Sembcorp Utilities (UK) Limited

Annual report and financial statements

Registered number 04636301

31 December 2022

Contents

Strategic report

Principal activities

The Company provides industrial solutions to its customers by delivering a range of integrated services. The principal elements are:

Energy	Generation and supply of multi-grade steam and power from renewable and gas-fired sources, and distribution and supply of natural gas.
Utilities	Supply of demineralised, potable and raw water, compressed air, industrial gases and provision of effluent services.
Onsite logistics	Asset management services through the provision of integrated stores, land, buildings and warehousing, roads and way leaves, infrastructure, analytical and environmental services.

Business model

Wilton International is one of the UK's largest process manufacturing sites and is a key component of the wider industrial platform of the Teesside chemical cluster. Wilton offers key infrastructure with the capacity to meet the requirements of the largest industrial users, and with a supportive planning regime, remains a prime location for future development.

Sembcorp's business model is executed through three integrated business streams. At the core is a growing renewable energy portfolio. This is aligned with national energy policy and allows the Company to leverage its position and experience to maximise green benefits through the diversification of renewable fuels and feedstock, long-term supply agreements and maximising operational outputs. The Company's traditional energy and utility supply is being constantly realigned to reflect ongoing UK power market conditions with the aim of optimising its generation and distribution assets of the right size and flexibility to meet the operational demands of its industrial customer base, leveraging the onsite generation benefits and where possible taking advantage of market positions through export of power.

The Onsite Logistics business provides core shared services both to the Company and its customers including Site Management, effluent services, roads/estate management and analytical and environmental services. In this business the Company continues to support a number of development projects, companies and organisations with the aim of increasing the uptake of development land at Wilton to a wide sustainable industrial base.

Business review and results

Performance

The results for the year and the previous year are as follows:

	2022	2021
	£000	£000
Turnover	**453,530**	262,484
Gross profit - including exceptional costs of £1,661,000 *(2021: £13,064,000)*	**16,920**	3,770
Operating profit/(loss) - including net exceptional loss of £1,661,000 *(2021: £5,179,000 loss)*	**5,850**	(2,107)
Profit/(loss) for the year - including net exceptional loss of £1,661,000 *(2021: £5,179,000 loss)*	**3,173**	(2,668)
Operating profit margin - excluding net exceptional loss of £1,661,000 *(2021: £5,179,000 loss)*	**1.66%**	1.17%

The directors are satisfied with the results for the year.

Strategic report *(continued)*

Business review and results *(continued)*

The Company recorded a profit for the year of £3.2 million *(2021: £2.7 million loss)*, including an exceptional loss of £1.7 million *(2021: £13.1 million loss)* relating to certain legacy site remediation obligations, and £nil *(2021: £7.9 million)* gain on sale of the Company's interest in a proportion of its freehold land in the prior year. Turnover for the year amounted to £453.5 million *(2021: £262.5 million)*. Excluding the net exceptional loss, profit for the year was ahead of the previous year due to an increase in power and steam volumes as well as spreads.

The balance sheet as at 31 December 2022 demonstrates that the financial position of the Company has improved with net assets of £92.9 million *(2021: £92.4 million)*.

Key performance indicators

The Company uses a number of financial and non-financial KPIs to measure performance and these are reported both at board level and to employees at briefing sessions. These KPIs include plant availability, average achieved price for power and steam, delivery performance and a number of health and safety and employee related KPIs. The board considers that the Company has an effective measurement and reporting system, consistent with its size and complexity.

As far as financial performance is concerned the key measurements used by the Company are turnover, operating profit margin percentage, earnings before interest and taxation (EBIT), return on carrying value (ROCV) and return on capital employed (ROCE).

Principal risks and uncertainties

The principal issues facing the Company include:

- the response of the Company's customers on the Wilton site to the changing European and global economic environment. The Company provides industrial solutions to customers predominantly on the Wilton site in Teesside and as such the Company is reliant on these customers continuing in operational existence for the foreseeable future and to remain at Wilton. Restructuring or reduction in output by customers will impact the Company's future performance and results, although this reliance has been reduced through investment into assets such as the Wilton 10 biomass project, the 44MW condensing turbine and the 49MW energy from waste facility at Wilton, working in partnership with waste management company Suez. Commercial operation of this facility commenced at the end of December 2016.

  Whilst the economic environment will always create an element of uncertainty, the Company's forecasts and projections show that it is well placed to manage its business risks successfully, despite the economic uncertainty.

- potential exposure to movements in commodity prices, including power prices. This issue is further discussed in the Treasury policies in the Directors' report.

- legislative risks. The Company has to comply with a wide range of legislation and regulatory requirements including environmental and health and safety laws. The Company monitors its compliance with its regulatory and environmental obligations on an ongoing basis.

Strategic report *(continued)*

Business review and results *(continued)*

Future developments

The directors remain confident that the Company will maintain a satisfactory level of performance in the future. An ongoing investment programme of asset efficiency improvements and existing customer supply initiatives to improve flexibility and reliability will deliver further operational and financial benefits. The Company continues on the journey to leverage on the digitisation and innovation expertise within the wider Sembcorp group to create competitive advantage and strengthen its position in the UK energy market. In addition, the Company has a proactive business development strategy to attract new customers to the Wilton Site, increasing the sustainability of the Company's business model at Wilton.

The Company has taken a final investment decision to build 150MW/300MWh of new battery storage assets at Wilton, as part of plans to ultimately build 360MW/720MWh on the site. This represents the first tranche of that broader ambition, which we expect to be operational in early 2024. We have also secured a contract in the 2022 capacity market auction for that first tranche, which becomes effective in October 2025.

We have aligned our business strategy with the UK's carbon net-zero 2050 target. Our current asset portfolio is already well positioned to support this agenda and all of our future plans are being designed to make net-zero a reality.

At our Wilton site we are exploring the potential for Carbon Capture, Usage and Sequestration (CCUS), partnering with the Teesside industrial cluster (many of whom are our onsite customers) and supporting Net Zero Teesside (NZT), which was formally launched in February 2020. Teesside has been identified by UK Government as part of one of the selected CCUS clusters (The East Coast Cluster) and we are planning to be a key contributor to these future developments.

As part of its Budget statement in March 2021, the UK Government announced that Teesport would be one of eight "Freeport" areas to be set up across the UK. This announcement was immediately welcomed by the Group particularly as 200 hectares of the Wilton International site have been designated as a tax site, attracting significant financial benefits for inward investors who choose to build on the site in the coming years. This Freeport announcement should promote regeneration in the region and is an excellent spur to sustainable inward investment and job creation. Teesside has a long association with the chemical sector that has led to the creation of highly skilled roles, generating significant value for the UK and helping to develop strong supply chains for the North east region.

At Wilton, the Group has development land available and an established "plug and play" infrastructure, enabling the benefits of a Freeport zone to be realised quickly as new investors will have the utilities they need as soon as they are operational. The Group will continue to work with its partners in the region to make the Freeport a success. The Group also believes that the Freeport will support a transition to a low carbon economy as part of its own plans, and those of its existing customers, to decarbonise its operations.

The Company recognises that sustainability is the future of the global business and the UK operations adhere to the wider Sembcorp Group's purpose and passion to build a sustainable future. The Company's purpose, known to its employees, is to be "a leading provider of sustainable solutions supporting the UK's transition to Net Zero." The Company believes this will lead to sustainable, profitable growth and the development of key capabilities to be shared with the wider Sembcorp group, will provide rewarding opportunities for employees and will continue to create a cleaner world.

Strategic report *(continued)*

Directors' section 172 obligation

The directors of the Company, as those of all UK companies, must act in accordance with a set of general duties, which are detailed in section 172 of the UK Companies Act 2006. A director of the Company must act in the way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its shareholders as a whole. As part of their induction, a director is briefed on their duties and they can access professional advice on these, either from the Company Secretary or, if they judge it necessary, from an independent advisor.

The Company's strategy prioritises organic growth by selling services to its existing clients and by bringing new clients. To do this, the Company develops and maintains strong client relationships and through regular contact with its clients, ensures that the Company continues to offer high quality services.

The Company's supply base is fundamental to its business operations. The Company values all of its relationships and has long-term contract with its key suppliers. To ensure the Company manages it suppliers effectively, it looks to reduce reliance on single critical suppliers and mitigate risk. For operational suppliers the Company seeks to consolidate spend, reduce transactions and consumption, and aims to have competing suppliers to maximise efficiency.

The Company places considerable value on the involvement of its employees and has continued to keep them regularly informed on matters affecting them as employees and on the various factors affecting the performance of the Company. This is achieved through direct communications, formal and informal meetings and the Company intranet. Employee representatives are consulted regularly on a wide range of matters affecting their current and future interests.

The Company operates in regulated markets and looks to maintain positive and open relationships with the relevant regulators.

The Company is committed to making health and safety an integral part of its everyday business and culture, ensuring full compliance with all statutory requirements right across the Sembcorp group. Through growing and innovating its business solutions, the Company looks to minimise its environmental impact, ensuring the highest standard of environmental management.

The Company recognises the social and environmental impact on the communities around it as a result of the development and operation of its plants. Therefore, the Company aims to contribute to the local communities through a series of local charity initiatives and supporting employees on 'give back' days to invest in local community initiatives. One of the main intentions of the Company is that it provides "Energy for Good" in its broadest sense and to that end will continue its community initiatives in the next year, in particular by investing in renewable power generation capabilities for a charity close to one of its sites.

By order of the board

Andy Koss
Director

Sembcorp UK Headquarters
Wilton International
Middlesbrough
Cleveland
TS90 8WS

24 July 2023

Directors' report

The directors present their directors' report and financial statements for the year ended 31 December 2022.

The Company is a wholly owned subsidiary of Sembcorp Energy UK Limited, which is incorporated, domiciled and registered in England in the UK. Sembcorp Energy UK Limited is a subsidiary undertaking of Sembcorp Utilities Pte Ltd, which in turn is a subsidiary of Sembcorp Industries Ltd. Both Sembcorp Utilities Pte Ltd and Sembcorp Industries Ltd are registered and incorporated in the Republic of Singapore and have their registered office at 30 Hill Street, #05-04, Singapore 179360.

Treasury policies

The Company finances its activities with a combination of loans and cash. Other financial assets and liabilities, such as trade debtors and trade creditors, arise directly from the Company's operating activities. The Company also enters into derivative transactions, including transactions to fix commodity prices. The purpose of these transactions is to manage the commodity price risk arising from the Company's operations. The Company does not trade in financial instruments or enter into speculative commodity transactions. The main risks associated with the Company's financial assets and liabilities are set out below.

Interest rate risk

The Company had no borrowing at the current period end but aims to manages its exposure to interest rate risk through the proportion of fixed and variable rate net debt. The proportion of floating rate debt would be kept at a minimum and would be reviewed, in conjunction with Sembcorp group treasury, on an ad hoc basis and approved by the board of directors.

Credit risk

The risk of financial loss due to a counterparty's failure to honour its obligations arises principally in relation to transactions where the Company enters into derivative or fixed price contracts requiring settlement by the other party.

Company policies are aimed at minimising such losses, and require that deferred terms are granted only to customers who demonstrate an appropriate payment history and satisfy creditworthiness procedures. Individual exposures are monitored with customers subject to credit limits to ensure that the Company's exposure to bad debts is not considered to be significant.

Levels of overdue debts are monitored closely by management. A process for alerting management to operations failing to meet monthly cash collection targets serves to reduce the likelihood of an unmanaged concentration of credit risk.

Company policies also restrict the counterparties with which derivative transactions or fixed price commodity transactions can be contracted. Management ensures that exposure is spread across a number of approved financial institutions.

Liquidity risk

The Company aims to mitigate liquidity risk by applying cash collection targets. Investment is carefully controlled, with authorisation limits operating up to board level and cash payback periods applied as part of the investment appraisal process. In this way the Company aims to maintain a good credit rating to facilitate fund raising.

Price risk

The Company is exposed to commodity price risk, in particular to movements in power and gas prices. The Company seeks to manage its exposure to commodity price risk by entering into fixed price contracts where this is appropriate. As a result, exposures to changes in commodity prices are satisfactorily managed.

It is, and has been throughout the period under review, the Company's policy that no speculative trading in derivative financial instruments shall be undertaken.

Directors' report *(continued)*

Dividend

The directors do not recommend the payment of a dividend *(2021: £nil)*.

Directors

The directors who held office during the year were as follows:

A Koss	
M T Patrick	(appointed 3 March 2022)
K P Hobbs	(appointed 3 March 2022)
C I McClay	(resigned 18 October 2022)
D K Thompson	

All directors benefit from qualifying third party indemnity provisions in place during the financial year and at the date of this report.

Employees

The Company places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the Company. This is achieved through formal and informal meetings and the Company intranet. Employee representatives are consulted regularly on a wide range of matters affecting their current and future interests.

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the Company continues and that appropriate training is arranged. It is the policy of the Company that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

Greenhouse gas emissions and energy consumption - unaudited

The Energy used by the Company (in MWh) during the year was as follow:

	2022	2021
Gas	**2,270,291**	2,599,339
Transport	**591**	394
Total	**2,270,882**	2,599,733

The associated CO_2 emissions amounted to 210,718 *(2021: 230,167)* tonnes.

The intensity measure used by the Company is tonnes of CO_2 tonnes/MWh electricity exported and CO_2 tonnes/MWh heat exported. On these measures, the intensity values for the year were electricity exported 0.39 *(2021: 0.36)* and heat 0.19 *(2021: 0.18)*.

On the Wilton site the Company is accredited to ISO50001 which requires a commitment to having systems in place to improve energy efficiency. Energy efficiency measures taken include the upgrade to the biomass plant flue gas heat recovery unit which has increased heat recovery by 22,500 MWh, during the first full year of operation.

Directors' report *(continued)*

Political contributions

The Company made no political donations or incurred any political expenditure during the year *(2021: £nil)*.

Engagement with suppliers, customers and others in a business relationship with the Company

The Company's strategy prioritises organic growth by selling services to its existing clients and by bringing new clients into the Company. To do this, the Company develops and maintains strong client relationships and through regular contact with its clients, ensures that the Company continues to offer high quality services.

The Company's suppliers are fundamental to its business operations. The Company values all of its relationships and has long-term contract with its key suppliers. To ensure the Company manages it suppliers effectively, it looks to reduce reliance on critical suppliers and mitigate risk. For operational suppliers the Company seeks to consolidate spend, reduce transactions and consumption, and aims to have competing suppliers to maximise efficiency.

The Company operates in regulated markets and looks to maintain positive and open relationships with the relevant regulators.

Disclosure of information to auditor

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each director has taken all the steps that he/she ought to have taken as a director to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Other information

An indication of likely future developments in the business and particulars of significant events which have occurred since the end of the financial period have been included in the Strategic report.

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

By order of the board

Andy Koss
Director

Sembcorp UK Headquarters
Wilton International
Middlesbrough
Cleveland
TS90 8WS

24 July 2023

Statement of directors' responsibilities in respect of the Annual report, the Strategic report, the Directors' report and the financial statements

The directors are responsible for preparing the Annual report, 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.

KPMG

KPMG LLP
1 Sovereign Square
Sovereign Street
Leeds
LS1 4DA

Independent auditor's report to the members of Sembcorp Utilities (UK) Limited

Opinion

We have audited the financial statements of Sembcorp Utilities (UK) Limited ("the Company") for the year ended 31 December 2022 which comprise the Profit and Loss Account, Statement of Other Comprehensive Income, Balance Sheet, Statement of Changes in Equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2022 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").

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.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for the going concern period.

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 above conclusions are not a guarantee that the Company will continue in operation.

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of directors as to the Company's high-level policies and procedures to prevent and detect fraud, as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board and management meeting minutes.
- Considering remuneration incentive schemes and performance targets for management and directors.
- Using analytical procedures to identify any unusual or unexpected relationships.

Fraud and breaches of laws and regulations – ability to detect *(continued)*

Identifying and responding to risks of material misstatement due to fraud (continued)

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, and taking into account possible pressures to meet profit targets, our overall knowledge of the control environment and particular opportunity at the period end, we perform procedures to address the risk of management override of controls and the risk of fraudulent revenue recognition, in particular the risk that revenue and accrued income is recorded in the wrong period and the risk that management may be in a position to make inappropriate accounting entries and the risk of bias in accounting estimates such as pension assumptions and provisions.

We did not identify any additional fraud risks.

In determining the audit procedures we took into account the results of our evaluation and testing of the operating effectiveness of some of the Company-wide fraud risk management controls.

We also performed procedures including:

- Identifying journal entries and other adjustments to test based on risk criteria and comparing the identified entries to supporting documentation. These included unusual postings to revenue, cash and borrowing accounts.
- Revenue cut off testing to address the risk that revenue is recorded in the wrong period.
- Assessing whether the judgements made in making accounting estimates are indicative of a potential bias.

Identifying and responding to risks of material misstatement related to compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, through discussion with the directors and other management (as required by auditing standards), and from inspection of the Company's regulatory and legal correspondence and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation, pension legislation and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Company is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: health and safety, data protection laws, anti-bribery and corruption, employment law, money laundering, environmental protection legislation and certain aspects of company legislation recognising the nature of the Company's activities and its legal form. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

Independent auditor's report to the members of Sembcorp Utilities (UK) Limited
(continued)

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.

Directors' responsibilities

As explained more fully in their statement set out on page 8, 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.

Independent auditor's report to the members of Sembcorp Utilities (UK) Limited
(continued)

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.

Frances Simpson

Frances Simpson (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
1 Sovereign Square
Sovereign Street
Leeds
LS1 4DA

24 July 2023

Profit and Loss Account

for the year ended 31 December 2022

	Note	2022 £000	2021 £000
Turnover	*3*	**453,530**	262,484
Cost of sales - including exceptional costs of £1,661,000 *(2021: £13,064,000)*	*5*	**(436,610)**	(258,714)
Gross profit		**16,920**	3,770
Administrative expenses		**(12,596)**	(14,998)
Other operating income – including an exceptional gain of £nil *(2021: £7,885,000)*	*4*	**1,526**	9,121
Operating profit/(loss)		**5,850**	(2,107)
Other interest receivable and similar income	*8*	**540**	140
Other finance income	*9*	**256**	9
Interest payable and similar expenses	*10*	**(287)**	(221)
Profit/(loss) before taxation	*4-7*	**6,359**	(2,179)
Tax on profit/(loss)	*11*	**(3,186)**	(489)
Profit/(loss) for the financial year		**3,173**	(2,668)

Statement of Other Comprehensive Income

for the year ended 31 December 2022

	Note	2022 £000	2021 £000
Profit/(loss) for the financial year		**3,173**	(2,668)
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
Remeasurement of defined benefit asset	*27*	**(3,667)**	10,986
Income tax on items that will not be reclassified to profit and loss	*11*	**811**	(2,829)
Other comprehensive income for the year, net of income tax		**(2,856)**	8,157
Total comprehensive income for the year		**317**	5,489

Balance Sheet
at 31 December 2022

	Note	2022		2021	
		£000	**£000**	£000	£000
Fixed assets					
Intangible assets	*13*		**28,262**		39,151
Tangible assets	*14*		**99,799**		58,186
Investment property	*15*		**3,726**		3,726
Investments in subsidiary	*16*		**-**		-
			131,787		101,063
Current assets					
Stocks	*17*	**5,268**		5,911	
Debtors	*18*	**88,756**		106,533	
Contract asset	*19*	**11,225**		9,663	
Cash at bank and in hand		**28,279**		17,149	
		133,528		139,256	
Creditors: amounts falling due within one year	*20*	**(144,023)**		(131,866)	
Net current (liabilities)/assets			**(10,495)**		7,390
Total assets less current liabilities			**121,292**		108,453
Creditors: amounts falling due after more than one year	*21*		**(6,375)**		(3,674)
Provisions for liabilities	*22*		**(32,469)**		(24,694)
Net assets excluding pension assets			**82,448**		80,085
Pension assets	*27*		**10,458**		12,369
Net assets including pension assets			**92,906**		92,454
Capital and reserves					
Called up share capital	*23*		**31,900**		31,900
Share-based payments reserve			**(840)**		(975)
Profit and loss account			**61,846**		61,529
Shareholders' funds			**92,906**		92,454

These financial statements were approved by the board of directors on 24 July 2023 and were signed on its behalf by:

Andy Koss
Director

Company registered number: 04636301

Statement of Changes in Equity

	Share capital £000	Share-based payments reserve £000	Profit and loss account £000	Total £000
At 1 January 2021	31,900	(1,227)	56,040	86,713
Loss for the year	-	-	(2,668)	(2,668)
Other comprehensive income				
Remeasurement of defined benefit asset	-	-	10,986	10,986
Deferred tax arising on gain on the pension scheme	-	-	(2,829)	(2,829)
Total comprehensive income for the year	-	-	5,489	5,489
Transactions with owners, recorded directly in equity				
Equity settled share based payment transactions	-	252	-	252
At 31 December 2021	31,900	(975)	61,529	92,454
At 1 January 2022	31,900	(975)	61,529	92,454
Profit for the year	-	-	3,173	3,173
Other comprehensive income				
Remeasurement of defined benefit asset	-	-	(3,667)	(3,667)
Deferred tax arising on loss on the pension scheme	-	-	811	811
Total comprehensive income for the year	-	-	317	317
Transactions with owners, recorded directly in equity				
Equity settled share based payment transactions	-	135	-	135
At 31 December 2022	**31,900**	**(840)**	**61,846**	**92,906**

Notes
(forming part of the financial statements)

1 Accounting policies

Sembcorp Utilities (UK) Limited ("the Company") is a private company, limited by shares, incorporated, domiciled and registered in England in the UK. The registered number is 04636301 and the registered office is Sembcorp UK Headquarters, Wilton International, Middlesbrough, Cleveland, TS90 8WS.

The Company is exempt by virtue of s400 of the Companies Act 2006 from the requirement to prepare group financial statements. These financial statements present information about the Company as an individual undertaking and not about its group.

These financial statements are presented in pound sterling, which is the Company's functional currency. All amounts have been rounded to the nearest thousand, unless otherwise indicated.

These financial statements were prepared in accordance with Financial Reporting Standard 101 *Reduced Disclosure Framework ("FRS 101").*

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of UK-adopted international accounting standards ("UK-adopted IFRSs"), but makes amendments where necessary in order to comply with the Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemption has been taken.

The Company's intermediate parent undertaking, Sembcorp Energy UK Limited, included the Company in its consolidated financial statements. The consolidated financial statements of Sembcorp Energy UK Limited are prepared in accordance with UK-adopted International Financial Reporting Standards and are available to the public and may be obtained from Sembcorp UK Headquarters, Wilton International, Middlesbrough, Cleveland TS90 8WS.

In these financial statements, the Company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- Cash Flow Statement and related notes;
- Certain disclosures regarding revenue;
- Certain disclosures regarding leases;
- Comparative period reconciliations for share capital, tangible fixed assets, intangible assets and investment properties;
- Disclosures in respect of transactions with wholly owned subsidiaries;
- Disclosures in respect of capital management;
- The effects of new but not yet effective IFRSs; and
- Disclosures in respect of the compensation of Key Management Personnel.

As the consolidated financial statements of Sembcorp Energy UK Limited include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- IFRS 2 Share based payments in respect of group settled share based payments; and
- Certain disclosures required by IFRS 13 Fair value measurement on the disclosures required by *IFRS 7 Financial instrument disclosures.*

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 2.

Notes *(continued)*

1 Accounting policies *(continued)*

Measurement convention

The financial statements are prepared on the historical cost basis except that certain financial assets and financial liabilities (including derivatives) are measured at fair value through the profit or loss.

Going concern

The Company's business activities, together with the factors likely to affect its future development, performance and position, are set out in the Strategic report. At the date of signing these financial statements the Company participates in the Sembcorp UK Group treasury arrangements, headed by Sembcorp Energy UK Limited (the "Group"), whereby the overall UK facilities are managed collectively.

The financial statements have been prepared on the going concern basis which the directors believe to be appropriate for the following reasons. Sembcorp Energy UK Limited has provided the Company with an undertaking that, for at least 12 months from the date of approval of these financial statements, it will continue to make available such funds as are needed by the Company and, in particular, will not seek repayment of any amounts currently made available. This should enable the Company to continue in operational existence for the foreseeable future by meeting its liabilities as they fall due for payment.

As at 31 December 2022 the Group's borrowings amounted to £329,500,000 and cash at bank and held on deposit was £215,404,000. The Group's borrowings include an external term loan of £300,000,000, repayable in full in June 2024 and an intragroup unsecured loan of £29,500,000 which is not due for repayment until April 2026. The Group also has an undrawn intragroup revolving loan facility of £50,000,000, available till April 2026, for any future drawdowns. The Board of Sembcorp Energy UK Limited prepared forecasts covering a period of at least twelve months from the date of approval of these financial statements. In doing so, the Board considered events throughout this period and concluded there were no specific events that bring into question the appropriateness of the going concern conclusion reached. The base case scenario considered by management included estimated commodity prices and the general economic and market conditions.

Management's assessment also considered reasonably possible changes in trading performance, including severe but plausible downside sensitivities. This scenario included a consideration of deteriorating commodity prices as well as a general decline in the economic and market conditions. Under all scenarios considered, the Group is expected to have a sufficient level of financial resources to meet its liabilities as they fall due, and be in compliance with all covenants associated with the Group's debt obligations.

In addition, the Board have assessed the availability and refinancing of the Group's financing facilities, specifically considering the expiry of the term loan in June 2024. Discussions with the Group's lenders have not yet commenced however, the Board have concluded that having regard to the Group's financial position, alongside the parental guarantee in place over the current facility, they anticipate the facility will be suitably refinanced. In the unlikely scenario, where the Group is not able to refinance externally, the ultimate parent company have informed the Group that they would refinance the term loan.

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.

Notes *(continued)*

1 Accounting policies *(continued)*

Foreign currency

Transactions in foreign currencies are translated to the Company's functional currencies at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined. Foreign exchange differences arising on translation are recognised in the profit and loss account except for differences arising on the retranslation of qualifying cash flow hedges, which are recognised in other comprehensive income.

Financial instruments

(i) Recognition and initial measurement

Trade receivables and debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(ii) Classification and subsequent measurement

Financial assets

(a) Classification

On initial recognition, a financial asset is classified as measured at: amortised cost; FVOCI – debt investment; FVOCI – equity investment; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets.

Notes *(continued)*

1 Accounting policies *(continued)*

***Financial instruments** (continued)*

Investments in joint ventures and subsidiaries are carried at cost less impairment.

(b) Subsequent measurement and gains and losses

Financial assets at FVTPL - these assets (other than derivatives designated as hedging instruments) are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.

Financial assets at amortised cost - These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Debt investments at FVOCI - these assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.

Equity investments at FVOCI - these assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

Financial liabilities and equity

Financial instruments issued by the Company are treated as equity only to the extent that they meet the following two conditions:

(a) they include no contractual obligations upon the Company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Company; and

(b) where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the Company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

Intra-group financial instruments

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its group, the Company considers these to be insurance arrangements and accounts for them as such. In this respect, the Company treats the guarantee contract as a contingent liability until such time as it becomes probable that the Company will be required to make a payment under the guarantee.

Notes *(continued)*

1 Accounting policies *(continued)*

***Financial instruments** (continued)*

(iii) Derivative financial instruments and hedging

Derivative financial instruments

Derivative financial instruments are recognised at fair value. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged.

(iv) Impairment

The Company recognises loss allowances for expected credit losses (ECLs) on financial assets measured at amortised cost, debt investments measured at FVOCI and contract assets (as defined in IFRS 15).

The Company measures loss allowances at an amount equal to lifetime ECL, except for other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition, which are measured as 12-month ECL.

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECL.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the company's historical experience and informed credit assessment and including forward-looking information.

The Company considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the company in full, without recourse by the Company to actions such as realising security (if any is held); or
- the financial asset is more than 90 days past due.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the company expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

At each reporting date, the Company assesses whether financial assets carried at amortised cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Write-offs

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery.

Notes *(continued)*

1 Accounting policies *(continued)*

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost or valuation less accumulated depreciation and provision for any impairment in value. Depreciation is provided on all tangible fixed assets, other than freehold land and assets under construction, at rates calculated to write off the cost, less estimated residual value, of each asset on a straight-line basis over its expected useful life, as follows:

Freehold buildings	20 years
Plant and equipment	3 - 20 years
Vehicles	3 - 5 years .

Cost includes directly attributable finance costs.

Depreciation methods, useful lives and residual values are reviewed at each balance sheet date.

Major boiler and pipeline overhauls, which extend the economic life of the assets in question, are capitalised and depreciated over the useful economic life to which the overhaul relates, being the period up to the next scheduled major overhaul.

Depreciation methods, useful lives and residual values are reviewed at each balance sheet date.

Intangible assets, goodwill and negative goodwill

Research and development - Expenditure on research activities is recognised in the profit and loss account as an expense as incurred.

Expenditure on development activities is capitalised if the product or process is technically and commercially feasible and the Company intends and has the technical ability and sufficient resources to complete development, future economic benefits are probable and if the Company can measure reliably the expenditure attributable to the intangible asset during its development. Development activities involve a plan or design for the production of new or substantially improved products or processes. The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads and capitalised borrowing costs. Other development expenditure is recognised in the profit and loss account as an expense as incurred. Capitalised development expenditure is stated at cost less accumulated amortisation and less accumulated impairment losses.

Carbon trading - Carbon allowances purchased by the Company are stated at cost and are accounted for as intangible assets. Quantities of allowances received are also accounted for as intangible assets with a related deferred income balance in the balance sheet at their estimated recoverable value. The liability for carbon allowances to be surrendered with regards emissions in the year is accounted for within creditors: amounts due within one year.

Other intangible assets - Expenditure on internally generated goodwill and brands is recognised in the profit and loss account as an expense as incurred.

Amortisation

Amortisation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Intangible assets with an indefinite useful life and goodwill are systematically tested for impairment at each balance sheet date. Other intangible assets are amortised from the date they are available for use.

Renewable Obligations Certificates (ROCs)

The Company is able to claim ROCs from the Office of Gas and Electricity Markets ("OFGEM") as a result of burning renewable fuels. ROCs are recognised once the Company has met the conditions attaching to their receipt and there is reasonable assurance that these will be received. A market exists for the sale of ROCs. ROCs are recorded at market value and included within Contract assets in the balance sheet where the Company has entered into an agreement with a third party for their subsequent sale. Income from the sale of ROCs is credited to turnover once the once the conditions attaching to their sale have been satisfied.

Notes *(continued)*

1 Accounting policies *(continued)*

Investment properties

Investment properties are properties which are held either to earn rental income or for capital appreciation or for both. Investment properties are stated at cost less accumulated depreciation and accumulated impairment where applicable. Land is not depreciated.

Government grants

Capital based government grants are included within accruals and deferred income in the balance sheet and credited to the profit and loss account over the estimated useful economic lives of the assets to which they relate.

Stocks

Stocks are stated at the lower of cost and net realisable value. In determining the cost of raw materials and consumables, the weighted average purchase price is used. Net realisable value is based on estimated selling prices less further costs expected to be incurred.

Impairment of non-financial assets excluding inventories, investment properties and deferred tax assets

The carrying amounts of the Company's non-financial assets, other than inventories, investment properties 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 an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. 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 the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

An impairment loss is recognised if the carrying amount of an asset or its 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. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Employee benefits

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which the Company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss account in the periods during which services are rendered by employees.

Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Company's net obligation in respect of defined benefit pension plans is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the fair value of any plan assets (at bid price) are deducted. The Company determines the net interest on the net defined benefit liability/(asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the net defined benefit liability/(asset).

Notes *(continued)*

1 Accounting policies *(continued)*

***Employee benefits** (continued)*

Defined benefit plans (continued)

The discount rate is the yield at the reporting date on bonds that have a credit rating of at least AA that have maturity dates approximating the terms of the Company's obligations and that are denominated in the currency in which the benefits are expected to be paid.

Remeasurements arising from defined benefit plans comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest). The Company recognises them immediately in other comprehensive income and all other expenses related to defined benefit plans in employee benefit expenses in profit or loss.

When the benefits of a plan are changed, or when a plan is curtailed, the portion of the changed benefit related to past service by employees, or the gain or loss on curtailment, is recognised immediately in profit or loss when the plan amendment or curtailment occurs.

The calculation of the defined benefit obligations is performed by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Company, the recognised asset is limited to the present value of benefits available in the form of any future refunds from the plan or reductions in future contributions and takes into account the adverse effect of any minimum funding requirements.

Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Termination benefits

Termination benefits are recognised as an expense when the Company is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if the Company has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting date, then they are discounted to their present value.

Share-based payment transactions

Where the Company's parent grants rights to its equity instruments to the Company's employees, which are accounted for as equity-settled in the consolidated accounts of the parent, the Company account for these share-based payments as equity-settled. Amounts recharged by the parent are recognised as a recharge liability with a corresponding entry to equity. The entries to equity are recognised in the share based payment reserve, which represents a component of total profit and loss reserves.

Provisions

A provision is recognised in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects risks specific to the liability.

Notes *(continued)*

1 Accounting policies *(continued)*

Turnover

Turnover is measured at the fair value of the consideration received or receivable, and represents amounts receivable for Energy or Onsite Logistics services provided in the normal course of business, net of VAT and other sales-related taxes. The company recognises turnover when performance obligations have been satisfied and for the Company this is when Energy or Onsite Logistics services have transferred to the customer and the customer has control of these.

Turnover relating to Energy includes the supply of heat and power from both renewable and fossil fuel sources; the provision for analytical services; and the supply of water and industrial gases. Onsite logistics turnover includes asset management services through the provision of integrated stores, warehousing, infrastructure and environmental services.

Energy and Onsite Logistics sales contracts each have one performance obligation, being the provision of the utility product or service respectively. The transaction price is based on contractual amounts across the period over which the product or service is supplied. Therefore all revenue streams are recognised over time.

Expenses and Income

Interest receivable and Interest payable

Interest payable and similar charges include interest payable, finance charges on shares classified as liabilities and finance leases recognised in profit or loss using the effective interest method, unwinding of the discount on provisions, and net foreign exchange losses that are recognised in the profit and loss account (see foreign currency accounting policy). Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that takes a substantial time to be prepared for use, are capitalised as part of the cost of that asset. Other interest receivable and similar income include interest receivable on funds invested and net foreign exchange gains.

Interest income and interest payable is recognised in profit or loss as it accrues, using the effective interest method.

Dividend income is recognised in the profit and loss account on the date the entity's right to receive payments is established.

Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

Leases

At the inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Notes *(continued)*

1 Accounting policies *(continued)*

Leases (continued)

As a lessee

At commencement or on modification of a contract that contains a lease component, along with one or more other lease or non-lease components, the Company accounts for each lease component separately from the non-lease components. However, for the leases of property, the Company has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component. The Company allocates the consideration in the contract to each lease component on the basis of its relative stand-alone price and the aggregate stand-alone price of the non-lease components.

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Company by the end of the lease term or the cost of the right-of-use asset reflects that the Company will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Company is reasonably certain to exercise,
- lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and
- penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, if the Company changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, to the extent that the right-of-use asset is reduced to nil, with any further adjustment required from the remeasurement being recorded in profit or loss.

The Company presents right-of-use assets that do not meet the definition of investment property in 'property, plant and equipment' and lease liabilities in 'loans and borrowings' in the statement of financial position.

Short-term leases and leases of low-value assets

The Company has elected not to recognise right-of-use assets and lease liabilities for lease of low-value assets and short-term leases. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Notes *(continued)*

1 Accounting policies *(continued)*

Leases (continued)

As a lessor

At inception or on modification of a contract that contains a lease component and one or more additional lease or non-lease components, the Company allocates the consideration in the contract applying IFRS 15.

When the Company acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Company makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Company considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Company is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset.

The Company applies the derecognition and impairment requirements in IFRS 9 to the net investment in the lease (see the financial instruments note). The Company further regularly reviews estimated unguaranteed residual values used in calculating the gross investment in the lease.

The Company recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of 'other revenue'.

Notes *(continued)*

2 Significant accounting judgements and key sources of estimation uncertainty

Judgements and estimates are required in the process of applying the Company's accounting policies based on available information, which may have a significant effect on the financial statements or a significant risk of material adjustment in the following year. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and only future periods affected.

Key areas of judgement and sources of estimation uncertainty:

- *Carrying value of tangible fixed assets and intangible assets*

  The depreciation and amortisation charges, and hence the carrying amount of tangible fixed assets and intangible assets are determined in the estimated useful economic lives of the assets. These estimates are based on advice and the Company's experience of similar assets.

- *Defined benefit pension obligations*

  Determining the Company's defined benefit pension scheme obligations and scheme assets requires assumptions to be made including price inflation, mortality and other demographic assumptions. These assumptions are largely dependent on factors outside of the Company's control, further details are set out in note 27.

- *Provisions*

  The Company has made a provision in relation to certain legacy site remediation obligations. This provision requires management' best estimate of the costs that will be incurred based on legislative and contractual requirements. As explained in note 22 this provision has been determined based on information available at the date of approving these financial statements with reference to external quotes from suppliers as well as managements best estimate of the costs to complete the remediation works. Given the magnitude of the project there is a possibility that the final costs may be materially different by +/- 25%.

3 Turnover

All turnover arises from the principal activities of the Company, which are carried out in the United Kingdom.

Analysis of turnover by category:

	2022	2021
	£000	£000
Energy and Utilities	**446,015**	255,470
Onsite Logistics	**7,515**	7,014
	453,530	262,484

Timing of revenue recognition:

	2022	2021
	£000	£000
Products and services transferred over time	**453,530**	262,484

Notes *(continued)*

4 Other operating income

	2022 £000	2021 £000
Gain on disposal of freehold land and investment property	-	7,885
Rental income	1,526	1,236
	1,526	9,121

The gain arsing on the sale of the Company's interest in its freehold land and investment property in 2021 was presented as an exceptional gain in the profit and loss on the basis of its quantum, and its non-recurring nature.

5 Expenses and auditor's remuneration

	2022 £000	2021 £000
Depreciation of tangible fixed assets	11,890	14,069
Amortisation of intangible fixed assets	187	85
Impairment of investment in joint venture (note 16)	1,994	-
Impairment/(reversal of impairment) loss on inventories	402	176
Site remediation costs	1,661	13,064
Management fees charged to a fellow group undertaking	(3,933)	(3,874)
Management fees charged by parent undertaking	1,471	828

The provision for site remediation costs has been presented as an exceptional cost in the profit and loss on the basis of its quantum, and its non-recurring nature.

Auditor's remuneration:

	2022 £000	2021 £000
Audit of these financial statements	129	106

Amounts receivable by the Company's auditor and its associates in respect of services to the Company and its associates, other than the audit of the Company's financial statements, have not been disclosed as the information is required instead to be disclosed on a consolidated basis in the consolidated financial statements of the Company's parent, Sembcorp Energy UK Limited.

6 Directors remuneration

	2022 £000	2021 £000
Directors' emoluments	982	623
Amounts receivable under long term incentive schemes	110	159
Company contribution to money purchase pension scheme	35	15

Directors' emoluments and amounts receivable under long term incentive schemes exclude amounts paid by the Company, and recharged to a fellow group undertaking, in respect of the directors' services to that group undertaking.

Notes *(continued)*

6 Directors remuneration *(continued)*

The aggregate of remuneration and amounts receivable under long term incentive schemes of the highest paid director was £564,000 *(2021: £382,000)*, and Company pension contributions of £nil *(2021: £nil)* were made to a money purchase scheme on his/her behalf.

	Number of directors	
	2022	2021
Retirement benefits are accruing to the following number of directors under:		
Money purchase schemes	**3**	2
The number of directors in respect of whose qualifying services shares were received or receivable under long term incentive schemes was	**2**	3

All directors benefited from qualifying third party indemnity provisions in place during the financial year.

7 Staff numbers and costs

The average number of persons employed by the Company (including directors) during the year, analysed by category, was as follows:

	Number of employees	
	2022	2021
Operating	**231**	198
Administration	**74**	57
	305	255

The aggregate payroll costs of these persons were as follows:

	2022	2021
	£000	£000
Wages and salaries	**19,891**	15,407
Share based payments (note 28)	**221**	323
Social security costs	**2,413**	1,763
Contributions to defined contribution plans (note 27)	**2,221**	1,786
	24,746	19,279

8 Other interest receivable and similar income

	2022	2021
	£000	£000
On amounts receivable from group undertakings	**-**	2
On amounts receivable from related undertakings	**146**	138
Bank interest receivable	**394**	-
	540	140

Notes *(continued)*

9 Other finance income

	2022 £000	2021 £000
Expected return on pension scheme assets	**2,699**	1,903
Interest on pension scheme liabilities	**(2,443)**	(1,894)
	256	9

10 Interest payable and similar expenses

	2022 £000	2021 £000
On amounts payable to group undertakings	**-**	97
Interest on bank facilities	**287**	124
	287	221

11 Taxation

Recognised in the profit and loss account

	2022 £000	2022 £000	2021 £000	2021 £000
UK corporation tax				
Current tax on income for the period	**(6,895)**		1,330	
Adjustments in respect of prior periods	**(291)**		(178)	
Total current tax		**(7,186)**		1,152
Deferred tax (see note 22)				
Reversal of timing differences	**7,020**		(1,552)	
Impact of increase in tax rate	**2,867**		891	
Adjustment in respect of previous years	**485**		(2)	
Total deferred tax		**10,372**		(663)
Total tax expense recognised in profit or loss		**3,186**		489

Recognised in other comprehensive income

	2022 £000	2021 £000
Deferred tax (see note 22)		
Remeasurement of defined benefit liability/asset	**(697)**	2,087
Impact of increase in tax rate	**(114)**	742
Total tax (credit)/expense recognised in other comprehensive income	**(811)**	2,829

Notes *(continued)*

11 Taxation *(continued)*

Reconciliation of effective tax rate

	2022 £000	2021 £000
Profit/(loss) for the year	**3,173**	(2,668)
Total tax expense	**3,186**	489
Profit/(loss) excluding taxation	**6,359**	(2,179)
Tax using UK corporation tax rate of 19% *(2021: 19%)*	**1,208**	(414)
Expenses not deductible for tax purposes and other permanent differences	**1,172**	192
Enhanced deduction for capital allowances	**(2,255)**	-
Increase in tax rate on deferred tax balances	**2,867**	891
Over provided in prior years	**194**	(180)
Total tax expense recognised in profit or loss	**3,186**	489

Factors that may affect future current and total tax charges

The UK corporation tax rate will increase from 19% to 25% (effective from 1 April 2023). As this rate was substantively enacted at both the current year balance sheet date and prior year balance sheet date, the deferred tax liabilities at these dates has been calculated reflecting this change.

12 Dividends

The aggregate amount of dividends comprises:

	2022 £000	2021 £000
Final dividends paid in respect of prior year but not recognised as liabilities in year	-	-
Interim dividends paid in respect of the current year	-	-
Aggregate amount of dividends paid in the financial year	-	-

The aggregate amount of dividends proposed and not recognised as liabilities as at the year end is £nil *(2021: £nil)*.

Notes *(continued)*

13 Intangible fixed assets

	Carbon trading certificates £000	Software £000	Total £000
Cost			
At beginning of year	38,405	834	39,239
Additions	44,494	45	44,539
Disposals	(55,169)	(72)	(55,241)
At end of year	27,730	807	28,537
Amortisation			
At beginning of year	-	88	88
Amortisation for the year	-	187	187
At end of year	-	275	275
Net book value			
At 31 December 2022	**27,730**	**532**	**28,262**
At 31 December 2021	38,405	746	39,151

14 Tangible fixed assets

	Land and buildings £000	Plant and equipment £000	Vehicles £000	Assets under construction £000	Total £000
Cost or valuation					
At beginning of year	14,814	325,041	428	5,195	345,478
Additions	-	452	-	53,051	53,503
Transfers between items	108	4,419	-	(4,527)	-
At end of year	14,922	329,912	428	53,719	398,981
Depreciation					
At beginning of year	4,552	282,312	428	-	287,292
Charge for year	65	11,825	-	-	11,890
At end of year	4,617	294,137	428	-	299,182
Net book value					
At 31 December 2022	**10,305**	**35,775**	-	**53,719**	**99,799**
At 31 December 2021	10,262	42,729	-	5,195	58,186

Included within land and buildings is leasehold land of £488,000 *(2021: £488,000)*. The remaining land and buildings are freehold. Plant and equipment as at 31 December 2022 include capitalised interest of £1.48 million *(2021: £1.48 million)*.

Notes *(continued)*

14 Tangible fixed assets *(continued)*

The Directors have reviewed the carrying amounts of tangible fixed assets, for indicators of impairment at 31 December 2022 and do not believe any exist.

Assets under construction relate to on-going capital projects which were not complete, and therefore these assets were not available for use, at the year end.

15 Investment property

	2022 £000	2021 £000
Cost and net book value at beginning of the year	**3,726**	3,820
Disposals	-	(94)
Aggregate depreciation thereon	-	-
Cost and net book value at end of the year	**3,726**	3,726
On open market basis:		
Net book value	**11,628**	11,628

Investment property relates to land. A full valuation was performed at 14 November 2017 by Dodds Brown LLP (Chartered Surveyors and Property Consultants), which has been used by the directors to assess the open market value at 31 December 2022. The valuation is based on open market value with vacant possession, in accordance with the Appraisal and Valuation Standards published by The Royal Institution of Chartered Surveyors. The Directors have disclosed a cautious estimate of the open market value taking into account their considerations of the commercial use of the property.

16 Fixed asset investments

	Shares in group undertakings £000	Participating Interests £000	Total £000
Cost			
At beginning of year	-	-	-
Additions	-	1,994	1,994
At end of year	-	1,994	1,994
Provision			
At beginning of year	-	-	-
Provided in year	-	1,994	1,994
At end of year	-	1,994	1,994
Net book value			
At 31 December 2022	-	-	-
At 31 December 2021	-	-	-

The Company has one 100% owned subsidiary company, Wilton Energy Limited incorporated in the UK, whose principal activity is selling electricity. The registered office address is PO Box 1985, Wilton International, Middlesbrough, TS90 8WS.

Notes *(continued)*

16 Fixed asset investments *(continued)*

During the year the Company subscribed for a 25% equity interest in Whitetail Clean Energy Limited ("WCE") for a cash consideration of £1,994,000. WCE is a joint venture in which the Group has joint control and a 25% ownership interest. WCE is engaged in exploring the development of the UK's first Net Zero emissions NET Power station. WCE is not publicly listed, and its registered office is Hill House, 1 Little New Street, London, England, EC4A 3TR.

The key project being pursued by WCE has many technical, commercial and regulatory milestones to achieve relating to the project before reaching a Final Investment Decision with respect to this innovative technology. Given the current inherent uncertainties, the Company's investment in WCE has been written off in full and is included within administrative expenses in the profit and loss account.

17 Stocks

	2022 £000	2021 £000
Raw materials	**3,083**	3,393
Engineering spares	**2,185**	2,518
	5,268	5,911

Raw materials and consumables recognised as cost of sales in the year amounted to £13,283,000 *(2021: £11,878,000)*.

Stocks are stated after an obsolescence provision of £3,820,000 *(2021: £3,419,000)*.

18 Debtors

	2022 £000	2021 £000
Trade debtors	**69,673**	53,656
Unbilled trade receivables	**686**	7,260
Amounts due from group undertakings	**9,235**	18,081
Amounts due from subsidiary undertaking	**780**	122
Deposits	**1,038**	19,004
Prepayments and accrued income	**7,344**	8,410
	88,756	106,533

Deposits represent cash collateral placed with counterparties to cover the company's exposure on its short-term power and gas purchases. The deposits are due within one year and will be recovered once these trading transactions have been settled.

19 Contract asset

	2022 £000	2021 £000
Renewable obligation certificates	**11,225**	9,663

The contract assets primarily relate to the Company's rights to consideration for work completed but not billed at the reporting date. The contract assets are transferred to receivables when the rights become unconditional. This usually occurs when the Group issues an invoice to the customer.

Notes *(continued)*

20 Creditors: amounts falling due within one year

	2022 **£000**	2021 £000
Trade creditors	**5,448**	4,297
Amounts owed to group undertakings	**27,581**	41,916
Other taxation and social security	**696**	249
Accruals and deferred income	**110,298**	85,404
	144,023	131,866

21 Creditors: amounts falling due after more than one year

	2022 **£000**	2021 £000
Accruals and deferred income	**6,375**	3,674

22 Provisions for liabilities

	Deferred taxation £000	**Other provisions** £000	**Total** £000
At beginning of year	8,898	15,796	24,694
Charge to the profit and loss for the year	10,372	1,963	12,335
Provisions reversed during the year	-	(302)	(302)
Provision used during the year	-	(3,447)	(3,447)
Credit to other comprehensive income	(811)	-	(811)
At end of year	**18,459**	**14,010**	**32,469**

Other provisions include £12,546,000 *(2021: £13,667,000)* in relation to certain legacy site remediation obligations. £8,271,000 *(2021: £3,446,000)* of this provision is expected to be utilised within 1 year with the remaining £4,275,000 *(2021: £10,221,000)* between 1-2 years. This provision has been determined with reference to external quotes from suppliers as well as managements best estimate of the costs to complete the remediation works. Other provisions also include £1,464,000 *(2021: £1,500,000)* in respect of certain environmental obligations and £nil *(2021: £629,000)* in respect of restructuring costs, which are expected to be utilised within 1 year.

Deferred taxation assets and liabilities

Recognised tax assets and liabilities are attributable to the following:

	Assets		**Liabilities**		**Net**	
	2022 **£000**	2021 £000	**2022** **£000**	2021 £000	**2022** **£000**	2021 £000
Tangible fixed assets	-	-	**15,730**	5,870	**15,730**	5,870
Provisions	-	(64)	**115**	-	**115**	(64)
Employee benefits	-	-	**2,614**	3,092	**2,614**	3,092
Net tax (assets)/liabilities	-	(64)	**18,459**	8,962	**18,459**	8,898

Notes *(continued)*

22 Provisions for liabilities *(continued)*

Movement in deferred tax during the year:

	At beginning of year £000	Included in profit and loss account £000	Included in other comprehensive income £000	**At end of year £000**
Tangible fixed assets	5,870	9,860	-	**15,730**
Provisions	(64)	179	-	**115**
Employee benefits	3,092	333	(811)	**2,614**
	8,898	10,372	(811)	**18,459**

Movement in deferred tax during the prior year:

	At beginning of year £000	Included in profit and loss account £000	Included in other comprehensive income £000	At end of year £000
Tangible fixed assets	6,758	(888)	-	5,870
Provisions	(50)	(14)	-	(64)
Employee benefits	24	239	2,829	3,092
	6,732	(663)	2,829	8,898

23 Called up share capital

	2022 £000	2021 £000
Allotted, called up and fully paid		
31,900,000 *(2021: 31,900,000)* Ordinary shares of £1 each	**31,900**	31,900
Shares classified in shareholders' funds	**31,900**	31,900

24 Leases

Leases as a lessee

The Company does not have any long-term or high value leases. Expenses relating to short-term leases and leases of low value assets amounted to £339,000 *(2021: £287,000)* and were recognised in profit or loss.

Leases as a lessor

The Company leases out certain of its freehold land and buildings at its site in Teesside. The Company has classified these leases as operating leases, because they do not transfer substantially all of the risks and rewards incidental to the ownership of the assets.

Rental income recognised by the Company during the year was £1,526,000 *(2021: £1,236,000)*.

Notes *(continued)*

24 Leases *(continued)*

The following table sets out a maturity analysis of lease payments, showing the undiscounted lease payments to be received after the reporting date:

	2022	2021
	£000	£000
Within one year	**739**	751
Between one and five years	**1,865**	2,057
After five years	**1,315**	1,541
	3,919	4,349

25 Commitments

Capital commitments to purchase property, plant and equipment at the end of the year, for which no provision has been made, total £89,146,000 *(2021: £14,350,000)*.

26 Contingencies

The Company has letters of credit and guarantees in place in relation to various performance obligations under certain contracts. The total value of these at 31 December 2022 amounted to £103,971,000 *(2021: £29,696,000)*.

27 Pension scheme

Defined contribution pension scheme

The Company operates a defined contribution pension scheme, the Sembcorp Stakeholder Pension Scheme. The pension cost charge for the period represents contributions payable by the Company to the scheme and amounted to £2,221,000 *(2021: £1,786,000)*.

There were no outstanding or prepaid contributions at either the beginning or end of the financial year.

Defined benefit pension scheme

The Company provides pension arrangements to approximately one third of full time employees through a defined benefit scheme, the Sembcorp Utilities Teesside Pension Scheme, and the related costs are assessed in accordance with the advice of professionally qualified actuaries. The pension scheme is funded by the payment of contributions to separately administered trust funds.

The scheme has been closed to new members since January 1999. The scheme was also closed to future accrual with effect from 31 March 2010 and for active members of the scheme the link to salary was removed. Active members are entitled to join the Sembcorp Stakeholder Pension Scheme.

The numbers shown below have been based on calculations carried out by a qualified independent actuary to take account of the requirements of IAS 19 in order to assess the liabilities of the scheme at 31 December 2022. The scheme's assets are stated at their market values at 31 December 2022.

Employer contributions in relation to deficit contributions over the accounting period, amounted to £1,500,000 *(2021: £1,250,000)*.

The valuation used for IAS 19 disclosures has been based on a full assessment of the liabilities of the Sembcorp Utilities Teesside Pension Scheme as at 31 March 2020. The present values of the defined benefit obligation, the related current service cost and any past service costs were measured using the projected unit credit method.

Notes *(continued)*

27 Pension scheme *(continued)*

The information disclosed below is in respect of the Sembcorp Utilities Teesside Pension Scheme as a whole.

	2022	2021
	£000	£000
Defined benefit obligation	**(83,069)**	(128,539)
Plan assets	**93,527**	140,908
Net pension asset	**10,458**	12,369

The Company has recognised the pension surplus on its balance sheet as it can recover the surplus either through reduced contributions in the future or through refunds from the Scheme.

Movements in net defined benefit liability/asset

	Defined benefit obligation		**Fair value of plan assets**		**Net defined benefit (liability)/asset**	
	2022	2021	**2022**	2021	**2022**	2021
	£000	£000	**£000**	£000	**£000**	£000
Balance at 1 January	**(128,539)**	(138,188)	**140,908**	138,312	**12,369**	124
Included in profit or loss						
Current service cost	**-**	-	**-**	-	**-**	-
Past service charge	**-**	-	**-**	-	**-**	-
Interest (cost)/income	**(2,443)**	(1,894)	**2,699**	1,903	**256**	9
	(2,443)	(1,894)	**2,699**	1,903	**256**	9
Included in OCI						
Remeasurements (loss)/gain:						
Actuarial (loss)/gain arising from						
- Changes in demographic assumptions	**609**	(2,863)	**-**	-	**609**	(2,863)
- Change in financial assumptions	**44,570**	6,620	**-**	-	**44,570**	6,620
- Experience adjustment	**(3,238)**	1,409	**-**	-	**(3,238)**	1,409
Return on plan assets excluding interest income	**-**	-	**(45,608)**	5,820	**(45,608)**	5,820
	41,941	5,166	**(45,608)**	5,820	**(3,667)**	10,986
Other						
Contributions paid by the employer	**-**	-	**1,500**	1,250	**1,500**	1,250
Benefits paid	**5,972**	6,377	**(5,972)**	(6,377)	**-**	-
	5,972	6,377	**(4,472)**	(5,127)	**1,500**	1,250
Balance at 31 December	**(83,069)**	(128,539)	**93,527**	140,908	**10,458**	12,369

Cumulative actuarial gains/(losses) reported in the statement of comprehensive income gains and losses since the 2003 year end are £2,676,000 loss *(2021: £991,000 gain)*.

Notes *(continued)*

27 Pension scheme *(continued)*

The fair value of the plan assets and the return on those assets were as follows:

	2022 Fair value £000	2021 Fair value £000
Hedge funds	**16,169**	15,562
Equities	**-**	26,578
Government bonds	**45,010**	8,688
Corporate bonds	**-**	35,912
Gilts	**24,994**	53,673
Cash	**6,509**	-
Other	**845**	495
	93,527	140,908
Expected return on plan assets	**2,699**	1,903
Remeasurement gain on scheme assets	**(45,608)**	5,820
Actual return on plan assets	**(42,909)**	7,723

At 31 December 2022, none of the fair value of scheme assets related to self-investment.

The principal assumptions (expressed as weighted averages) used by the independent qualified actuaries to calculate the liabilities under IAS 19 were as follows:

	2022 %	2021 %
Discount rate	**4.80**	1.95
Rate of increase to pensions in payment		
- benefits accrued pre May 2006	**2.80**	3.00
- benefits accrued post May 2006	**1.95**	2.15
RPI Inflation	**3.0**	3.1
CPI Inflation	**2.5**	2.2

Mortality assumptions

The mortality assumptions are based on standard mortality tables which allow for future mortality improvements. The assumptions are that a member currently aged 65 will live on average for a further 20.9 years if they are male and for a further 23.9 years if they are female. For members currently aged 45 and who retire at age 65 the assumptions are that they will live on average for a further 22.2 years after retirement if they are male and for a further 25.4 years after retirement if they are female.

Sensitivity analysis

The calculation of the defined benefit obligation is sensitive to the assumptions set out above. The following table summarises how the impact on the defined benefit obligation at the end of the reporting period would have increased/ (decreased) as a result of a change in the respective assumptions by one percent.

	2022 £000	2021 £000
Discount rate +1% p.a.	**(9,677)**	(18,471)
1% increase in the Inflation	**7,258**	15,204

Notes *(continued)*

27 Pension scheme *(continued)*

Sensitivity analysis (continued)

In valuing the liabilities of the pension fund at 31 December 2022, mortality assumptions have been made as indicated below. If life expectancy had been changed to assume that all members of the fund lived for one year longer, the value of the reported liabilities at 31 December 2022 would have increased by £2,600,000 *(2021: £5,731,000)* before deferred tax.

The above sensitivities are based on the average duration of the benefit obligation determined at the date of the last full actuarial valuation at 31 March 2020 and are applied to adjust the defined benefit obligation at the end of the reporting period for the assumptions concerned . Whilst the analysis does not take account of the full distribution of cash flows expected under the plan, it does provide an approximation to the sensitivity of the assumptions shown.

With effect from 31 March 2010 the defined benefit pension scheme was closed to future accrual. The Company has contributed £1,500,000 in 2022 (*2021: £1,250,000*), and expects to contribute £1,500,000, in deficit contributions, in the next financial year.

28 Employee share schemes

Share based payments

Share options in the penultimate parent company, Sembcorp Industries Ltd ("SCI"), are granted to certain employees of the Company. These share options are awarded directly by the penultimate parent undertaking.

SCI's Performance Share Plan ("SCI PSP 2020") and Restricted Share Plan ("SCI RSP 2020") (collectively, the "2020 Share Plans") were approved and adopted by SCI shareholders at an Annual General Meeting held on 21 May 2020.

The 2020 Share Plans are intended to increase SCI's flexibility and effectiveness in its continuing efforts to reward, retain and motivate employees to achieve superior performance. The 2020 Share Plans will strengthen SCI Group's competitiveness in attracting and retaining talented key senior management and senior executives. The 2020 Share Plans aim to align the interests of participants and shareholders, to improve performance and achieve sustainable growth for the company.

The details of SCI Group's share-based remuneration arrangements are set out and disclosed in SCI's publicly available annual report. The 2020 Share Plans are priced in Singapore dollars (S$).

Total expense recognised for share based payments during the year was £221,000 *(2021: £323,000)* and £86,000 *(2021: £71,000)* was recharged to the Company in respect of these payments.

Other information regarding the Share Plans is as follows:

(a) Performance Share Plan

Details of the 2020 Performance Share Plans are set out and disclosed in SCI's publicly available annual report. Performance shares awarded to certain employees of the Company that existed at the end of the year were as follows:

Award year	No. of shares at end of year	No. of shares at beginning of year
2021	**395,700**	395,700
2022	**272,300**	-
	668,000	395,700

272,300 *(2021: 395,700)* performance shares were awarded during the year and nil performance shares lapsed during the year *(2021: nil)*. The total number of performance shares outstanding, including awards achieved but not released, as at end 2022, was 668,000 *(2021: 395,700)*.

The total expense recognised during the year in relation to this scheme was £141,000 *(2021: £131,000)*.

Notes *(continued)*

28 Employee share schemes *(continued)*

(b) Restricted Share Plan

Details of the 2020 Restricted Share Plans are set out and disclosed in SCI's publicly available annual report. Restricted shares awarded to certain employees of the Company that existed at the end of the year were as follows:

Award year	No. of shares at end of year	No. of shares at beginning of year
2018	-	12,453
2019	**4,604**	31,670
2020	**26,023**	60,890
2021	**58,533**	-
	89,160	105,013

With the achievement of the performance targets for the performance period 2019 to 2021, a total of 89,889 *(2021: 77,654)* restricted shares were released during 2022 and 13,764 *(2021: nil)* restricted shares lapsed due to under-achievement of the performance targets. 87,800 *(2021: 93,065)* restricted shares were awarded during 2022.

The total number of restricted shares outstanding, including awards achieved but not released, as at end 2022, was 89,160 *(2021: 105,013)*.

The total expense recognised during the year in relation to this scheme was £80,000 *(2021: £192,000)*.

29 Derivative financial instruments

Commodity contracts

In accordance with IFRS the Company is entitled to an exemption not to fair value financial instruments when the Company's intention is to physically deliver these financial instruments. The fair values of these instruments at the year-end were as follows:

	2022		2021	
	Assets £000	**Liabilities £000**	Assets £000	Liabilities £000
Commodity contracts	**35,417**	**(27,384)**	6,431	(40,696)

The Company is potentially exposed to commodity price risk, in particular to movements in power prices. The Company seeks to manage its exposure to commodity price risk by entering into fixed price contracts where this is appropriate. As a result, exposures to changes in commodity prices are satisfactorily managed.

The Company does not trade in financial instruments or enter into speculative commodity transactions.

30 Related parties

The amount charged to Whitetail Clean Energy Limited, for the provision of services during the year, was £280,000 *(2021: £nil)*. At the end of the year £122,000 *(2021: £nil)* was owed by Whitetail Clean Energy Limited.

Sembcorp Utilities Pte Ltd holds a 40% interest in Merseyside Energy Recovery Limited, a joint venture entity.

Transactions with Merseyside Energy Recovery Limited during the year included sales of £1,471,000 *(2021: £988,000)* and purchases of £34,139,000 *(2021: £12,488,000)*. At the end of the year £1,888,000 *(2021: £1,132,000)* was owed to Merseyside Energy Recovery Limited.

Notes *(continued)*

31 Ultimate parent company and parent company of larger group

The Company was a wholly owned subsidiary of Sembcorp Energy UK Limited, which is incorporated, domiciled and registered in England in the UK. Sembcorp Energy UK Limited is a subsidiary undertaking of Sembcorp Utilities Pte Ltd, which in turn is a subsidiary of Sembcorp Industries Ltd. Both Sembcorp Utilities Pte Ltd and Sembcorp Industries Ltd are registered and incorporated in the Republic of Singapore and have their registered office at 30 Hill Street, #05-04, Singapore 179360.

The largest group in which the results of the Company are consolidated is that headed by Sembcorp Industries Ltd. The smallest group in which they are consolidated is that headed by Sembcorp Energy UK Limited. The consolidated financial statements of Sembcorp Industries Limited are available to the public and may be obtained from 30 Hill Street, #05-04, Singapore 179360. The consolidated financial statements of Sembcorp Energy UK Limited are also available to the public and may be obtained from the Companies House.

The directors regard the ultimate controlling party to be Temasek Holdings (Private) Limited, a company incorporated in Singapore.