

**SEVERN POWER LIMITED**

**Annual Report and Financial Statements**

**For the year ended 31 March 2020**



# **SEVERN POWER LIMITED**

## **ANNUAL REPORT AND FINANCIAL STATEMENTS 2020**

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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**

Deloitte LLP  
Statutory Auditor  
Cardiff  
United Kingdom

# SEVERN POWER LIMITED

## STRATEGIC REPORT

These financial statements have been prepared for the year ended 31 March 2020.

### 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-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.

During the year the Company had an Energy Management Service Agreement with Macquarie Bank Limited (“MBL”) through which it traded in the energy market (the “Energy Management Service Agreement”). This agreement terminated in March 2020.

The Group had an Asset Management and 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”).

The station had a third-party agreement for the operation and maintenance (“O&M”) of the generation assets. Further details can be found in the commitments note (note 18).

### BUSINESS REVIEW

#### *Health, Safety and Environmental*

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 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 Group’s loss for the year, before taxation but including impairment provisions, amounted to £73,670,000 (2019: loss of £91,201,000) and after taxation, amounted to £73,810,000 (2019: loss of £91,749,000).

At the year-end the Group had net liabilities of £266,931,000 (2019: £193,121,000).

On 24 August 2020 the Company entered administration. Subsequent to this, on 26 March 2021 the Company successfully exited administration via a creditors voluntary arrangement (“CVA”). As part of the CVA a number of key contracts were terminated resulting in planned upgrade works ceasing. As a result an impairment of £2,113,000 and £14,452,000 (2019: £nil) were recognised against the value of fixed assets (Assets Under Construction) and prepayments.

During the year the Group made a loss for the year which triggered an impairment event. As a result, an impairment of £12,632,000 (2019: £56,401,000) against the fixed asset (Plant and Machinery) has been recognised.

In addition, on 24 March 2021 Baglan Operations Limited (part of the Calon Energy Group of companies) entered liquidation. As a result, an impairment of £3,112,000 (2019: £5,701,000) in the amount due from Group companies has been recognised in the Company.

Following a review by the Directors of the carrying value of the fixed asset investments an impairment charge of £7,000,000 (2019:£nil) has been recognised by the Company.

## SEVERN POWER LIMITED

### STRATEGIC REPORT (continued)

#### FUTURE OUTLOOK

Following the successful exit of administration the Directors plan that the 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 likely to be 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 Company. The Directors will continue to assess this as a business risk.

#### 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	Severn	Definition, method of calculation
Days without Lost Time Accidents	2020	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.
	2019	486	
Plant availability	2020	92%	The actual availability of the plant compared to its maximum availability.
	2019	94%	
Captured Clean Tax Spark Spread (CTSS)	2020	14.85	Power minus gas and carbon costs (including tax) over plant generation (£/MWh).
	2019	11.23	
Generation (TWh)	2020	1.9	Generation (from Balancing Mechanism ("BM") Reports) for the station shown in Terawatt Hours ("TWh").
	2019	2.7	

The directors have selected Days without Lost Time Accident as it's 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.

# SEVERN POWER LIMITED

## 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 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 Company 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. The UK Government has also announced that the UK will leave the EU. Severn Power Limited is reviewing the key risks associated with these areas and deploying mitigating actions.

#### *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. This is mitigated by the shareholder investment in the company.

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



J Holder

Director

Date: 26/11/21

## **SEVERN POWER LIMITED**

### **DIRECTORS' REPORT (continued)**

The Directors present their annual report and the audited financial statements for the year ended 31 March 2020.

#### **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 current 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 (2019: £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.

The Directors have delegated the responsibility of monitoring financial risk management to a sub-committee of the board.

##### *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 Company 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 suppressing demand and therefore consuming cash. This risk is mitigated by maintaining sufficient cash and credit facilities to meet fluctuations as they arise.

## SEVERN POWER LIMITED

### 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 other;
- 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

##### *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 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 Company.*

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 CO2 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 CO2 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 CO2 emissions against its levels of power generation. The tons of CO2 emitted this year per MWh of power generated is 0.38 tons per MWh

During the year, the company's greenhouse gas emissions in tonnes of CO2 equivalent were as follows:

	2020
Scope 1, Emissions resulting from activities for which the company is responsible involving the consumption of gas.	703,253
Scope 2, Emissions resulting from the purchase of electricity for the Company's own use.	1,105
Scope 3, Emissions resulting from the consumption of fuel for the purpose of transport.	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.	3,919,658,758
The annual quantity consumed resulting from activities for the Company's own use.	4,949,064

## **SEVERN POWER LIMITED**

### **DIRECTORS' REPORT (continued)**

#### **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 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, and those of its subsidiary, Severn Gas Transportation Limited.

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 Group. Using this information, the Directors have held discussions with its funders and the Group to put in place support to meet the Company'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, 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 has adequate resources to continue in operational existence for the foreseeable future and as such believe that it remains appropriate to prepare the financial statements on a going concern basis. In making this judgement, the Directors expect that the company's principal activity of the operation of a gas-fired power station at Newport, South Wales will continue, however they note that currently this activity is not revenue generating at the present time as the site remains 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 Group and Company's ability to continue as a going concern. 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 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 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' 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.

Approved by the Board of Directors

and signed on behalf of the Board



J Holder

Director

Date: 26 / 11 / 21

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

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.

### **Report on the audit of the financial statements**

#### **Opinion**

In our opinion the financial statements of Severn Power Limited (the parent company) and its subsidiary ('the group'):

- give a true and fair view of the state of the Group's and of the parent Company's affairs as at 31 March 2020 and of the Group's 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 consolidated statement of income and retained earnings (incorporating the profit and loss account);
- the consolidated statement of financial position;
- the Group and Company statement of financial position;
- the consolidated cash flow statement; and
- the related notes 1 to 22.

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).

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

### **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 Group and the parent 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 the 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 the Company and its funders have put in place short-term funding arrangements sufficient to for the 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. 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 assurance 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 Group's and 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 Group or the parent 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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

# **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS 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:

- the 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 Group and of the parent Company and their 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 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.

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 FCA (Senior statutory auditor)**  
**for and on behalf of Deloitte LLP**  
Statutory Auditor  
Cardiff, United Kingdom

Date: 26 November 2021

# SEVERN POWER LIMITED

## CONSOLIDATED STATEMENT OF INCOME AND RETAINED EARNINGS, INCORPORATING THE PROFIT AND LOSS ACCOUNT For the year ended 31 March 2020

	Note	2020 £'000	2019 £'000
<b>PROFIT AND LOSS ACCOUNT</b>			
<b>TURNOVER</b>	2	154,745	164,518
Cost of sales		(146,447)	(165,184)
<b>GROSS PROFIT/(LOSS)</b>		8,298	(666)
Administrative expenses		(6,205)	(5,842)
Impairment charge	6	(32,309)	(56,401)
<b>OPERATING LOSS</b>	3	(30,216)	(62,909)
Fair value (loss)/gain on derivative instruments	17	(6,914)	5,107
Finance costs (net)	7	(36,540)	(33,399)
<b>LOSS BEFORE TAXATION</b>		(73,670)	(91,201)
Tax charge on loss	8	(140)	(548)
<b>LOSS FOR THE FINANCIAL YEAR</b>		(73,810)	(91,749)
Retained loss at 1 April		(483,121)	(391,372)
Loss for the year		(73,810)	(91,749)
Retained loss at 31 March		(556,931)	(483,121)

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.

# SEVERN POWER LIMITED

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2020

	Note	2020 £'000	2019 £'000
<b>NON-CURRENT ASSETS</b>			
Tangible fixed assets	9	<u>220,056</u>	<u>243,468</u>
<b>CURRENT ASSETS</b>			
Debtors: amounts falling due within one year	11	11,723	40,249
Cash at bank and in hand		<u>10,436</u>	<u>8,161</u>
		22,159	48,410
<b>CREDITORS: amounts falling due within one year</b>	12	<u>(231,992)</u>	<u>(208,328)</u>
<b>NET CURRENT LIABILITIES</b>		<u>(209,833)</u>	<u>(159,918)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		10,223	83,550
<b>CREDITORS: amounts falling due after more than one year</b>	13	(269,635)	(269,634)
<b>PROVISIONS FOR LIABILITIES</b>	14	<u>(7,519)</u>	<u>(7,037)</u>
<b>NET LIABILITIES</b>		<u>(266,931)</u>	<u>(193,121)</u>
<b>CAPITAL AND RESERVES</b>			
Called-up share capital	15	290,000	290,000
Profit and loss account	15	<u>(556,931)</u>	<u>(483,121)</u>
<b>SHAREHOLDER'S DEFICIT</b>		<u>(266,931)</u>	<u>(193,121)</u>

The financial statements of Severn Power Limited, registered number 05392552, were approved by the Board of Directors and authorised for issue on 26/11/21

Signed on behalf of the Board of Directors



J Holder

Director



# SEVERN POWER LIMITED

## COMPANY STATEMENT OF FINANCIAL POSITION

As at 31 March 2020

	Note	2020 £'000	2019 £'000
<b>NON-CURRENT ASSETS</b>			
Tangible fixed assets	9	219,981	243,392
Investments	10	-	7,000
		<u>219,981</u>	<u>250,392</u>
<b>CURRENT ASSETS</b>			
Debtors: amounts falling due within one year	11	11,709	40,234
Cash at bank and in hand		10,412	8,146
		<u>22,121</u>	<u>48,380</u>
<b>CREDITORS: amounts falling due within one year</b>	12	<u>(231,062)</u>	<u>(207,896)</u>
<b>NET CURRENT ASSETS</b>		<u>(208,941)</u>	<u>(159,516)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		11,040	90,876
<b>CREDITORS: amounts falling due after more than one year</b>	13	(282,191)	(281,366)
<b>PROVISIONS FOR LIABILITIES</b>	14	<u>(7,519)</u>	<u>(7,037)</u>
<b>NET LIABILITIES</b>		<u>278,670</u>	<u>(197,527)</u>
<b>CAPITAL AND RESERVES</b>			
Called-up share capital	15	290,000	290,000
Profit and loss account	15	<u>(568,670)</u>	<u>(487,527)</u>
<b>SHAREHOLDER'S DEFICIT</b>		<u>(278,670)</u>	<u>(197,527)</u>

The loss for the financial year of Severn Power Limited (the parent Company) was £81,143 (loss for the year ended 31 March 2019: £92,021,000). 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. 26/11/21

Signed on behalf of the Board of Directors



J Holder

Director

# SEVERN POWER LIMITED

## CONSOLIDATED CASH FLOW STATEMENT For the year ended 31 March 2020

	Note	2020 £'000	2019 £'000
<b>Net cash inflows/(outflows) from operating activities</b>	16	4,150	(7,703)
<i>Cash flows from investing activities</i>			
Purchase of land and plant and machinery		(1,883)	(571)
Interest received	7	8	6
<b>Net cash outflows from investing activities</b>		(1,875)	(565)
<b>Net increase/(decrease) in cash and cash equivalents</b>		2,275	(8,268)
<b>Cash and cash equivalents at beginning of year</b>		8,161	16,429
<b>Cash and cash equivalents at end of year</b>		10,436	8,161
<b>Reconciliation to cash at bank and in hand</b>			
Cash at bank and in hand at end of year		10,436	8,161
<b>Cash and cash equivalents at end of year</b>		10,436	8,161

## SEVERN POWER LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2020

#### 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. 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 2020. 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 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, and those of its subsidiary, Severn Gas Transportation Limited.

With this backdrop the Directors have prepared a business plan and cash flow forecast for the period to 31 March 2024 which represents the Directors' best estimate of the future development of the Group. Using this information, the Directors have held discussions with the Company's secured lender to put in place support to meet the Company's longer-term cash requirements. Having consulted with the secured lender, 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, which are providing funding to the company on a month-by-month basis at the discretion of the funders.

# SEVERN POWER LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued) For the year ended 31 March 2020

### 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 has adequate resources to continue in operational existence for the foreseeable future and as such believe that it remains appropriate to prepare the financial statements on a going concern basis. In making this judgement, the Directors expect that the company's principal activity of the operation of a gas-fired power station at Newport, South Wales will continue, however they note that currently this activity is not revenue generating 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 Group and Company's ability to continue as a going concern. 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 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 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.

#### 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.

## SEVERN POWER LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (continued) For the year ended 31 March 2020

#### 1. ACCOUNTING POLICIES (continued)

##### **Tangible fixed assets (continued)**

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, as follows:

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

##### **Investments**

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

##### **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.

##### **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.

## SEVERN POWER LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2020

#### 1. ACCOUNTING POLICIES (continued)

##### **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.

###### ***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.

## SEVERN POWER LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (continued) For the year ended 31 March 2020

#### 1. ACCOUNTING POLICIES (continued)

##### 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.

##### 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 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.

**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**For the year ended 31 March 2020**

**1. ACCOUNTING POLICIES (continued)**

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

***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 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.

***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.



## SEVERN POWER LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2020

#### 1. ACCOUNTING POLICIES (continued)

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

###### *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:

	2020 £'000	2019 £'000
Sale of electricity	139,681	153,623
Capacity market income	15,064	10,895
	<u>154,745</u>	<u>164,518</u>

#### 3. OPERATING LOSS

	2020 £'000	2019 £'000
<b>Operating loss is stated after charging/(crediting):</b>		
Depreciation of owned fixed assets	10,893	13,166
Impairment charges (see note 6)	<u>32,309</u>	<u>56,401</u>

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

	2020 £'000	2019 £'000
<b>Fees payable to the Company's auditor and its associates for the audit of the Company's annual financial statements</b>	58	51
<b>Fees payable to the Company's auditor and its associates for other services to the Group</b>		
The audit of the Company's subsidiaries	<u>5</u>	<u>5</u>
<b>Total audit fees</b>	<u>63</u>	<u>56</u>

No non-audit fees were payable to the Group auditor in either year.

# SEVERN POWER LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued) For the year ended 31 March 2020

### 4. STAFF COSTS

There are no staff employed by the Company itself (2019: none).

### 5. DIRECTORS' REMUNERATION AND TRANSACTIONS

Directors do not receive remuneration by the Company itself. Two Directors are remunerated by other companies within the Group for their services to the group as a whole. Total remuneration was £818,000 (2019 - £712,000) with pension contributions for one Director of £14,000 (2019 - £14,000). The highest paid director received emoluments of £594,000 (2019 - £511,000) and pension contributions of £nil (2019 £nil).

It is not possible to allocate their remuneration between their services as Directors of different companies.

### 6. IMPAIRMENT CHARGE

On 24 August 2020 the Company entered administration, however on 26 March 2021 it successfully exited administration via a creditors voluntary arrangement ("CVA"). As part of the CVA a number of key contracts were terminated resulting in planned upgrade works ceasing. As a result an impairment of £2,113,000 and £14,452,000 (2019: £nil) were recognised against the value of fixed assets (Assets Under Construction) and prepayments.

During the year the Group made a loss for the year which triggered an impairment event. As a result, an impairment of £12,632,000 (2019: £50,700,000) against the fixed asset (Plant and Machinery) has been recognised.

In addition, on the 24 March 2021 Baglan Operations Limited (part of the Calon Energy Group of companies) entered liquidation. As a result, an impairment of £3,112,000 (2019: £5,701,000) in the amount due from Group companies has been recognised in the Company.

Following a review by the Directors of the carrying value of the fixed asset investments an impairment charge of £7,000,000 (2019:£nil) has been recognised by the Company.

### 7. FINANCE COSTS (NET)

	2020 £'000	2019 £'000
Interest payable and similar expenses	37,161	33,606
Less: Interest receivable and similar income	(621)	(207)
	<u>36,540</u>	<u>33,399</u>
<b>Interest receivable and similar income</b>		
Interest on loans to Group companies	613	201
Interest receivable and similar income	8	6
	<u>621</u>	<u>207</u>
<b>Interest payable and similar expenses</b>		
Interest on loans from Group companies	37,022	33,518
Unwinding of discount on decommissioning liability	139	88
	<u>37,161</u>	<u>33,606</u>

# SEVERN POWER LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued) For the year ended 31 March 2020

### 8. TAX ON LOSS

	2020 £'000	2019 £'000
<b>Current taxation</b>		
UK corporation tax charge on loss for the year	140	548
Total current tax charge	140	548
<b>Deferred taxation</b>		
Fair value and ineligible fixed asset adjustments	-	-
Total deferred tax charge for the year	-	-
Total tax charge on loss	140	548

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:

	2020 £'000	2019 £'000
Loss before taxation	(73,670)	(91,201)
Loss multiplied by standard rate of corporation tax in the UK of 19% (2019: 19%)	(13,997)	(17,328)
Effect of:		
Tax losses not recognised	-	(950)
Corporate interest restriction adjustment	5,911	5,940
Expenses not deductible for tax purposes	521	2,447
Capital allowances in deficit of depreciation not recognised	1,571	9,675
Impairment adjustment	6,139	1,083
Deferred tax	24	118
Other adjustments	(29)	9
Adjustments in respect of prior year	-	(446)
Total tax credit for the year	140	548

The Group has unused tax losses of £144,461,000 (2019: £144,461,000), unused capital allowances in excess of depreciation and other timing differences of £162,419,000 (2019: £154,149,000) and interest expense temporarily disallowed under the corporate interest restriction rules of £85,419,000 (2019: £54,337,000) 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.

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. Following the Budget on 11 March 2020 the government announced that the headline rate UK corporation tax rate will remain at 19%. This change was substantively enacted on 17 March 2020 and is therefore reflected in the calculation of deferred tax at the statement of financial position date.

The Finance Bill 2021 was published on 11 March 2021. The was not substantively enacted for UK GAAP purposes at the statement of financial position date. The Finance Bill 2021 included measures to increase the main UK corporation tax rate to 25% for profits arising on or after 1<sup>st</sup> April 2023.

# SEVERN POWER LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued) For the year ended 31 March 2020

### 9. TANGIBLE FIXED ASSETS

Group	Freehold land and buildings £'000	Plant and machinery £'000	Equipment and fittings £'000	Assets under construction £'000	Decommissi- oning asset £'000	Total £'000
<b>Cost</b>						
At 1 April 2019	75	440,349	19	360	6391	447,194
Additions	-	130	-	1,753	-	1,883
Revaluations	-	-	-	-	343	343
At 31 March 2020	75	440,479	19	2,113	6,734	449,420
<b>Depreciation and impairment charges</b>						
At 1 April 2019	-	203,157	18	-	551	203,726
Charge for the year	-	10,632	1	-	260	10,893
Impairment (note 6)	-	12,632	-	2,113	-	14,745
At 31 March 2020	-	226,421	19	2,113	811	229,364
<b>Net book value</b>						
At 31 March 2020	75	214,058	-	-	5,923	220,056
At 31 March 2019	75	237,192	1	360	5,840	243,468

Included within the net book value of plant and machinery is £5,852,000 (2019: £6,131,000) in respect of assets held under finance leases and similar hire purchase agreements. Depreciation for the year on these assets was £279,000 (2019: £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 (2019: £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 £2,113,000 (2019: £nil) against the value of fixed assets (Assets Under Construction) has been recognised.

During the year the Group made a loss for the year which triggered an impairment event. As a result, an impairment of £12,632,000 (2019: £56,401,000) against the fixed asset (Plant and Machinery) has been recognised.

# SEVERN POWER LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued) For the year ended 31 March 2020

### 9. TANGIBLE FIXED ASSETS (continued)

#### Company

	Plant and machinery £'000	Equipment and fittings £'000	Assets under construction £'000	Decommissi- oning asset £'000	Total £'000
<b>Cost</b>					
At 1 April 2019	440,349	19	360	6391	447,194
Additions	130	-	1,753	-	1,883
Revaluations	-	-	-	343	343
At 31 March 2020	440,479	19	2,113	6,734	449,420
<b>Depreciation and impairment charges</b>					
At 1 April 2019	203,157	18	-	551	203,726
Charge for the year	10,632	1	-	260	10,893
Impairment (note 6)	12,632	-	2,113	-	14,745
At 31 March 2020	226,421	19	2,113	811	229,364
<b>Net book value</b>					
At 31 March 2020	214,058	-	-	5,923	219,981
At 31 March 2019	237,192	1	360	5,840	243,468

During the year an impairment of £2,113,000 (2019: £nil) against the value of fixed assets (Assets Under Construction) has been recognised.

During the year the Group made a loss for the year which triggered an impairment event. As a result, an impairment of £1,431,000 (2019: £56,401,000) against the fixed asset (Plant and Machinery) has been recognised.

### 10. FIXED ASSET INVESTMENTS

#### Company

	Total £000
<b>Cost or revaluation</b>	
At 1 April 2019 and 31 March 2020	7,000
<b>Accumulated depreciation and impairment charges</b>	
At 1 April 2019	-
Impairment	7,000
At 31 March 2020	7,000
<b>Net book value</b>	
At 31 March 2020	7,000
At 31 March 2019	-

Following a review by the Directors of the carrying value of the fixed asset investments an impairment charge of £7,000,000 (2019:£nil) has been recognised by the Company.

# SEVERN POWER LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2020

### 10. FIXED ASSET INVESTMENTS (continued)

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

	Group		Company	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Trade debtors	4,104	695	4,104	695
Prepayments and accrued income	4,526	15,456	4,518	15,448
Other taxes and social security	-	260	-	-
Other debtors	3,093	1,450	3,087	1,703
Derivative financial instruments (note 17)	-	22,388	-	22,388
	<u>11,723</u>	<u>40,249</u>	<u>11,709</u>	<u>40,234</u>

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 £4,104,000 (2019: £690,000).

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

	Group		Company	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Trade creditors	1,277	1,156	1,241	1,118
Amounts owed to Group companies	209,067	171,702	206,859	170,105
Other creditors	3,148	3,732	3,148	3,732
Accruals and deferred income	17,404	15,169	17,403	15,168
Net obligations under finance leases and hire purchase agreements	-	-	1,315	1,203
Derivative financial instruments (note 17)	1,096	16,569	1,096	16,570
	<u>231,992</u>	<u>208,328</u>	<u>231,062</u>	<u>207,896</u>

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 £15,290,000 (2019: £9,287,000) (see note 19). All financial liabilities are carried at amortised cost other than derivative financial instruments disclosed in note 17.

# SEVERN POWER LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued) For the year ended 31 March 2020

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

	Group		Company	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Amounts owed to Group undertakings	269,635	269,634	274,079	271,940
Amounts owed to Group undertakings under finance lease	-	-	8,112	9,426
	<u>269,635</u>	<u>269,634</u>	<u>282,191</u>	<u>281,366</u>
Creditors include amounts not wholly repayable within five years as follows:				
Repayable by instalments	-	-	1,518	3,392

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

	2020 £'000	2019 £'000
<b>Minimum lease payments</b>		
Between two and five years	6,594	6,034
After five years	1,518	3,392
Present value of obligations	<u>8,112</u>	<u>9,426</u>

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.

### 14. PROVISIONS FOR LIABILITIES

The movements in provisions during the current year are as follows:

	Decommissioning £'000
At 1 April 2019	7,037
Charged to the profit and loss account	139
Revaluation	343
At 31 March 2020	<u>7,519</u>

#### 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% (2019:2.01%). Included within fixed assets is an amount of £5,923,000 (2019: £5,840,000) which reflects the Company's expectation to recover future decommissioning costs from sales of electricity during 2020 and future years. This asset is being depreciated over 35 years, being the expected life of the power station.

# SEVERN POWER LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued) For the year ended 31 March 2020

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

	Group		Company	
	2020	2019	2020	2019
	£'000	£'000	£'000	£'000
<b>Allotted, called-up and fully paid</b>				
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.

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

	2020	2019
	£'000	£'000
Loss for the financial year:	(73,810)	(91,749)
<i>Adjustments for:</i>		
Depreciation	10,893	13,166
Asset impairment	32,309	50,700
Interest payable	37,153	33,606
Interest receivable	(621)	(207)
Taxation	140	548
Change in fair value of derivatives	6,914	(5,107)
Foreign exchange translation	8	-
Operating cash flow before movement in working capital	12,986	957
Increase in debtors	(11,426)	(8,402)
Increase in creditors	3,537	522
Interest paid	5,097	(6,923)
	(947)	(780)
<b>Net cash inflow/(outflow) from operating activities</b>	<b>4,150</b>	<b>(7,703)</b>



## SEVERN POWER LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (continued) For the year ended 31 March 2020

#### 17. 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 2020 £'000	31 March 2019 £'000
<b>Financial assets</b>		
Measured at fair value		
• Derivative financial assets (see note 11)	-	22,388
Measured at undiscounted amount receivable		
• Trade debtors (note 11)	4,104	695
	<u>4,104</u>	<u>23,083</u>
<b>Financial liabilities</b>		
Measured at fair value		
• Derivative financial liabilities (see note 12)	1,096	16,569
Measured at undiscounted amount payable		
• Trade creditors (see note 12)	1,277	1,156
	<u>2,373</u>	<u>17,725</u>

#### 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.

Group	31 March 2020		31 March 2019	
	Notional value £'000	Fair value £'000	Notional value £'000	Fair value £'000
Commodity forwards	(4,049)	3,008	(28,517)	5,818

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:

# SEVERN POWER LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued) For the year ended 31 March 2020

### 17. DERIVATIVES AND FINANCIAL INSTRUMENTS (continued)

#### Derivatives receivable within one year

	31 March 2020 £'000	31 March 2019 £'000
<i>Severn Power Limited</i>		
Power	-	19,885
EU emissions	-	2,503
	<u>-</u>	<u>22,388</u>

#### Derivatives payable within one year

	31 March 2020 £'000	31 March 2019 £'000
<i>Severn Power Limited</i>		
Gas	-	16,569
EU emissions	1,096	-
	<u>1,096</u>	<u>16,569</u>

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 (losses)/gains	2020 £'000	2019 £'000
On commodity forwards measured at fair value through profit or loss	(6,914)	5,107
	<u>(6,914)</u>	<u>5,107</u>

### 18. COMMITMENTS

The Company had entered into certain agreements for the operation of its power station. The Operations and Maintenance Agreement (OMA) provided for the service and maintenance of the plant. Post year end a new Operations and Maintenance Agreement has been entered into with an alternative provider, NAES Power Solutions Limited.

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.

The Company has entered into a long-term advisory service agreement with MIRAEL (Macquarie Infrastructure and Real Assets (Europe) Limited) pursuant to which MIRAEL has agreed to provide certain advisory services in return for an annual fee (the "Advisory Services Agreement"). This agreement terminated during March 2020.

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

# SEVERN POWER LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2020

### 18. COMMITMENTS (continued)

Capital commitments are as follows:

	2020 £'000	2019 £'000
Contracted for but not provided		
- Other	5,208	6,799

### 19. 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.

### 20. 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.

Transactions with Macquarie Bank Limited in relation to the Energy Management Service Agreement were as follows:

#### 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)

#### 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)
Net purchases of carbon	(7,474)	(9,165)
	21,451	(8,597)

## SEVERN POWER LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (continued) For the year ended 31 March 2020

#### 20. RELATED PARTIES (continued)

The balance within debtors falling due within one year (note 11) is £4,104,000 (2019: £690,000) and the balance within creditors amounts falling due within one year (note 12) is £15,290,000 (2019: £9,287,000). This nets to a liability of £11,160,000 (2019: nets to a liability of £8,597,000) as disclosed above.

#### 21. 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 post year end both Calon Energy (Severn) Limited and Calon Energy Limited entered administration and therefore there is no requirement to prepare consolidation financial statements.

#### 22. POST BALANCE SHEET EVENTS

On 24 June 2020 Calon Energy Limited (the parent entity) entered administration .

On 24 August 2020 Severn Power Limited entered administration. However on 26 March 2021 Severn Power Limited successfully exited administration via a creditors voluntary arrangement ("CVA"). As part of this process a number of key contracts were terminated resulting in planned upgrade works ceasing. As a result an impairment of £2,113,000 (2019: £nil) against the value of fixed assets (assets under construction) has been recognised in the group.

During the year the Group made a loss for the year which triggered an impairment event. As a result, an impairment of £1,431,000 (2019: £50,700,000) against the fixed asset (Plant and Machiney) has been recognised.

In addition, on the 24 March 2021 Baglan Operations Limited (part of the Calon Energy Group of companies) entered liquidation. As a result, an impairment of £3,112,000 (2019: £5,701,000) in the amount due from Group companies has been recognised in the Company.

Following the exit of administration a number of the companies contract, including those mention in Note 18 have been terminated.