridge Power station. The provision is based on the net present value of the Company's share of the expenditure which may be incurred at the end of the life of the power station (currently estimated to be around 17 years' time).

Movements on provisions:

	Decommissioning
	£'000
At 1 April 2022	5,575
Additional provisions in the year	656
At 31 March 2023	6,231

8 Commitments

On 30 April 2015 Calon Energy Limited drew on a loan facility from Beal Bank. The shares in Sutton Bridge Power Generation and the company's assets were provided as security for the facility.

There are no capital commitments as at the year end.

9 Related party transactions

Transactions with related parties
In accordance with section 33 of FRS102 'Related party disclosures', the Company is exempt from disclosing transactions with entities that are part of the Calon Energy Group as it is a wholly-owned subsidiary of Calon Energy Limited.

10 Parent undertaking and ultimate controlling party

Sutton Bridge Power Systems (London) Limited owns 100% of the ordinary share capital in Sutton Bridge Power Generation and is considered to be the immediate parent company.

Calon Energy Limited, a company incorporated in England and Wales, heads the smallest group for which consolidated financial statements would be prepared and is regarded as the ultimate controlling party of the Group. However, on 24 June 2020 both Sutton Bridge Power Systems (London) Limited and Calon Energy Limited entered administration and therefore there is no requirement to prepare consolidated financial statements.