Company Registration No. 05392552

# SEVERN POWER LIMITED

## Annual Report and Financial Statements

## For the year ended 31 March 2019

SEVERN POWER LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS 2019

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## SEVERN POWER LIMITED

## OFFICERS AND PROFESSIONAL ADVISERS

### DIRECTORS

G Parsons
E Metcalfe
M Higginbotham
K McCullough
I Otero-Novas

### COMPANY SECRETARY

Alter Domus (UK) Limited

### REGISTERED OFFICE

Severn Power Limited
West Nash Road
Nash
Newport
Gwent
NP18 2BZ

### AUDITOR

Deloitte LLP
Statutory Auditor
Cardiff
United Kingdom

### BANK

HSBC Plc
Midsummer Place
Milton Keynes
Buckinghamshire
MK9 3GB

# SEVERN POWER LIMITED

# STRATEGIC REPORT

## INTRODUCTION

The directors of Severn Power Limited ("the Company") present their Strategic Report for the year ended 31 March 2019.

The Company has presented its financial statements under Financial Reporting Standard 102 (FRS 102). The Company is registered in England and Wales.

## PRINCIPAL ACTIVITY

The principal activity of Severn Power Limited during the year was the operation of a gas-fired power station at Newport, South Wales. It will continue with this activity for the foreseeable future.

The Company has an energy management service agreement with Macquarie Bank Limited ("MBL") through which it trades in the energy markets (the "Energy Management Service Agreement").

The Company has an advisory services agreement (the "Advisory Services Agreement") with MPF Holdings Limited, the ultimate parent of the Company and head of the largest group of companies of which the Company is a member (the "MPF Group"). Pursuant to the terms of the Advisory Services Agreement, the Company pays a fee to MPF Holdings Limited in return for certain advisory services.

The Company has a third party agreement for the operation and maintenance ("O&M") of the power station.

## BUSINESS REVIEW

***Health, Safety and Environmental***

Health and Safety ("H&S") has and will continue to be of utmost importance to the Group, its directors and staff.

The directors are happy to report that H&S continued to be excellent with no lost time accidents, a low level of near misses and a high level of management and staff safety walks.

The Group's excellent environmental record continued with no breaches during the year.

***Financial Performance***

The loss for the year, before taxation, amounted to £91,683,000 (2018: loss of £41,522,000) and, after taxation, amounted to a loss of £92,021,000 (2018: loss of £41,691,000).

During the year the Calon Energy group of companies made a loss for the year which triggered an impairment event. As a result, an impairment of £50,700,000 (2018: nil) against the fixed asset value has been recognised in the Company. During the year £5,701,000 (2018: £2,755,000) against the amount due from Baglan Operations Limited was recognised in the Company.

Plant availability continues to be excellent at 94% (2018: 94%). Generation was lower compared to the prior year despite the increase in CTSS. This is as a result of larger fluctuations in market prices which flexible CCGT's are able to capture.

The year saw a £8,075,000 increase in the Company's Capacity Market income. During the year the Capacity Market was suspended, however it was reinstated after the year end with monies being received during January 2020. This accrued income is included in debtors at the year end (see note 10).

At the year-end the Company had net liabilities of £197,527,000 (2018: of £105,506,000).

The Company operates as part of the Calon Energy Limited group ("the Group"). The Group's results are considered as a whole, and details of the performance can be found in the consolidated group financial statements prepared by Calon Energy Limited.

## FUTURE OUTLOOK

Market conditions for the coming year are expected to improve over those seen in the past 12 to 18 months. The industry continues to change, with the earlier than expected closure of a number of coal stations, continued uncertainty around the UK nuclear fleet, and the growth of low marginal cost renewable generation. These factors will reduce supply overall and are likely to increase the volatility of the spark spreads, which efficient and flexible plants such as Calon can capture.

The Capacity Market was successfully reinstated during November 2019, and the contracted clearing prices over the next few years are set to increase which will provide the business with a strong fixed income source. In addition the directors and management team are continually looking at ways to optimise the cost base to help the financial performance of the business.

The Directors have maintenance plans in place which will help ensure that the Plant's excellent availability continues.

The business still faces a number of areas of uncertainty such as those detailed in the principal risks and uncertainties section below.

The directors have reviewed the impact of Brexit on the longer-term outlook of the business. The directors consider that at this stage it is difficult to anticipate the long-term consequences, given the uncertainties over the terms of the UK's departure from the European Union. The directors believe that the impact of Brexit is most likely to be broadly neutral to the power industry as a whole and also to the Company. The directors will continue to assess this as a business risk as Brexit discussions develop and will monitor changes in fuel prices, changes in foreign currency exchange rates, CO2 prices and other factors which could affect price curves.

## PRINCIPAL RISKS AND UNCERTAINTIES

The management of the Company and the execution of the Company's strategy are subject to risks typically associated with the operation of a power plant in the UK. The key business risks and uncertainties affecting the Company and other power plants in the UK market include volatility within the UK and European energy markets, health and safety and plant availability.

*Health and Safety risk*

The Health and Safety ("H&S") of all employees, contractors and visitors who attend the site is a key risk for the Company. To mitigate this risk the Company staff attend regular H&S updates provided by the O&M providers. H&S KPIs are key statistics managed by the senior staff. Feedback systems and other H&S initiatives are used to help create a culture that has H&S as one of its key priorities.

*Plant operational risk*

Forced outages at the Company's power stations can have a significant impact on the Company and can be caused by asset failure. This risk is mitigated by extensive maintenance programmes in partnership with the O&M providers at the plant to ensure potential risks are highlighted and managed appropriately. Strategic spare parts are also maintained on site to ensure short lead times should a key component fail.

*Market risk*

Market risk, the fluctuation in the prices of electricity, gas and carbon which directly impact the gross margin at the operating company of Severn Power, is managed through the use of commodity hedge contracts which mitigate any downward movements in the market price. Management actively manages other market risks through daily trading calls which ensures it responds quickly to changing market conditions.

### KEY PERFORMANCE INDICATORS

The main objectives of the Company are to maintain an exemplary Health and Safety record and to increase its generation of electricity sales whilst improving margin through increased operational efficiency and control of overhead costs. KPIs are discussed in more detail in the business review section.

| | Year ended 31 March 2019 | Year ended 31 March 2018 | Definition, method of calculation |
|---|---|---|---|
| Plant availability | 94% | 94% | The actual availability of the plant compared to its maximum availability. |
| Captured clean tax spark spread (CTSS) | 11.23 | 9.63 | Power minus gas and carbon costs (including tax) divided by generation. |
| Days without Lost Time Accident | 486 | 121 | The number of days at the power station since the last accident that required an employee or contractor to be off work for a period greater than 24 hours. |
| Generation (TWh) | 2.7 | 3.9 | Generation (from Balancing Mechanism ("BM") Reports) for the station shown in Terra Watt Hour ("TWh"). |

Approved by the Board of Directors
and signed on behalf of the Board

G Parsons

Director

Date: 30 January 2020

# DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31 March 2019.

## DIRECTORS

The directors who held office throughout the year and subsequently were as follows:

G Parsons
E Metcalfe
M Higginbotham
K McCullough
I Otero-Novas

## DIRECTORS' INDEMNITIES

The Company has made qualifying third party indemnity provisions for the benefit of its directors which were made during the year and remain in force at the date of this report.

## DIVIDENDS

The directors can not recommend the payment of a dividend (2018: £nil).

## FUTURE OUTLOOK AND USE OF FINANCIAL INSTRUMENTS

Details of the Company's future outlook and use of financial instruments are disclosed in the Strategic Report.

## FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

*Objectives and policies*

The Company's operations expose it to a variety of financial risks that include the effects of price risk, liquidity risk, interest rate risk and cash flow risk. The Company has in place a risk management programme that seeks to limit the adverse effects on the financial performance of the Company by monitoring levels of debt finance and the related finance costs.

Given the size of the Company and being part of a larger group with group-wide policies and risk management procedures, the directors have not delegated the responsibility of monitoring financial risk management to a sub-committee of the board.

*Market and price risk*

The fluctuations in the prices of electricity, gas and carbon, which directly impact the gross margin at the operating companies of Sutton Bridge Power Generation, Baglan Operations Limited and Severn Power Limited, are managed through the use of commodity forward hedging contracts which mitigate movements in market prices. Management actively manages other market risks through daily trading activities which ensures it respond's quickly to changing market conditions.

*Liquidity and cash flow risk*

The seasonal nature of our business has an impact on our liquidity. This risk is mitigated by maintaining sufficient cash and credit facilities to meet fluctuations as they arise.

## GOING CONCERN

The company is a wholly-owned subsidiary within the MPF Holdings group of companies which is headed by MPF Holdings Limited. As a result of this, the company's financial outlook is heavily influenced by the group and the considerations set out below are relevant to both the Group and the company.

To assess the ability of Calon Energy Limited ("Group"), being part of the MPF Holdings group, to continue as a going concern, the directors have prepared a business plan and cash flow forecast for the period to 31 March 2021 which, together, represent the directors' best estimate of the future development of the Group.

## SEVERN POWER LIMITED

## DIRECTORS' REPORT (continued)

### GOING CONCERN

During the course of 2019, the directors conducted a sales process to dispose of the shares of the Group. However, during that period, several external factors such as uncertainty around the UK's exit from the EU and the suspension of the UK Capacity Market adversely affected the efficiency and deliverability of the sale process. As a result, the directors concluded that continuing with the process, in the absence of the anticipated resolution of the afore mentioned uncertainties was not in the best interests of the Group. Instead any sale should be postponed until stable market conditions have resumed. This change in strategy meant that a solution to medium-term funding for the business had not been agreed in advance given the previously held assumption, held by all stakeholders, that the shares of the Group would have been sold by the end of 2019. Therefore, at the date of these financial statements, discussions have been commenced with the Group's stakeholders (namely lenders and shareholders) in order to put in place support to meet the Group's medium-term cash requirements.

The directors' cash flow forecast includes an assumption that further support will need to be provided within the next 12 months. Whilst the company may require short term support at various stages in the trading cycle (the quantification of which will depend on the Group's trading over the course of the next 12 months), the stakeholders are also considering the parameters of a longer term financing solution which would ensure that the Group has robust financial resources for the longer term. Having consulted with stakeholders, the directors consider that the Group has a realistic prospect of securing the additional support that will be required.

However, the negotiations are at an early stage and there remains uncertainty on the exact nature, timing and source of this support, thus giving rise to a risk that the required level of new support will not be received in the necessary timescales or at all. This constitutes a material uncertainty. As a consequence, there is a material uncertainty related to the assumptions described above which may cast significant doubt on the Group and Company's ability to continue as a going concern and, therefore, it may be unable to realise its assets and discharge its liabilities in the normal course of business. The financial statements do not include the adjustments that would result if the Group or Company were unable to continue as a going concern. In the event the Group and Company ceased to be a going concern, the adjustments would include writing down the carrying value of assets, to their recoverable amount and providing for any further liabilities that might arise.

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

### AUDITOR

Each of the persons who is a director at the date of approval of this annual report confirms that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Deloitte LLP have expressed their willingness to continue in office as auditor and a resolution to reappoint them as auditor will be proposed at the forthcoming Annual General Meeting.

The shareholder has approved the financial statements being prepared under the reduced disclosures framework.

Approved by the Board of Directors
and signed on behalf of the Board

Parsons

G Parsons

Director

Date: 30 January 2020

## DIRECTORS' RESPONSIBILITIES STATEMENT

The directors are responsible for preparing the Annual 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 the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". 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 accounting 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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 also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

# INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF SEVERN POWER LIMITED

## Report on the audit of the financial statements

### Opinion

In our opinion the financial statements of Severn Power Limited (the 'Company'):

- give a true and fair view of the state of the Company's affairs as at 31 March 2019 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the statement of income and retained earnings, incorporating the profit and loss account;
- the statement of financial position; and
- the related notes 1 to 18.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the "FRC's Ethical Standard"), and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Material uncertainty related to going concern

We draw attention to note 1 in the financial statements, which indicates that access to further support may be necessary to meet the Group's cash requirements. Discussions remain ongoing between the Group's stakeholders with a view to agreeing the terms for such support to be provided. The Company is a wholly-owned subsidiary within the Calon Energy group of companies (Group) which is headed by MPF Holdings Limited. As stated in note 1, these events or conditions, along with the other matters as set forth in note 1 to the financial statements, indicate that a material uncertainty exists that may cast significant doubt on the company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

### Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurancc conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

### Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for 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 the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

### Auditor's responsibilities for the audit of the financial statements

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 an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF SEVERN POWER LIMITED (continued)

### Report on other legal and regulatory requirements

**Opinions on other matters prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of the audit:

- thc information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

**Matters on which we are required to report by exception**

Under the Companies Act 2006 we are required to report in respect of the following matters 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 respect of these matters.

**Use of our report**

This report is made solely to the Company's member 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 member those matters we are required to state to it 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 member, for our audit work, for this report, or for the opinions we have formed.

Andrew Woodhead

**Andrew Woodhead (Senior statutory auditor)**
**for and on behalf of Deloitte LLP**
Statutory Auditor
Cardiff, United Kingdom
Date: 31 January 2020

## STATEMENT OF INCOME AND RETAINED EARNINGS, INCORPORATING THE PROFIT AND LOSS ACCOUNT
**For the year ended 31 March 2019**

| | Note | 2019 £'000 | 2018 £'000 |
|---|---|---|---|
| **PROFIT AND LOSS ACCOUNT** | | | |
| **TURNOVER** | 2 | 164,518 | 203,300 |
| Cost of sales | | (165,040) | (199,477) |
| **GROSS (LOSS)/PROFIT** | | (522) | 3,823 |
| Administrative expenses | | (6,085) | (10,639) |
| Impairment charge | 5 | (56,401) | (2,755) |
| **OPERATING LOSS** | | (63,008) | (9,571) |
| Fair value gain/(loss) on derivative instruments | 15 | 5,107 | (147) |
| Finance costs (net) | 6 | (33,782) | (31,804) |
| **LOSS BEFORE TAXATION** | 3 | (91,683) | (41,522) |
| Tax on loss | 7 | (338) | (169) |
| **LOSS FOR THE FINANCIAL YEAR** | | (92,021) | (41,691) |
| Retained loss at 1 April | | (395,506) | (353,815) |
| Loss for the year | | (92,021) | (41,691) |
| Retained loss at 31 March | | (487,527) | (395,506) |

All activities derive from continuing operations.

There was no comprehensive income or expense in either period other than the loss for the current year and the preceding year. Accordingly, no statement of total comprehensive income has been presented.

SEVERN POWER LIMITED

## STATEMENT OF FINANCIAL POSITION
## As at 31 March 2019

| | Note | 2019 £'000 | 2018 £'000 |
|---|---|---|---|
| **NET CURRENT ASSETS** | | | |
| Tangible fixed assets | 8 | 243,392 | 303,084 |
| Investments | 9 | 7,000 | 7,000 |
| | | 250,392 | 310,084 |
| **CURRENT ASSETS** | | | |
| Debtors: amounts falling due within one year | 10 | 40,234 | 17,061 |
| Cash at bank and in hand | | 8,146 | 16,417 |
| | | 48,380 | 33,478 |
| **CREDITORS: amounts falling due within one year** | 11 | (207,896) | (167,412) |
| **NET CURRENT LIABILITIES** | | (159,516) | (133,934) |
| **TOTAL ASSETS LESS CURRENT LIABILITIES** | | 90,876 | 176,150 |
| **CREDITORS: amounts falling due after more than one year** | 12 | (281,366) | (278,306) |
| **PROVISIONS FOR LIABILITIES** | 13 | (7,037) | (3,350) |
| **NET LIABILITIES** | | (197,527) | (105,506) |
| **CAPITAL AND RESERVES** | | | |
| Called-up share capital | 14 | 290,000 | 290,000 |
| Profit and loss account | 14 | (487,527) | (395,506) |
| **SHAREHOLDER'S DEFICIT** | | (197,527) | (105,506) |

The financial statements of Severn Power Limited, registered number 05392552, were approved by the Board of Directors and authorised for issue on 28 January 2020.

Signed on behalf of the Board of Directors

G Parsons

Director

# NOTES TO THE FINANCIAL STATEMENTS
## For the year ended 31 March 2019

## 1. ACCOUNTING POLICIES

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and the preceding year.

**General information and basis of accounting**

Severn Power Limited is a private Company limited by shares incorporated in the United Kingdom under the Companies Act 2006 and is registered in England and Wales. The address of the registered office is given on page 1. The nature of the Company's operations and its principal activities are set out in the Strategic Report on pages 2 to 4.

The financial statements are prepared under the historical cost convention modified to include certain items at fair value, and in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council.

The functional currency of the Company is considered to be pounds sterling because that is the currency of the primary economic environment in which the Company operates.

A single statement of income and retained earnings has been prepared in place of the statement of comprehensive income and statement of changes in equity, as the only changes to reserves during the year arise from the loss for the year.

Severn Power Limited meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions available to it in respect of its financial statements. Exemptions have been taken in relation to the presentation of a cash flow statement, key management personnel and financial instruments.

**Consolidation**

The Company is exempt from preparing consolidated financial statements as it is a wholly-owned subsidiary of Calon Energy Limited. Calon Energy Limited prepares consolidated financial statements which include the results of the Company and are publicly available from the address given on page 1.

**Going concern**

The company is a wholly-owned subsidiary within the MPF Holdings group of companies which is headed by MPF Holdings Limited. As a result of this, the company's financial outlook is heavily influenced by the group and the considerations set out below are relevant to both the Group and the company.

To assess the ability of Calon Energy Limited ("Group"), being part of the MPF Holdings group, to continue as a going concern, the directors have prepared a business plan and cash flow forecast for the period to 31 March 2021 which, together, represent the directors' best estimate of the future development of the Group.

During the course of 2019, the directors conducted a sales process to dispose of the shares of the Group. However, during that period, several external factors such as uncertainty around the UK's exit from the EU and the suspension of the UK Capacity Market adversely affected the efficiency and deliverability of the sale process. As a result, the directors concluded that continuing with the process, in the absence of the anticipated resolution of the afore mentioned uncertainties was not in the best interests of the Group. Instead any sale should be postponed until stable market conditions have resumed. This change in strategy meant that a solution to medium-term funding for the business had not been agreed in advance given the previously held assumption, held by all stakeholders, that the shares of the Group would have been sold by the end of 2019. Therefore, at the date of these financial statements, discussions have been commenced with the Group's stakeholders (namely lenders and shareholders) in order to put in place support to meet the Group's medium-term cash requirements.

The directors' cash flow forecast includes an assumption that further support will need to be provided within the next 12 months. Whilst the company may require short term support at various stages in the trading cycle (the quantification of which will depend on the Group's trading over the course of the next 12 months), the stakeholders are also considering the parameters of a longer term financing solution which would ensure that the Group has robust financial resources for the longer term. Having consulted with stakeholders, the directors consider that the Group has a realistic prospect of securing the additional support that will be required.

# NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2019

1. **ACCOUNTING POLICIES (continued)**

**Going concern (continued)**

However, the negotiations are at an early stage and there remains uncertainty on the exact nature, timing and source of this support, thus giving rise to a risk that the required level of new support will not be received in the necessary timescales or at all. This constitutes a material uncertainty. As a consequence, there is a material uncertainty related to the assumptions described above which may cast significant doubt on the Group and Company's ability to continue as a going concern and, therefore, it may be unable to realise its assets and discharge its liabilities in the normal course of business. The financial statements do not include the adjustments that would result if the Group or Company were unable to continue as a going concern. In the event the Group and Company ceased to be a going concern, the adjustments would include writing down the carrying value of assets, to their recoverable amount and providing for any further liabilities that might arise.

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

**EU Emissions trading scheme**

The Company recognises its free emissions allowances received under the National Allocation Plan at nil cost. A liability is recognised when the level of emissions exceeds the level of allowances granted. The liability is measured at the cost of purchased allowances up to the level of purchased allowances held, and then at market price of allowances ruling at the statement of financial position date. Certificates are surrendered at the end of the compliance period reflecting the consumption of economic benefit.

**Turnover**

Turnover represents amounts receivable for generating electricity, net of Value Added Tax. Income is recognised when it is probable that the benefits from the transaction will be received by the Company and can be reliably quantified.

Where specific services are invoiced after the service has been provided then the turnover will be accrued as accrued income, and recognised as the service is provided.

All revenue is generated from one line of business and from one geographical location.

**Tangible fixed assets**

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

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

Capitalisation begins when expenditure for the asset is being incurred and activities that are necessary to prepare the asset for use are in progress. Capitalisation ceases when substantially all the activities necessary to prepare the asset for use are complete. Depreciation commences at the point of commercial deployment. No depreciation is charged on assets under construction.

Depreciation is provided on all tangible fixed assets, at rates calculated to write off the cost, less estimated residual value, of each asset evenly over its expected useful life, as follows:

| | |
|---|---|
| Decommissioning asset | 30 years |
| Plant and machinery | 3- 30 years |

**1. ACCOUNTING POLICIES (continued)**

**Impairment of assets**

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

*Non-financial assets*

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

*Financial assets*

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

**Investments**

Investments held as fixed assets are shown at cost less provision for impairment.

**Finance costs**

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

**Provisions**

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

**Leasing and hire purchase**

Assets held under finance leases, which are leases where substantially all the risks and rewards of ownership of the asset have passed to the Company, are capitalised in the statement of financial position as tangible fixed assets and are depreciated over the shorter of the lease term and their useful lives. The capital elements of future obligations under the leases are included as liabilities in the statement of financial position. The interest element of the rental obligation is charged to the statement of income and retained earnings over the period of the lease and represents a constant proportion of the balance of capital repayments outstanding. Assets held under hire purchase agreements are capitalised as tangible fixed assets and are depreciated over the shorter of the lease term and their useful lives. The capital element of future finance payments is included within creditors. Finance charges are allocated to accounting periods over the length of the contract and represent a constant proportion of the balance of capital repayments outstanding.

**Taxation**

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

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the statement of financial position date where transactions or events that result in an obligation to pay more or a right to pay less tax in the future have occurred at the statement of financial position date. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

# NOTES TO THE FINANCIAL STATEMENTS (continued)
## For the year ended 31 March 2019

1. **ACCOUNTING POLICIES (continued)**

**Taxation (continued)**

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the statement of financial position date that are expected to apply to the reversal of the timing difference.

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

**Foreign exchange**

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

**Borrowing costs**

Borrowing costs which are directly attributable to the construction of tangible fixed assets are capitalised as part of the cost of those assets. The commencement of capitalisation begins when both finance costs and expenditures for the asset are being incurred and activities that are necessary to get the asset ready for use are in progress. Capitalisation ceases when substantially all the activities that are necessary to get the asset ready for use are complete.

**Decommissioning costs**

Provision is made for the net present value of the estimated cost of decommissioning the power station at the end of its useful life (estimated 30 years), based on expected price levels and technology at the statement of financial position date. Changes in these estimates and changes to the discount rates are dealt with prospectively. To reflect the Company's expectation to future economic benefits, a decommissioning asset is recognised as a tangible fixed asset. The decommissioning asset is amortised on a straight-line basis over the useful economic life of the facility. The unwinding of the discount on the provision is included in the statement of income and retained earnings as an interest expense.

**Financial instruments**

***Derivative financial instruments***

The Company uses derivative financial instruments to reduce exposure to foreign exchange risk and commodity price movements. The Company does not hold or issue derivative financial instruments for speculative purposes.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designed and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

***Fair value measurement***

The best evidence of fair value is a quoted price for an identical asset in an active market. When quoted prices are unavailable, the price of a recent transaction for an identical asset provides evidence of fair value as long as there has not been a significant change in economic circumstances or a significant lapse of time since the transaction took place. If the market is not active and recent transactions of an identical asset on their own are not a good estimate of fair value, an entity estimates the fair value by using a valuation technique.

***Financial assets***

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

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

## 1. ACCOUNTING POLICIES (continued)

*Financial liabilities*

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

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

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

**Critical accounting judgements and key sources of estimation uncertainty**

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

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

*Critical judgements in applying the Company's accounting policies*

The following are the critical judgements that the directors have made in the process of applying the Company's accounting policies and that have the most significant effect on the amount recognised in the financial statements.

*Critical judgements – impairment assumptions*

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

*Critical judgements – going concern*

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

*Key sources of estimation uncertainty*

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

*Key source of estimation uncertainty – impairment review of tangible fixed assets*

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

## NOTES TO THE FINANCIAL STATEMENTS (continued)
## For the year ended 31 March 2019

### 1. ACCOUNTING POLICIES (continued)

**Critical accounting judgements and key sources of estimation uncertainty (continued)**

*Key source of estimation uncertainty – decommissioning costs*

The estimated cost of decommissioning at the end of the useful economic life of the plant is reviewed periodically and provision is made for the estimated cost at the statement of financial position date. The total expected future decommissioning costs are uncertain and dependent on the life of the plant.

*Key source of estimation uncertainty – determination of fair values for energy derivatives*

Fair values of energy derivatives are estimated by reference to published price quotations in active markets. Quoted market prices considered for valuation purposes are the bid price for assets held and/or liabilities to be issued.

### 2. TURNOVER

Turnover arises entirely in the United Kingdom and is attributable to the activity of operating a gas-fired power station at Newport, South Wales.

An analysis of the Company's turnover is as follows:

| | 2019<br>£'000 | 2018<br>£'000 |
|---|---|---|
| Sale of electricity | 153,623 | 200,480 |
| Capacity market income | 10,895 | 2,820 |

### 3. LOSS BEFORE TAXATION

| | 2019<br>£'000 | 2018<br>£'000 |
|---|---|---|
| **Loss before taxation is stated after charging:** | | |
| Depreciation of tangible fixed assets: | | |
| Owned by the Company | 12,824 | 12,816 |
| Held under finance leases | 338 | 338 |

The fees payable to the auditor, in relation to the auditing of the financial statements, totalling £51,000 (2018: £48,000), have been borne by another group company and recharged via the management recharge.

No other services were provided by the auditor during the year (2018: none).

### 4. DIRECTORS' REMUNERATION

During the year, no director received any emoluments (2018: £nil).

Two directors are remunerated by other companies within the MPF Holdings Limited group for their services to the group as a whole. It is not possible to allocate their remuneration between their services as directors of different companies.

No average staff numbers or staff costs are disclosed in these financial statements as all employees are remunerated by other companies within the MPF Holdings Limited group for their services to the group as a whole.

# NOTES TO THE FINANCIAL STATEMENTS (continued)
## For the year ended 31 March 2019

### 5. IMPAIRMENT CHARGE

During the year the Calon Energy group of companies made a loss for the year which triggered an impairment event. As a result, an impairment of £50,700,000 (2018: nil) against the value of fixed assets has been recognised in the Company. During the year £5,701,000 (2018: £2,755,000) against the amount due from Baglan Operations Limited was recognised in the Company.

### 6. FINANCE COSTS (NET)

| | 2019<br>£'000 | 2018<br>£'000 |
|---|---|---|
| Interest payable and similar charges | (33,989) | (31,915) |
| Less: Investment income | 207 | 111 |
| | (33,782) | (31,804) |

| | £'000 | £'000 |
|---|---|---|
| **Interest receivable and similar income** | | |
| Interest receivable | 6 | 6 |
| Interest receivable from Group undertakings | 201 | 105 |
| | 207 | 111 |

| | 2019<br>£'000 | 2018<br>£'000 |
|---|---|---|
| **Interest payable and similar charges** | | |
| On finance leases from Group undertakings | 998 | 1,092 |
| Interest payable to Group undertakings | 32,903 | 30,755 |
| Unwinding of interest on provision | 88 | 68 |
| | 33,989 | 31,915 |

### 7. TAX ON LOSS

| | 2019<br>£'000 | 2018<br>£'000 |
|---|---|---|
| **Current taxation on loss on ordinary activities** | | |
| UK corporation tax charge on loss for the year | 338 | 169 |
| Total tax charge on loss on ordinary activities | 338 | 169 |

## 7. TAX ON LOSS (continued)

The tax assessed for the year is greater than the standard rate of corporation tax in the UK of 19% (2018: 19%).

| | 2019 £'000 | 2018 £'000 |
|---|---|---|
| Loss on ordinary activities before tax | (91,683) | (41,522) |
| Tax on loss on ordinary activities at standard UK rate of corporation tax of 19% (2018: 19%) | (17,420) | (7,889) |
| Effect of: | | |
| Capital allowances in deficit of depreciation not recognised | 9,675 | 2,067 |
| Impairment adjustment | 1,083 | 524 |
| Provision | 9 | - |
| Disallowable expenditure | 2,447 | 477 |
| Tax losses not recognised | (950) | (169) |
| Corporate interest restriction adjustment | 5,940 | 5,160 |
| Adjustments to tax credit in respect of previous periods | (446) | (1) |
| Total tax charge for the year | 338 | 169 |

The Company has unused tax losses of £142.3m (2018: £146.5m) and unused capital allowances of £153.2m (2018: £102.3m) available for offset against future profits. A deferred tax asset has not been recognised in respect of these losses and timing differences because in the opinion of the directors there is insufficient certainty of recoverability of this asset.

The Finance Act 2017, which provides for the main rate of corporation tax to reduce to 17% from 1 April 2020, was substantively enacted on 6 September 2016. This is reflected in the calculation of deferred tax at the statement of financial position date.

## 8. TANGIBLE FIXED ASSETS

| | Decommissio-ning asset £'000 | Plant and machinery £'000 | Total £'000 |
|---|---|---|---|
| **Cost or revaluaation** | | | |
| At 1 April 2018 | 2,792 | 440,138 | 442,930 |
| Additions | - | 571 | 571 |
| Revaluations | 3,599 | - | 3,599 |
| At 31 March 2019 | 6,391 | 440,709 | 447,100 |
| **Accumulated depreciation and impairment charges** | | | |
| At 1 April 2018 | 412 | 139,434 | 139,846 |
| Charge for the year | 139 | 13,023 | 13,162 |
| Impairment | - | 50,700 | 50,700 |
| At 31 March 2019 | 551 | 203,157 | 203,708 |
| **Net book value** | | | |
| At 31 March 2019 | 5,840 | 237,552 | 243,392 |
| At 31 March 2018 | 2,380 | 300,704 | 303,084 |

## 8. TANGIBLE FIXED ASSETS (continued)

Included within the net book value of plant and machinery is £7,446,000 (2018: £7,784,000) in respect of assets held under finance leases and similar hire purchase agreements. Depreciation for the period on these assets was £338,000 (2018: £338,000).

The revaluation on the decommissioning provision asset is due to a different discount factor being used in the current year. The cumulative borrowing costs capitalised total £66,680,000 (2018: £66,680,000).

During the year the Calon Energy group of companies made a loss for the year which triggered an impairment event. As a result, an impairment of £50,700,000 (2018: £nil) against the value of fixed assets has been recognised in the Company.

## 9. INVESTMENTS

| | 2019 £'000 | 2018 £'000 |
|---|---|---|
| **Cost and carrying value** | | |
| At 31 March 2018 and at 31 March 2019 | 7,000 | 7,000 |

The directors believe that the carrying value of the investment is supported by its underlying net assets.

**Details of subsidiary undertaking**

Details of the investment in which the Company holds 20% or more of the nominal value of any class of share capital is as follows:

| Subsidiary undertaking | Holding | Proportion of voting rights and shares held | Country of incorporation | Principal activity |
|---|---|---|---|---|
| Severn Gas Transportation Limited | Ordinary | 100% | England and Wales | Gas transmission |

The registered office of Severn Gas Transportation Limited (05121224) is c/o Severn Power Limited, West Nash Road, Nash, Newport, Gwent, NP18 2BZ.

## 10. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

| | 2019 £'000 | 2018 £'000 |
|---|---|---|
| Trade debtors | 695 | 3,739 |
| Amounts owed by Group undertakings | - | - |
| Other debtors | 1,703 | 2,427 |
| Prepayments and accrued income | 15,448 | 3,278 |
| Derivative financial instruments (see note 15) | 22,388 | 7,617 |
| | 40,234 | 17,061 |

Amounts owed by Group undertakings are unsecured, bear interest of 4.55% above LIBOR and are repayable on demand.

Included within trade debtors are amounts due from related parties of £690,000 (2018: £3,738,000).

During the year the Calon Energy group of companies made a loss for the year which triggered an impairment event. As a result, an impairment of £5,701,000 (2018: £2,755,000) against the amount due from Baglan Operations Limited was recognised in the Company.

## NOTES TO THE FINANCIAL STATEMENTS (continued)
**For the year ended 31 March 2019**

### 11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

| | 2019 £'000 | 2018 £'000 |
|---|---|---|
| Trade creditors | 1,118 | 1,008 |
| Amounts owed to Group undertakings | 170,105 | 140,479 |
| Corporation tax | - | 169 |
| Net obligations under finance leases and hire purchase agreements | 1,203 | 1,101 |
| Other creditors | 3,732 | 6,184 |
| Accruals and deferred income | 15,168 | 11,564 |
| Derivative financial instruments (see note 15) | 16,570 | 6,907 |
| | 207,896 | 167,412 |

The amounts owed to Group undertakings are unsecured, bear interest of 4.55% above LIBOR and are repayable on demand.

Included within accruals and deferred income are amounts due to related parties of £9,287,000 (2018: £8,730,000).

### 12. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

| | 2019 £'000 | 2018 £'000 |
|---|---|---|
| Amounts owed to Group undertakings | 271,940 | 267,675 |
| Amounts owed to Group undertakings under finance lease | 9,426 | 10,631 |
| | 281,366 | 278,306 |
| Creditors include amounts not wholly repayable within five years as follows: | | |
| Repayable by instalments | 3,392 | 5,106 |

Obligations under finance leases and hire purchase agreements, included above, are payable as follows:

| | 2019 £'000 | 2018 £'000 |
|---|---|---|
| **Minimum lease payments** | | |
| Between two and five years | 6,034 | 5,525 |
| After five years | 3,392 | 5,106 |
| Present value of obligations | 9,426 | 10,631 |

The amounts owed to Group undertakings are unsecured, bear interest at 8.125% per annum and are repayable by 30 June 2022.

The amounts owed to Group undertakings under finance lease are unsecured and carry an implicit annual interest rate of 8.9% per annum.

# NOTES TO THE FINANCIAL STATEMENTS (continued)
## For the year ended 31 March 2019

### 13. PROVISIONS FOR LIABILITIES

| | Decommissioning £'000 |
|---|---|
| At 1 April 2018 | 3,350 |
| Charged to the profit and loss account | 88 |
| Revaluation | 3,599 |
| At 31 March 2019 | 7,037 |

**Decommissioning**

The decommissioning provision has been made under FRS 102 'Provisions, contingent liabilities and contingent assets' for estimated decommissioning costs which are calculated as the present value of estimated decommissioning costs using a discount rate of 2.01% (2018 : 2.06%). Included within fixed assets is an amount of £5,841,000 (2018: £2,380,000) which reflects the Company's expectation to recover future decommissioning costs from sales of electricity during 2019 and future years. This asset is being depreciated over 30 years, being the expected life of the power station.

### 14. CALLED-UP SHARE CAPITAL AND RESERVES

| | 2019 £'000 | 2018 £'000 |
|---|---|---|
| **Allotted, called-up and fully paid** | | |
| 290,000,002 Ordinary shares of £1 each | 290,000 | 290,000 |

The Company's other reserve is as follows:

The profit and loss reserve represents cumulative profits or losses.

## NOTES TO THE FINANCIAL STATEMENTS (continued)
**For the year ended 31 March 2019**

### 15. DERIVATIVES AND FINANCIAL INSTRUMENTS

The discussion of the Company's objectives with regard to derivatives and other financial instruments is included within the Company's accounting policies in note 1.

**Fair values of assets and liabilities**

The fair value of financial instruments represents the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation. Where market values are not available, fair values have been calculated by discounting cash flows at prevailing rates at the year-end. Significant differences can arise between the fair value and the carrying amount of financial instruments that are recognised at historical cost amounts.

| | Notional value | | Fair value | |
|---|---|---|---|---|
| | 31 March 2019 £'000 | 31 March 2018 £'000 | 31 March 2019 £'000 | 31 March 2018 £'000 |
| Commodity forwards | 28,517 | 19,852 | 5,818 | 710 |

During the period the Company entered into a number of EU emission forward contracts; the nominal value of these contracts at the year-end was £17,494,000 (2018: £5,085,000).

During the year the Company entered into a number of Power forward contracts; the nominal value of these contracts at the year-end was £126,527,000 (2018: £65,529,000).

During the year the Company entered into a number of Gas forward contracts; the nominal value of these contracts at the year-end was £80,516,000 (2018: £40,592,000).

At 31 March 2019 and 31 March 2018 the carrying amounts of short-term debtors and creditors approximated their fair values due to short-term maturities of these assets and liabilities.

The Company's gains and losses in respect of the financial instruments are summarised below:

| **Fair value gains/(losses)** | **2019 £'000** | **2018 £'000** |
|---|---|---|
| On commodity forwards measured at fair value through profit or loss | 5,107 | (147) |

## NOTES TO THE FINANCIAL STATEMENTS (continued)
**For the year ended 31 March 2019**

### 16. RELATED PARTY TRANSACTIONS

In accordance with section 33 of FRS102 'Related party disclosures', the Company is exempt from disclosing transactions with entities that are part of the MPF Holdings Limited group, as it is a wholly-owned subsidiary of MPF Holdings Limited, which prepares consolidated financial statements which may be obtained from: 1st Floor, Waterloo House, Don Street, St Helier, Jersey, Channel Islands, JE1 1AD.

During the year and the prior year the Group transacted on an arm's length basis with companies related to Macquarie UK Power Investments Limited which is one of the shareholders of MPF Holdings Limited as follows:

**Year ended 31 March 2019**

| | Value of transactions (to)/from the Group during the year £'000 | Outstanding amount due to/(from) the Group as at 31 March 2019 £'000 |
|---|---|---|
| Transaction fees | (1,171) | (92) |
| Carbon trading charges | (95) | (122) |
| Other fees | (1,351) | (112) |
| Net sales of power | 134,545 | 8,190 |
| Net purchases of gas | (103,003) | (7,296) |
| Sales of carbon | (21,492) | (23,183) |
| Purchases of carbon | 14,018 | 14,018 |
| | 21,451 | (8,597) |

**Year ended 31 March 2018**

| | Value of transactions (to)/from the Group during the year £'000 | Outstanding amount due to/(from) the Group as at 31 March 2018 £'000 |
|---|---|---|
| Transaction fees | (1,588) | (539) |
| Carbon trading charges | (104) | (7) |
| Other fees | (1,460) | 67 |
| Net sales of power | 184,018 | 12,484 |
| Net purchases of gas | (124,737) | (8,257) |
| Sales of carbon | (10,472) | (12,162) |
| Purchases of carbon | 3,439 | 3,439 |
| | 49,096 | (4,975) |

## NOTES TO THE FINANCIAL STATEMENTS (continued)
## For the year ended 31 March 2019

### 17. COMMITMENTS

The Company has entered into certain agreements for the operation and maintenance of its power station located in Newport, South Wales.

The Company has an Energy Management Service Agreement with Macquarie Bank Limited which will be trading in the energy market on the Company's behalf for power, gas and carbon.

The Company has entered into a long-term Advisory Service Agreement with MPF Holdings Limited whereby MPF Holdings Limited will supply certain advisory services to the Company.

On 30 April 2015 Calon Energy Limited and all its subsidiary companies entered into a new five-year group facilities agreement with Beal Bank USA. During March 2019 this agreement was extended by a further 18 months to 29 October 2021. The group facilities agreement provides group debt and letter of credit facilities. The shares in Calon Energy Limited and its subsidiary companies were provided as security for the facilities.

Capital commitments are as follows:

| | 2019<br>£'000 | 2018<br>£'000 |
|---|---|---|
| Contracted for but not provided | | |
| - Other | 6,442 | - |

### 18. PARENT UNDERTAKING AND ULTIMATE CONTROLLING PARTY

Calon Energy (Severn) Limited wholly-owns the shares in the Company and is considered to be its immediate parent company.

Calon Energy Limited heads the smallest group for which consolidated financial statements are prepared which will include the results of the Company. Copies are available from the registered office: Severn Power Station, West Nash Road, Nash, Newport, Gwent, NP18 2BZ.

MPF Holdings Limited heads the largest group for which consolidated financial statements are prepared and is also regarded as the Company's ultimate parent company and controlling party. MPF Holdings Limited is a company incorporated in Jersey. Copies of MPF Holdings Limited's consolidated financial statements may be obtained from the registered office: 1st Floor, Waterloo House, Don Street, St Helier, Jersey, Channel Islands, JE1 1AD.