Company Registration No. 05392552

SEVERN POWER LIMITED

Annual Report and Financial Statements

For the year ended 31 March 2021

SEVERN POWER LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS 2021

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SEVERN POWER LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

J Holder
S Magie

REGISTERED OFFICE

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

AUDITOR

Azets Audit Services
Charter Court
Phoenix Way Enterprise Park
Swansea
SA7 9FS

STRATEGIC REPORT

These financial statements have been prepared for the year ended 31 March 2021.

PRINCIPAL ACTIVITY

The principal activity of the Group (being the Company and its subsidiaries together, the "Group") during the year was the operation of a gas pipeline and gas-fired power station at Newport, South Wales.

The subsidiary and associated undertakings principally affecting the profits or net assets of the Group in the year are listed in note 10 to the financial statements.

BUSINESS REVIEW

Health, Safety and Environmental

The Directors are happy to report that Health and Safety ("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 operational events outside of permit limits during the year.

In addition, the business implemented additional health and safety procedures in respect of COVID 19.

Financial Performance

The profit for the year before taxation, amounts to £466,272,000 (2020: loss of £73,670,000). These results are significantly impacted by an exceptional income balance in the year of £485,003,000 (2020: exceptional cost of £32,309,000).

On 24th August 2020 the Company went into administration and was put into a state of managed preservation, and on 26th March 2021 the Company successfully exited administration via a creditors' voluntary agreement ("CVA").

The losses incurred by the Group in leading up to this administration triggered an impairment event in the comparative period, resulting in for the year ended 31st March 2020, impairments being recognised of £12,362,000 against the value of fixed assets and £3,112,000 against amounts due from group companies. As part of the CVA, a number of key contracts were terminated resulting in planned upgrade works ceasing. The accounts for the year ended 31st March 2020 therefore also included impairments of £2,113,000 and £14,452,000 respectively against the value of fixed assets (Assets Under Construction) and prepayments. These elements combined to result in an exceptional cost being recognised in the period to 31st March 2020 of £32,309,000.

In the year ended 31st March 2021, the exit from the CVA process has seen £475,709,000 of liability balances being released, creating an exceptional income in the profit and loss account. This release comprised £475,927,000 of amounts previously due to group companies and £11,051,000 of trade creditor balances as a number of external supplier contracts were terminated. The year ended 31st March 2021 also saw a further impairment being recognised against amounts due from group companies of £1,975,000 due to the impact of administration in these respective companies.

Following the restructuring of liabilities from the CVA process, as at 31st March 2021 the Group has strengthened its balance sheet significantly with net assets of £199,530,000 (2020: £266,931,000 net liabilities) and net current liabilities of £7,420,000 (2020: £209,833,000 net current liabilities).

FUTURE OUTLOOK

Following the successful exit of administration, the Directors plan that the pipeline and station will be held in a managed preservation state whilst strategic options are explored.

In addition, the Directors are continually looking at ways to optimise the cost base to help the financial performance of the business.

As the business is being held in a state of managed preservation the impact of COVID 19 is minimal.

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 believe that the impact of Brexit is most likely to be broadly neutral to the power industry as a whole and also to the Group. The Directors will continue to assess this as a business risk.

STRATEGIC REPORT (continued)

KEY PERFORMANCE INDICATORS

The main objectives of the Group are to maintain an exemplary Health and Safety record and to increase its generation of electricity sales at higher margins, whilst improving profitability through increased operational efficiency and control of overhead costs.

	Year ended 31March 2021	Year ended 31 March 2020	Definition, method of calculation
Plant availability Results for 2021 are to end of production	96%	92%	The actual availability of the plant compared to its maximum availability.
Captured Clean Tax Spark Spread (CTSS) Results for 2021 are to end of production	11.93	14.85	Power minus gas and carbon costs (including tax) over plant generation (£/MWh).
Days without lost time accidents	1,217	852	The number of days since the last accident at the power station that requires an employee or contractor to be off work for a period greater than 24 hours.
Generation (TWh) Results for 2021 are to end of production	0.6	1.9	Generation (from Balancing Mechanism ("BM") Reports) for the station shown in Terawatt Hours ("TWh").

The directors have selected Days without Lost Time Accident as its Health and Safety KPI due to its industry standard calculation and comparison.

The Generation and Margin KPI's are split into Plant Availability, Generation and CTSS since these are the fundamental drivers of the company's gross margin.

Future KPIs will be reviewed by the Directors in light of the ongoing preservation status.

STRATEGIC REPORT (continued)

PRINCIPAL RISKS AND UNCERTAINTIES

The management of the Group and the execution of the Group'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 Group when operational and other power plants in the UK market include health and safety, plant availability and volatility within the UK and European energy markets.

As noted in the Future Outlook section of this report, following the successful exit of the administration the station will be held in a state of managed preservation, the key principal risk to the Company still remains that of Health and Safety.

Health and safety risk

The Health and Safety of all employees, contractors and visitors who attend the site is a key focus for the Group. To mitigate this risk the Group 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 caused by asset failure at the power station can have a significant impact on the Group. This risk is mitigated by extensive maintenance programmes at each 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.

Energy 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 Limited, 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.

Political and regulatory risk

The Group is exposed to the risk from changes in policies and regulations from operating in a market that is subject to a high degree of regulatory and political intervention or uncertainty.

Macroeconomic risk

The industry is affected by issues such as weather, demand fluctuation due to alternative energy sources and government policy. This has the effect of suppressing demand, therefore impacting cash flows.

Approved by the Board of Directors

and signed on behalf of the Board

J Holder

Director

Date: 21/6/22

DIRECTORS' REPORT

The Directors present their annual report and the audited financial statements for the year ended 31 March 2021.

DIRECTORS

The Directors who held office during the year, unless other stated, and subsequently, were as follows:

G Parsons (resigned 29 June 2020)
E Metcalfe (resigned 28 June 2020)
M Higginbotham (resigned 9 February 2021)
K McCullough (resigned 25 November 2020)
I Otero-Novas (resigned 29 June 2020)
J Holder (appointed 5 August 2020)
S Magie (appointed 4 February 2021)

K McCullough and M Higginbotham had service contracts with the Group in the year.

DIRECTORS' INDEMNITIES

The Group has made qualifying third party indemnity provisions for the benefit of its Directors. These remain in force at the date of this report. This is also for the benefit of a subsidiary company.

DIVIDENDS

The Directors cannot recommend the payment of a dividend (2020: £nil).

FUTURE OUTLOOK

Details of the Group's future outlook are disclosed in the Strategic Report.

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Objectives and policies

The Group'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 Group has in place a risk management programme that seeks to limit the adverse effects on the financial performance of the Group by monitoring levels of debt finance and the related finance costs.

Market and price risk

The fluctuations in the price of electricity, gas and carbon, which directly impact the gross margin at the operating companies of Severn Power Limited, are managed through the use of commodity forward hedging contracts which mitigate movements in market prices. Management actively manage other market risks through daily trading activities which ensures they respond quickly to changing market conditions.

Foreign exchange risk

The fluctuation in the exchange rates which directly impact the valuation of monetary assets and liabilities held in the Group is managed through the use of forward and option contracts.

Liquidity and cash flow risk

The seasonal nature of our business, economic factors such as government policy and renewables have an impact on our liquidity due to supressing demand and therefore consuming cash. This risk is mitigated by maintaining sufficient cash and credit facilities to meet fluctuations as they arise.

DIRECTORS' REPORT (continued)

DIRECTORS' STATEMENT OF COMPLIANCE WITH DUTY TO PROMOTE THE SUCCESS OF THE COMPANY

Directors' statement of compliance with duty to promote the success of the Company

The Directors of the Company act in accordance with the set of duties as detailed in s172 of the UK Companies Act 2006 which is summarised as follows:

A director of a 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 and, in doing so have regard (amongst other matters) to:

- The likely consequences of any decision in the long term;
- The interest of the Company employees;
- The need to foster the Company business relationships with suppliers, customers and others;
- The impact of the Company operations on the community and the environment;
- The desirability of the Company to maintain a reputation for high standards of business conduct; and
- The need to act fairly as between members of the Company.

The following paragraphs summarise how the Directors fulfil their duty to promote the success of the Company.

The likely consequences of any decision in the long term.

The Board approves an Annual Plan for the Company and monitors its implementation throughout the year through review of operational and financial performance.

The interest of the Company employees.

The Board has regard to the interests of the Company employees in its decision making and engages with them as appropriate.

The Board recognizes the importance of attracting, retaining and motivating employees to deliver the Company's strategic objectives and prioritises the health, safety and wellbeing of its workforce.

In 2020, COVID-19 resulted in a new way of working for many employees who were working remotely. Engagement with employees was increased to ensure that even though employees may be isolated they do not feel alone or excluded. The Company also ensured that staff had the correct home equipment to ensure remote working was safely carried out. This initiative continued through the year to 31 March 2021.

The need to foster the Company business relationships with suppliers, customers and others.

The Board has oversight over all stakeholder relationships and has regard to these relationships in its decision making.

This involves developing processes to manage and enhance relationships with suppliers, customers and others including understanding their evolving needs so that the Company can adapt to meet those needs.

The company values having a strong relationship with its suppliers and seeks to treat them fairly and to pay them promptly. The Group entering administration and the resultant Company CVA put this relationship under extreme pressure. The Company has worked diligently to restore this relationship.

The company seeks to comply with the law and the regulations which govern its operations and has put in place policies and procedures which are designed to ensure that it is compliant. It communicates with government bodies and regulators on a regular basis.

The impact of the Company operations on the community and the environment.

The Board is aware of the impact of power generation on the environment and the communities in which the Company operates and regularly reviews environmental impact through the use of specialist independent consultants.

SEVERN POWER LIMITED

DIRECTORS' REPORT (continued)

The desirability of the Company to maintain a reputation for high standards of business conduct.

The Board is committed to maintaining the reputation of the Company and high standards of business conduct in all its business dealings. The Board requires honesty, integrity and transparency in all aspects of its business dealings with employees, contractors and other partners. The Company has in place a number of compliance policies including competition, anti-bribery and corruption, gifts and hospitality, responsible procurement, anti-slavery, human trafficking and data privacy.

The need to act fairly as between members of the Group.

The Company is a wholly owned subsidiary within the Calon Energy group of companies. There is regular dialogue and meetings with Calon Energy Limited (in administration), the company's indirect parent company to ensure goals of the business remain aligned.

GREENHOUSE GAS EMISSIONS, ENERGY CONSUMPTION AND ENERGY EFFICIENCY

The Company operates a gas-powered electricity generation plant. The Company endeavours to produce electricity in the most efficient and environmentally clean manner possible, however burning of gas to generate electrical power makes CO_2 emissions inevitable.

The Company's greenhouse gas emissions are regulated by an Environmental Permit and a Greenhouse Gas Permit issued by Natural Resources Wales, the regulatory body in Wales. These permits set targets for emissions. All carbon emissions are declared in line with the Company's EU ETS certification. The Company's emissions are audited bi-annually by an accredited independent verifier. The Company's policy is to ensure compliance with permit targets, maximise energy efficiency and minimise CO_2 emissions by measures including collection of metered data on gas consumption, analysing this data on an hourly basis calculating levels of carbon emission and the continual monitoring and maintenance of its equipment.

Intensity Matrix

The Company tracks the declared CO_2 emissions against its levels of power generation. The tonnes of CO_2 emitted this year per MwH of power generated is 0.38 tonnes per MwH

During the year, the Company's greenhouse gas emissions in tonnes of CO_2 equivalent were as follows:

	2021	**2020**
Scope 1. Emissions resulting from activities for which the Company is responsible involving the consumption of gas.	243,197	703,253
Scope 2. Emissions resulting from the purchase of electricity for the Company's own use.	1,043	1,105
Scope 3. Emissions resulting from the consumption of fuel for the purpose of transport.	0	0
The Company's consumption of energy in Kwh was as follows:		
The annual quantity consumed resulting from activities for which the Company is responsible.	1,351,417,336	3,919,658,758
The annual quantity consumed resulting from activities for the Company's own use.	974,925	4,949,064

DIRECTORS' REPORT (continued)

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.

Azets Audit Services were appointed auditors on 8th December 2021 and have expressed their willingness to continue in office as auditor.

Approved by the Board of Directors

and signed on behalf of the Board

J Holder

Director

Date: 21/6/22

GOING CONCERN

During the course of both 2019 and 2020, the Directors conducted sales processes to dispose of the shares of Calon Energy Limited Group ('the Group') – an indirect parent company of Severn Power Limited ('the Company'). However, due to market conditions it was not possible to conclude a sale at an acceptable value – ultimately leading to the Group entering administration on 24 June 2020.

Subsequent to the administration of the Group, on 24 August 2020 the Company also entered administration – putting the Severn Power Combined Cycle Gas Power Plant into a state of managed preservation whilst the longer-term future of the Company was considered.

On 26 March 2021 the Company successfully exited administration via a Creditors' Voluntary Arrangement ("CVA") putting in place an on-demand funding line to meet its requirements. On 18th February 2022 the Company's CVA came to an end.

With this backdrop the Directors have prepared a business plan and cash flow forecasts for the period to 31 March 2024 which represents the Directors' best estimate of the future development of the Company and its subsidiary. Using this information, the Directors have held discussions with its funders to put in place support to meet the Company's and it's subsidiary's longer-term cash requirements. The Directors have agreed the material terms of an appropriate funding agreement which the Directors envisage will be signed in the near term. Whilst this arrangement is put in place, the Company and its funders have put in place short-term funding arrangements sufficient to exit administration and manage the business, which are providing funding to the company on a month-by-month basis.

Based on the ongoing positive relationship with the Company's funders and following preparation of detailed forecasts and projections, the Directors have a reasonable expectation that the Company and it's subsidiary has adequate resources to continue in operational existence for the foreseeable future and as such believe that it remains appropriate to prepare the financial statements on a going concern basis.

In making this judgement, the Directors expect that the company's and subsidiary's principal activity of the operation and maintenance of a gas-fired power station and gas pipeline at Severn Power, South Wales will continue, however they note that currently this activity is not revenue generating at the present time as the site is in a state of managed preservation.

The Directors however also recognise that there remains some uncertainty on the exact timing of signing the longer-term funding agreement thus giving rise to a risk that the required level of support may 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 doubt on the Company's and subsidiary's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Company or subsidiary were unable to continue as a going concern. In the event the Company or subsidiary ceased to be a going concern, the adjustments would include writing down the carrying value of assets, to their recoverable amount and providing for any further liabilities that might arise.

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

Notwithstanding the material uncertainty 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 and Subsidiary 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.

SEVERN POWER LIMITED

DIRECTORS' STATEMENT OF RESPONSIBILITIES

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 the Group and of the profit or loss of the Group for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments 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 and the Group 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 MEMBERS OF SEVERN POWER LIMITED

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Severn Power Limited (the 'parent company') and its subsidiary (the 'group') for the year ended 31 March 2021 which comprise the group statement of income and retained earnings, incorporating the profit and loss account, the group statement of financial position, the company statement of financial position, the group cash flow statement and the related notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the group and parent company's affairs as at 31 March 2021 and of the group profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; 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 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 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 relating to going concern

We draw attention to note 1 in the financial statements, which indicates that the group and its funders have put in place short-term funding arrangements sufficient for the group and parent company to exit administration. However, there remains some uncertainty on the exact timing of signing the longer-term funding agreement thus giving rise to a risk that the required level of support may not be received in the necessary timescales or at all. In addition, note 1 also details that although the group has received confirmation that it is not the current intention for the lending group entities to recall the amounts owed by the company in the 12 months from the date of the approval of these accounts, this is not a guarantee and therefore creates additional uncertainty.

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 doubt on the group and parent company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other information

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. 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 assurance conclusion thereon. 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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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 this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the directors' report.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company 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.

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 parent 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 is available on the Financial Reporting Council's website at: https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above and on the Financial Reporting Council's website, to detect material misstatements in respect of irregularities, including fraud.

We obtain and update our understanding of the entity, its activities, its control environment, and likely future developments, including in relation to the legal and regulatory framework applicable and how the entity is complying with that framework. Based on this understanding, we identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. This includes consideration of the risk of acts by the entity that were contrary to applicable laws and regulations, including fraud.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SEVERN POWER LIMITED

In response to the risk of irregularities and non-compliance with laws and regulations, including fraud, we designed procedures which included:

- Enquiry of management and those charged with governance around actual and potential litigation and claims as well as actual, suspected and alleged fraud;
- Reviewing minutes of meetings of those charged with governance;
- Assessing the extent of compliance with the laws and regulations considered to have a direct material effect on the financial statements or the operations of the company through enquiry and inspection;
- Reviewing financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations;
- Performing audit work over the risk of management bias and override of controls, including testing of journal entries and other adjustments for appropriateness, evaluating the business rationale of significant transactions outside the normal course of business and reviewing accounting estimates for indicators of potential bias.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Use of our report

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.

Azets Audit Services

Paul Bowden (Senior Statutory Auditor)
For and on behalf of Azets Audit Scrvices

Date: 21/06/2022

Chartered Accountants
Statutory Auditor

Charter Court
Phoenix Way Enterprise Park
Swansea
United Kingdom
SA7 9FS

SEVERN POWER LIMITED

CONSOLIDATED STATEMENT OF INCOME AND RETAINED EARNINGS, INCORPORATING THE PROFIT AND LOSS ACCOUNT
For the year ended 31 March 2021

	Note	2021 £'000	2020 £'000
PROFIT AND LOSS ACCOUNT			
TURNOVER	2	28,743	154,745
Cost of sales		(33,255)	(146,447)
GROSS PROFIT		(4,512)	8,298
Administrative expenses		(6,415)	(6,205)
Exceptional items	6	484,785	(32,309)
OPERATING PROFIT / (LOSS)	3	473,858	(30,216)
Fair value gain / (loss) on derivative instruments	18	1,096	(6,914)
Finance costs (net)	7	(8,682)	(36,540)
PROFIT / (LOSS) BEFORE TAXATION		466,272	(73,670)
Tax charge on profit/ (loss)	8	189	(140)
PROFIT / (LOSS) FOR THE FINANCIAL YEAR		466,461	(73,810)
Retained loss at 1 April		(556,931)	(483,121)
Profit / (Loss) for the year		466,461	(73,810)
Retained loss at 31 March		(90,470)	(556,931)

All activities derive from continuing operations.

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 March 2021

	Note	2021 £'000	2020 £'000
NON-CURRENT ASSETS			
Intangible fixed assets	9	5,352	-
Tangible fixed assets	11	215,805	220,056
		221,157	220,056
CURRENT ASSETS			
Debtors: amounts falling due within one year	12	1,714	11,723
Cash at bank and in hand		4,129	10,436
		5,843	22,159
CREDITORS: amounts falling due within one year	13	(13,291)	(231,992)
NET CURRENT ASSETS / (LIABILITIES)		(7,448)	(209,833)
TOTAL ASSETS LESS CURRENT LIABILITIES		213,709	10,223
CREDITORS: amounts falling due after more than one year	14	(6,527)	(269,635)
PROVISIONS FOR LIABILITIES	15	(7,652)	(7,519)
NET ASSETS / (LIABILITIES)		199,530	(266,931)
CAPITAL AND RESERVES			
Called-up share capital	16	290,000	290,000
Profit and loss account		(90,470)	(556,931)
SHAREHOLDER'S DEFICIT		199,530	(266,931)

The financial statements of Severn Power Limited, registered number 05392552, were approved by the Board of Directors and authorised for issue on 21 / 6 /22

Signed on behalf of the Board of Directors

J Holder

Director

COMPANY STATEMENT OF FINANCIAL POSITION
As at 31 March 2021

	Note	2021 £'000	2020 £'000
NON-CURRENT ASSETS			
Intangible Fixed assets	10	5,352	-
Tangible fixed assets	11	215,730	219,981
		221,082	219,981
CURRENT ASSETS			
Debtors: amounts falling due within one year	12	1,719	11,709
Cash at bank and in hand		4,129	10,412
		5,848	22,121
CREDITORS: amounts falling due within one year	13	(8,350)	(231,062)
NET CURRENT ASSETS / (LIABILITIES)		(2,502)	(208,941)
TOTAL ASSETS LESS CURRENT LIABILITIES		218,580	11,040
CREDITORS: amounts falling due after more than one year	14	-	(282,191)
PROVISIONS FOR LIABILITIES	15	(7,652)	(7,519)
NET LIABILITIES		210,928	(278,670)
CAPITAL AND RESERVES			
Called-up share capital	16	290,000	290,000
Profit and loss account		(79,072)	(568,670)
SHAREHOLDER'S DEFICIT		210,928	(278,670)

The profit for the financial year of Severn Power Limited (the parent Company) was £489,598,000 (loss for the year ended 31 March 2020: £81,142,000). As permitted by section 408 of the Companies Act 2006 no separate profit and loss account is presented in respect of the parent Company.

The financial statements of Severn Power Limited, registered number 05392552, were approved by the Board of Directors and authorised for issue on 21/6/22

Signed on behalf of the Board of Directors

J Holder

Director

CONSOLIDATED CASH FLOW STATEMENT
For the year ended 31 March 2021

	Note	2021 £'000	2020 £'000
Net cash inflows/(outflows) from operating activities	17	(901)	4,150
Cash flows from investing activities			
Purchase of land and plant and machinery		(56)	(1,883)
Purchase of intangible asset		(5,352)	-
Interest received	7	2	8
Net cash outflows from investing activities		(5,406)	(1,875)
Net increase/(decrease) in cash and cash equivalents		(6,307)	2,275
Cash and cash equivalents at beginning of year		10,436	8,161
Cash and cash equivalents at end of year		4,129	10,436
Reconciliation to cash at bank and in hand			
Cash at bank and in hand at end of year		4,129	10,436

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2021

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 Company incorporated in the United Kingdom under the Companies Act 2006. The Company is private and limited by shares. 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 and the requirements of the Companies Act 2006. The Group has applied the amendments to FRS 102 issued by the FRC in July 2015 and the amendments to Company law made by The Companies, Partnerships and Groups (Accounts and Reports) Regulations 2015 prior to their mandatory effective date of accounting periods beginning on or after 1 January 2016.

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.

Consolidation

The Group financial statements consolidate the financial statements of the Company and its subsidiary undertakings, as listed in note 10, drawn up to 31 March 2021. The results of subsidiaries acquired or sold are consolidated for the periods from or to the date on which control passed.

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value. At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date. Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

Going concern

During the course of both 2019 and 2020, the Directors conducted sales processes to dispose of the shares of Calon Energy Limited Group ('the Group') – an indirect parent company of Severn Power Limited ('the Company'). However, due to market conditions it was not possible to conclude a sale at an acceptable value – ultimately leading to the Group entering administration on 24 June 2020.

Subsequent to the administration of the Group, on 24 August 2020 the Company also entered administration – putting the Severn Power Combined Cycle Gas Power Plant into a state of managed preservation whilst the longer-term future of the Company was considered.

On 26 March 2021 the Company successfully exited administration via a Creditors' Voluntary Arrangement ("CVA") putting in place an on-demand funding line to meet its requirements. On 18th February 2022 the Company's CVA came to an end.

With this backdrop the Directors have prepared a business plan and cash flow forecasts for the period to 31 March 2024 which represents the Directors' best estimate of the future development of the Company and its subsidiary. Using this information, the Directors have held discussions with its funders to put in place support to meet the Company's and subsidiary's longer-term cash requirements. The Directors have agreed the material terms of an appropriate funding agreement which the Directors envisage will be signed in the near term. Whilst this arrangement is put in place, the Company and its funders have put in place short-term funding arrangements sufficient to exit administration and manage the business, which are providing funding to the Company and subsidiary on a month-by-month basis.

1. ACCOUNTING POLICIES (continued)

Going concern (continued)

Based on the ongoing positive relationship with the Company's funders and following preparation of detailed forecasts and projections, the Directors have a reasonable expectation that the Company and its subsidiary has adequate resources to continue in operational existence for the foreseeable future and as such believe that it remains appropriate to prepare the financial statements on a going concern basis.

In making this judgement, the Directors expect that the company's principal activity of the operation and maintenance of a gas-fired power station and gas pipeline at Severn Power, South Wales will continue, however they note that currently this activity is not revenue generating at the present time as the site is in a state of managed preservation.

The Directors however also recognise that there remains some uncertainty on the exact timing of signing the longer-term funding agreement thus giving rise to a risk that the required level of support may 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 Company's and subsidiary's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Company or subsidiary were unable to continue as a going concern. In the event the Company and subsidiary ceased to be a going concern, the adjustments would include writing down the carrying value of assets, to their recoverable amount and providing for any further liabilities that might arise.

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

Notwithstanding the material uncertainty 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 and its subsidiary 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 services provided in the normal course of business, net of trade discounts, power buy-backs, VAT and other sales-related taxes derived from the production of electricity for customers. All turnover has arisen in the United Kingdom.

Revenues from the sale of electricity represent the value of the actual generated output from the plant provided to customers at the net rates reflected in the associated contract terms with customers or prevailing market rates as applicable to the extent there is a right to consideration and is recorded at the value of the consideration due.

Other revenue, e.g., Capacity market revenue, is recognised when there is a right to consideration and is recorded at the value of the consideration due. Capacity market income is an income to the Group to ensure sufficient reliable capacity is available.

1. ACCOUNTING POLICIES (continued)

Intangible fixed assets

Intangible assets are measured at fair value and value adjustments are included in the income statement.

EUA Certificates included in intangible assets are shown at cost.

Amortisation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

EUA Certificates	100% straight line

Amortisation will commence in the period after the intangible assets have been capitalised.

Fixed asset investments are shown at cost less any provision for impairment.

Tangible fixed assets

Tangible fixed assets are included in 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.

An asset is removed from the statement of financial position on disposal or when it is withdrawn from use and no future economic benefits are expected from its disposal. The gain or loss on disposal is the difference between the proceeds and the carrying amount and is recognised in the statement of income and retained earnings.

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

Plant and machinery	5 - 35 years straight-line
Equipment and fittings	3 to 5 years
Decommissioning asset	Up to 35 years

Impairment of assets

Assets 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 profit or loss 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 to a level below book value. 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.

1. ACCOUNTING POLICIES (continued)

Operating leases

Rentals under operating leases are charged to the statement of income and retained earnings on a straight-line basis over the lease term, even if the payments are not made on such a basis.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight-line basis over the lease term.

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.

Interest income

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

Decommissioning costs

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

Financial instruments

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.

Financial liabilities

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

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

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

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.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2021

1. ACCOUNTING POLICIES (continued)

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.

Provisions

Provisions are recognised when the Group 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.

Liquidated damages

Liquidated damages represent either an income or a cost dependent on the availability and performance of each station. The income/cost is recognised on an annual basis in line with the contract date, and is recognised within cost of sales. An asset or liability is recognised accordingly as at the statement of financial position date.

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 without discounting, 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, with the following exceptions:

- provision is made for gains on disposal of fixed assets that have been rolled over into replacement assets only where, at the statement of financial position date, there is a commitment to dispose of the replacement assets with no likely subsequent rollover or available capital losses;
- provision is made for gains on revalued fixed assets only where there is a commitment to dispose of the revalued assets and the attributable gain can neither be rolled over nor eliminated by capital losses; and
- deferred tax assets are recognised only to the extent that the Directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing difference can be deducted.

Foreign currency

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.

Pension costs

For defined contribution schemes the amount charged to the statement of income and retained earnings in respect of pension costs and other post-retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the statement of financial position.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2021

1. ACCOUNTING POLICIES (continued)

Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group'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 year in which the estimate is revised if the revision affects only that year, or in the year of the revision and future years if the revision affects both current and future years.

Critical judgements in applying the Group's accounting policies

The following are the critical judgements that the Directors have made in the process of applying the Group'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 post-tax cash flow projections are based on the Group's business plan. The business plan is based on past experience, and adjusted to reflect market trends, economic conditions, key risks, the implementation of strategic objectives and changes in commodity prices, as appropriate. Commodity prices used in the planning process are based on observable market data. In completing the impairment review the Directors have satisfied themselves that the estimates made are reasonable. However, the Group's activities are in a complex market and historically challenging conditions, and a number of sensitivities indicate 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 and investments

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

Key source of estimation uncertainty – useful economic life of tangible fixed assets

The useful economic lives of the plants were determined on purchase of each company in accordance with the contracts in place with the operators. In addition, the Directors review the useful economic life of each plant following any major upgrade in order to determine the most appropriate period of use.

Key source of estimation uncertainty – decommissioning costs

The estimated costs 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.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2021

1. **ACCOUNTING POLICIES (continued)**

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

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.

Key source of estimation uncertainty – recoverability of inter-company debt

Determining whether inter-company debt is impaired requires an estimation of the value in use of the underlying business of the counterparty. This value in use calculation requires the Directors to estimate the future cash flows expected to arise from the counterparty and a suitable discount rate in order to calculate present value. The future cash flows of the counterparty are based on estimates of commodity prices, plant activity and market conditions which are inherently uncertain.

2. **TURNOVER**

Turnover, which is stated net of value added tax, arises entirely in the United Kingdom and is attributable to the activity of operating gas-fired power stations at Newport, south Wales.

An analysis of the Group's turnover and revenue is as follows:

	2021 £'000	2020 £'000
Sale of electricity	23,562	139,681
Capacity market income	5,181	15,064
	28,743	154,745

3. **OPERATING LOSS**

	2021 £'000	2020 £'000
Operating loss is stated after charging/(crediting):		
Depreciation of owned fixed assets	4,305	10,893

The analysis of the auditor's remuneration is as follows:

	2021 £'000	2020 £'000
Fees payable to the Company's auditor and its associates for the audit of the Company's annual financial statements	27	58
Fees payable to the Company's auditor and its associates for other services to the Group – taxation compliance services	3	-
The audit of the Company's subsidiaries	6	5
Total audit fees	36	63

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2021

4. DIRECTORS' REMUNERATION AND TRANSACTIONS

Two directors were remunerated by the Group through salaries for services to the Group as a whole. Their total remuneration paid by the Group was £626,000 (2020 - £818,000) with pension contributions for one Director of £17,000 (2020 - £14,000). The highest paid director received emoluments from the Group of £424,000 (2020 - £594,000) and pension contributions of £nil (2020 £nil).

Of these values, the following amounts were paid by the Company. Total remuneration £499,000 (2020: £nil) and pension contributions £13,000 (2020: £nil). The highest paid Director received emoluments of £337,000 (2020: £nil) from the Company. One director (2020: one) is accruing retirement benefits under a money purchase scheme.

Two directors were remunerated by the Company through fees for services to the Group as a whole.

Total fees paid in the year were £173,000 (2020: £Nil). It is not possible to allocate their remuneration between their services as Directors of different companies.

5 EMPLOYEES

The average monthly number of persons (including directors) employed by the group and company during the year was 17 (2020: Nil).

Their aggregate remuneration comprised:

	2021 £'000	2020 £'000
Wages and salaries	1,388	-
Social security costs	176	-
Pension contributions	47	-
	1,611	-

6. EXCEPTIONAL ITEMS

	2021 £'000	2020 £'000
Impairment of fixed assets	-	(14,745)
Provision against receivable balances	(1,975)	(3,112)
Release of liability balances	486,760	-
Impairment of prepayments	-	(14,452)
Total tax charge on loss	484,785	(32,309)

On 24th August 2020 the Company went into administration and was put into a state of managed preservation, and on 26th March 2021 the Company successfully exited administration via a creditors' voluntary agreement ("CVA").

The losses incurred by the Group in leading up to this administration triggered an impairment event in the comparative period, resulting in for the year ended 31st March 2020, impairments being recognised of £12,362,000 against the value of fixed assets and £3,112,000 against amounts due from group companies. As part of the CVA, a number of key contracts were terminated resulting in planned upgrade works ceasing. The accounts for the year ended 31st March 2020 therefore also included impairments of £2,113,000 and £14,452,000 respectively against the value of fixed assets (Assets Under Construction) and prepayments. These elements combined to result in an exceptional cost being recognised in the period to 31st March 2020 of £32,309,000.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2021

6. EXCEPTIONAL ITEMS (continued)

In the year ended 31st March 2021, the exit from the CVA process has seen £486,760,000 of liability balances being released, creating an exceptional income in the profit and loss account. This release comprised £475,709,000 of amounts previously due to group companies and £11,051,000 of trade creditor balances as a number of external supplier contracts were terminated. The year ended 31st March 2021 also saw a further impairment being recognised against amounts due from group companies of £1,975,000 due to the impact of administration in these respective companies.

7. FINANCE COSTS (NET)

	2021 £'000	2020 £'000
Interest payable and similar expenses	8,987	37,161
Less: Interest receivable and similar income	(305)	(621)
	8,682	36,540
Interest receivable and similar income		
Interest on loans to Group companies	303	613
Interest receivable and similar income	2	8
	305	621
Interest payable and similar expenses		
Interest on loans from Group companies	8,854	37,022
Unwinding of discount on decommissioning liability	133	139
	8,987	37,161

8. TAX ON PROFIT / LOSS

	2021 £'000	2020 £'000
Current taxation		
UK corporation tax charge for the year	(189)	140
Total current tax charge	(189)	140
Deferred taxation		
Fair value and ineligible fixed asset adjustments	-	-
Total deferred tax charge for the year	-	-
Total tax (credit) / charge for the year	(189)	140

The differences between the total tax shown above and the amount calculated by applying the standard rate of UK corporation tax to the loss before tax is as follows:

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2021

8. TAX ON PROFIT / (LOSS) (continued)

	2021 £'000	2020 £'000
Profit / (Loss) before taxation	466,273	(73,670)
Loss multiplied by standard rate of corporation tax in the UK of 19% (2020: 19%)	88,592	(13,997)
Effect of:		
Tax losses not recognised	-	-
Corporate interest restriction adjustment	-	5,911
Expenses not deductible for tax purposes	607	521
Capital allowances in deficit of depreciation not recognised	-	1,571
Impairment adjustment	-	6,139
Deferred tax	7,384	24
Income not taxable	(96,554)	-
Other adjustments	-	(29)
Adjustments in respect of prior year	(218)	-
Total tax credit for the year	(189)	140

The Group has unused tax losses of £188,817,000 (2020: £144,461,000), unused capital allowances in excess of depreciation and other timing differences of £174,161,000 (2020: £162,419,000) and interest expense temporarily disallowed under the corporate interest restriction rules of £92,923,000 (2020: £85,419,000) 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 suitable taxable profits against which they can be offset. Under present tax legislation, these losses and timing differences may be carried forward indefinitely.

9. INTANGIBLE ASSETS

COMPANY AND GROUP

	EUA Certificates £'000	Total £000
Cost		
At 1 April 2020	-	-
Additions during the year	5,352	5,352
At 31 March 2021	5,352	5,352

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2021

10. FIXED ASSET INVESTMENTS

COMPANY

	Total £000
Cost or revaluation	
At 1 April 2020 and 31 March 2021	7,000
Accumulated depreciation and impairment charges	
At 1 April 2020 and 31 March 2021	7,000
Net book value	
At 1 April 2020 and 31 March 2021	-

Following a review by the Directors of the carrying value of the fixed asset investments an impairment charge of £Nil (2020: £7,000,000) has been recognised by the Company

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.

11. TANGIBLE FIXED ASSETS

Group	Freehold land and buildings £'000	Plant and machinery £'000	Equipment and fittings £'000	Assets under construction £'000	Decommissioning asset £'000	Total £'000
Cost						
At 1 April 2020	75	440,479	38	2,113	6,734	449,439
Additions	-	54	-	2	-	56
At 31 March 2021	75	440,533	38	2,115	6,734	449,495
Depreciation and impairment charges						
At 1 April 2020	-	226,421	38	2,113	811	229,383
Charge for the year	-	4,203	-	-	103	4,306
Impairment (note 6)	-	-	-	2	-	2
At 31 March 2021	-	230,624	38	2,115	914	233,690
Net book value						
At 31 March 2021	75	209,909	-	-	5,820	215,804
At 31 March 2020	75	214,058	-	-	5,923	220,056

11. TANGIBLE FIXED ASSETS (continued)

During the year, due to the CVA, some contracts with group and external suppliers were compromised. As a result, included within the net book value of plant and machinery is £Nil (2019: £6,131,000) in respect of assets held under finance leases.

The cumulative borrowing costs capitalised total £66,680,000 (2020: £66,680,000). Interest is charged on the loans relating to capital expenditure at a rate of 4.5% above the LIBOR base rate.

The Directors have reviewed the expected useful lives of certain plant and machinery and determined that 30 years is appropriate for the Severn site.

During the year an impairment of £2,000 (2020: £2,113,000) against the value of fixed assets (Assets Under Construction) has been recognised.

During the year an impairment of £Nil (2019: £12,632,000) against the fixed asset (Plant and Machinery) has been recognised. During the prior year, the group incurred a loss which triggered the impairment event.

Company

	Plant and machinery £'000	Equipment and fittings £'000	Assets under construction £'000	Decommissioning asset £'000	Total £'000
Cost					
At 1 April 2020	440,479	19	2,113	6,734	449,345
Additions	54	-	2	-	56
Revaluations	-	-	-	-	-
At 31 March 2021	440,533	19	2,115	6,734	449,401
Depreciation and impairment charges					
At 1 April 2020	226,421	19	2,113	811	229,364
Charge for the year	4,202	-	-	103	4,305
Impairment (note 6)	-		2	-	2
At 31 March 2021	230,623	19	2,115	914	233,671
Net book value					
At 31 March 2021	209,910	-	-	5,820	215,730
At 31 March 2020	214,058	-	-	5,923	219,981

During the year an impairment of £2,000 (2020: £2,113,000) against the value of fixed assets (Assets Under Construction) has been recognised.

During the year an impairment of £Nil (2020: £1,431,000) against the fixed asset (Plant and Machinery) has been recognised.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2021

12. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Company	
	2021	2020	2021	2020
	£'000	£'000	£'000	£'000
Trade debtors	-	4,104	-	4,104
Amounts owed by Group companies	555	-	565	-
Prepayments and accrued income	432	4,526	432	4,518
Other debtors	727	3,093	722	3,087
	1,714	11,723	1,719	11,709

Amounts owed by Group companies 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 £Nil (2020: £4,104,000).

13. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Company	
	2021	2020	2021	2020
	£'000	£'000	£'000	£'000
Trade creditors	936	1,277	926	1,241
Amounts owed to Group companies	4,865	209,067	-	206,859
Other creditors	4,660	3,148	4,623	3,148
Accruals and deferred income	2,801	17,404	2,801	17,403
Taxation and Social Security	29	-		-
Net obligations under finance leases and hire purchase agreements	-	-	-	1,315
Derivative financial instruments (note 18)	-	1,096	-	1,096
	13,291	231,992	8,350	231,062

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

Included in accruals are related party balances of £Nil (2020: £15,290,000) (see note 21). All financial liabilities are carried at amortised cost other than derivative financial instruments disclosed in note 18.

14. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Group		Company	
	2021	2020	2021	2020
	£'000	£'000	£'000	£'000
Amounts owed to Group undertakings	6,527	269,635	-	274,079
Amounts owed to Group undertakings under finance lease	-	-	-	8,112
	6,527	269,635	-	282,191
Creditors include amounts not wholly repayable within five years as follows:				
Repayable by instalments	-	-	-	1,518

14. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR (continued)

The amounts owed to Group undertakings relates to a loan repayable on 30 June 2022, which bears interest at 8.125% per annum and is unsecured.

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

	2021 £'000	2020 £'000
Minimum lease payments		
Between two and five years	-	6,594
After five years	-	1,518
Present value of obligations	-	8,112

15. PROVISIONS FOR LIABILITIES

The movements in provisions by group and company, during the current year are as follows:

	Decommissioning £'000
At 1 April 2020	7,519
Charged to the profit and loss account	133
At 31 March 2021	7,652

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 1.78% (2020: 1.78%). Included within fixed assets is an amount of £5,820,000 (2020: £5,923,000) which reflects the Company's expectation to recover future decommissioning costs from sales of electricity during 2021 and future years. This asset is being depreciated over the expected life of the power station.

16. CALLED-UP SHARE CAPITAL AND RESERVES

	Group		Company	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Allotted, called-up and fully paid				
290,000,002 Ordinary shares of £1 each	290,000	290,000	290,000	290,000

The called-up share capital reserve contains one class of ordinary share which carries no right to fixed income.

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 2021

17. RECONCILIATION OF OPERATING LOSS FOR THE YEAR TO NET CASH FLOWS FROM OPERATING ACTIVITIES

	2021 £'000	2020 £'000
Profit / (Loss) for the financial year:	466,461	(73,810)
Adjustments for:		
Depreciation	4,305	10,893
Asset impairment	2	32,309
Interest payable	8,987	37,153
Interest receivable	(305)	(621)
Taxation	(189)	140
Change in fair value of derivatives	(1,096)	6,914
Foreign exchange translation	-	8
Operating cash flow before movement in working capital	478,165	12,986
Decrease / (Increase) in debtors	10,009	(11,426)
(Decrease) / Increase in creditors	(489,075)	3,537
	(901)	5,097
Interest paid	-	(947)
Net cash (outflow)/inflow from operating activities	(901)	4,150

18. DERIVATIVES AND FINANCIAL INSTRUMENTS

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

The carrying values of the Group financial assets and liabilities are summarised by category below:

	31 March 2021 £'000	31 March 2020 £'000
Financial assets		
Measured at undiscounted amount receivable		
• Trade debtors (note 12)	-	4,104
	-	4,104
Financial liabilities		
Measured at fair value		
• Derivative financial liabilities (see note 13)	-	1,096
Measured at undiscounted amount payable		
• Trade creditors (see note 13)	936	1,277
	936	2,373

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2021

18. DERIVATIVES AND FINANCIAL INSTRUMENTS (continued)

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.

	31 March 2021		31 March 2020	
Group	**Notional value £'000**	**Fair value £'000**	**Notional value £'000**	**Fair value £'000**
Commodity forwards	-	-	(4,049)	3,008

At 31 March 2020 the carrying amounts of short-term debtors and creditors approximated their fair values due to short-term maturities of these assets and liabilities. During the year the Group entered into a number of EU emission, power and gas forward contracts through its operating companies. The fair value of these contracts at the year-end are summarised below:

Derivatives payable within one year

	31 March 2021 £'000	31 March 2020 £'000
Severn Power Limited		
EU emissions	-	1,096
	-	1,096

The above table reflects the Group position. The Company only derivatives receivable and payable are included within the disclosure.

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

Fair value gains/(losses)	**2021 £'000**	**2020 £'000**
On commodity forwards measured at fair value through profit or loss	1,096	(6,914)
	1,096	(6,914)

19. COMMITMENTS

The Company had entered into certain agreements for the operation of its power station. The Contractual Service Agreement (CSA) provides for the maintenance of the covered unit. The Operations and Maintenance Agreement (OMA) provided for the service and maintenance of the plant. The OMA terminated on 15 November 2019, with all service and maintenance of the plant being undertaken by staff employed by the Group. During the year an OMA was entered into with NAES Power Solutions Limited. Following the company's exit from administration the CSA was terminated and compromised under the

The Company had an Energy Management Service Agreement ("EMSA") with Macquarie Bank Limited which traded in the energy market on the Company's behalf for power, gas and carbon. On 31 March 2020 the EMSA contract ended.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2021

19. COMMITMENTS (continued)

The Company had entered into a long-term Advisory Service Agreement with MPF Power Holdings Limited whereby MPF Power Holdings Limited will supply certain advisory services to the Company. This agreement terminated during March 2020.

On 31 May 2016 Calon Energy Limited drew on an existing facility in place with Beal Bank. The details of the new facility are currently in negotiation with the secured lender and are expecting to be completed during the following year.

Capital commitments are as follows:

	2021 £'000	2020 £'000
Contracted for but not provided		
- Other	-	5,208

20. RETIREMENT BENEFIT SCHEMES

Defined contribution schemes

During the year the Group contributed into a defined contribution pension scheme held by its parent company, Calon Energy Limited. During the year, all employees were transferred to NAES Power Solutions Limited under TUPE regulations.

21. RELATED PARTIES

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

During the year and the prior year, the Group transacted on an arm's length basis with with Macquarie Bank Limited in relation to the Energy Management Service Agreement as follows.

Year ended 31 March 2021

	Value of transactions (to)/from the Group during the year £'000	Outstanding amount due to/(from) the Group as at 31 March 2021 £'000
Transaction fees	(244)	-
Carbon trading charges	-	-
Other fees	(598)	-
Net sales of power	29,612	-
Net purchases of gas	(16,555)	-
Net purchases of carbon	(16,445)	-
	(4,230)	-

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2021

21. RELATED PARTIES (continued)

Year ended 31 March 2020

	Value of transactions (to)/from the Group during the year £'000	Outstanding amount due to/(from) the Group as at 31 March 2020 £'000
Transaction fees	(1,005)	(125)
Carbon trading charges	(77)	(101)
Other fees	(1,385)	(76)
Net sales of power	120,750	12,805
Net purchases of gas	(88,810)	(8,474)
Net purchases of carbon	(13,627)	(15,189)
	15,846	(11,160)

The balance within debtors falling due within one year (note 11) is £Nil (2020: £4,104,000) and the balance within creditors amounts falling due within one year (note 12) is £Nil (2020: £15,290,000). This nets to a liability of £Nil (2020: nets to a liability of £11,160,000) as disclosed above.

22. PARENT UNDERTAKING AND ULTIMATE CONTROLLING PARTY

Calon Energy (Severn) Limited owns 100% of the ordinary share capital in Severn Power Limited and is considered to be the immediate parent company.

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