

Company registration number 05392552 (England and Wales)

SEVERN POWER LIMITED
UNAUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023
PAGES FOR FILING WITH REGISTRAR

SEVERN POWER LIMITED

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SEVERN POWER LIMITED

BALANCE SHEET

AS AT 31 MARCH 2023

		2023	2022
	Notes	£000	£000
Fixed assets			
Tangible assets	4	234,907	215,746
Current assets			
Debtors	7	13,191	2,233
Cash at bank and in hand		4,120	876
		17,311	3,109
Creditors: amounts falling due within one year	8	(55,049)	(3,489)
Net current liabilities		(37,738)	(380)
Total assets less current liabilities		197,169	215,366
Provisions for liabilities	9	(8,854)	(8,002)
Net assets		188,315	207,364
Capital and reserves			
Called up share capital		290,000	290,000
Profit and loss reserves		(101,685)	(82,636)
Total equity		188,315	207,364

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

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

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

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

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

The financial statements were approved by the board of directors and authorised for issue on 20 December 2023 and are signed on its behalf by:

Mr J J Holder
Director

Company Registration No. 05392552

SEVERN POWER LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2023

1 Accounting policies

Company information

Severn Power Limited is a private company limited by shares incorporated in England and Wales. The registered office is Severn Power Station, West Nash Road, Newport, United Kingdom, NP18 2BZ.

1.1 Accounting convention

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

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

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

The company has taken advantage of the exemption under section 399 of the Companies Act 2006 not to prepare consolidated accounts, on the basis that the group of which this is the parent qualifies as a small group. The financial statements present information about the company as an individual entity and not about its group.

SEVERN POWER LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2023

1 Accounting policies

(Continued)

1.2 Going concern

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

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

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

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

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

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

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

In addition to the third party funding, the directors have confirmation from the parent Group companies that the intercompany amounts due to them will not be requested within 12 months of the approval date of these accounts.

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

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

1.3 Tangible fixed assets

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

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

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

SEVERN POWER LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2023

1 Accounting policies

(Continued)

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

Plant and equipment	5 - 35 years straight line
Fixtures and fittings	3 - 5 years
Decommissioning asset	Up to 35 years

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

1.4 Fixed asset investments

Interests in subsidiaries, associates and jointly controlled entities are initially measured at cost and subsequently measured at cost less any accumulated impairment losses. The investments are assessed for impairment at each reporting date and any impairment losses or reversals of impairment losses are recognised immediately in profit or loss.

A subsidiary is an entity controlled by the company. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

1.5 Impairment of fixed assets

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

Non-financial assets

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

Financial assets

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

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

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

1.6 Cash and cash equivalents

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

SEVERN POWER LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2023

1 Accounting policies

(Continued)

1.7 Financial instruments

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

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

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

Basic financial assets

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

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

Classification of financial liabilities

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

Basic financial liabilities

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

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

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

1.8 Equity instruments

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

1.9 Provisions

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

1.10 Foreign exchange

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

SEVERN POWER LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2023

1 Accounting policies

(Continued)

1.11 Finance costs

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

1.12 Interest income

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

1.13 Decommissioning costs

At the statement of financial position date, provision is made for the net present value of the estimated cost of decommissioning 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.

2 Judgements and key sources of estimation uncertainty

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

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

Critical judgements

The following are 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 amounts recognised in the financial statements.

Critical judgements – impairment assumptions

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

Critical judgements – going concern

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

SEVERN POWER LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2023

2 Judgements and key sources of estimation uncertainty

(Continued)

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

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.

3 Employees

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

	2023 Number	2022 Number
Total	2	2

SEVERN POWER LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2023

4 Tangible fixed assets

	Land and buildings	Plant and machinery etc	Decommissioning asset	Total
	£000	£000	£000	£000
Cost				
At 1 April 2022	2,115	440,567	6,735	449,417
Additions	-	19,161	-	19,161
At 31 March 2023	2,115	459,728	6,735	468,578
Depreciation and impairment				
At 1 April 2022 and 31 March 2023	2,115	230,642	914	233,671
Carrying amount				
At 31 March 2023	-	229,086	5,821	234,907
At 31 March 2022	-	209,925	5,821	215,746

The cumulative borrowing costs capitalised total £66,680,000 (2022: £66,680,000). Interest is charged on the loans relating to capital expenditure at a rate of 4.5% above the LIBOR base rate.

5 Fixed asset investments

	2023 £000	2022 £000
Investments in subsidiaries	-	-
Total		
Cost or valuation		
At 1 April 2022 & 31 March 2023		7,000
Impairment		
At 1 April 2022 & 31 March 2023		7,000
Carrying amount		
At 31 March 2023		-
At 31 March 2022		-

6 Subsidiaries

Details of the company's subsidiaries at 31 March 2023 are as follows:

SEVERN POWER LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2023

6 Subsidiaries (Continued)

Name of undertaking	Address	Class of shares held	% Held Direct
Severn Gas Transportation Limited	1	Ordinary	100.00

Registered office addresses (all UK unless otherwise indicated):

1 c/o Severn Power Limited, West Nash Road, Nash, Newport, Gwent NP18 2BZ

7 Debtors

	2023 £000	2022 £000
Amounts falling due within one year:		
Amounts owed by group undertakings	12,667	1,290
Other debtors	524	943
	<u>13,191</u>	<u>2,233</u>

Amounts owed by group companies are unsecured and repayable on demand.

8 Creditors: amounts falling due within one year

	2023 £000	2022 £000
Trade creditors	901	322
Other creditors	54,148	3,167
	<u>55,049</u>	<u>3,489</u>

Included within other creditors is funding received from the secured lender of £53,590,000 (2022: £2,688,000). The funding has a variable interest rate and there are no fixed terms for repayment.

9 Provisions for liabilities

	2023 £000	2022 £000
	<u>8,854</u>	<u>8,002</u>

Movements on provisions:

	£000
At 1 April 2022	8,002
Additional provisions in the year	852
At 31 March 2023	<u>8,854</u>

SEVERN POWER LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2023

9 Provisions for liabilities

(Continued)

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% (2022: 1.78%). Included within fixed assets is an amount of £5,820,000 (2022: £5,820,000) which reflects the company's expectation to recover future decommissioning costs from sales of electricity during 2024 and future years. This asset is being depreciated over the expected life of the power station.

10 Commitments

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

There are no capital commitments as at the year end.

11 Related party transactions

Transactions with related parties

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

12 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.

This document was delivered using electronic communications and authenticated in accordance with the registrar's rules relating to electronic form, authentication and manner of delivery under section 1072 of the Companies Act 2006.