

WELSH POWER GROUP LIMITED
Financial Statements
For the year ended 31 March 2019



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For the year ended 31 March 2019

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WELSH POWER GROUP LIMITED

COMPANY INFORMATION

For the year ended 31 March 2019

DIRECTORS

A D Fraser
P J Trussler
M Tucker
R M Williams

SECRETARY

K Paget

REGISTERED OFFICE

Fourth Floor
2 Kingsway
Cardiff
CF10 3FD
United Kingdom

COMPANY NUMBER

05766467 (England and Wales)

AUDITOR

Deloitte LLP
Statutory Auditor
Cardiff
United Kingdom

BANKERS

National Westminster Bank Plc

SOLICITORS

Gowling WLG UK LLP

WELSH POWER GROUP LIMITED


BALANCE SHEET

As at 31 March 2019

| | Note | 2019 £'000 | 2018 £'000 |
|--|------|---------------|---------------|
| Fixed assets | | | |
| Tangible assets | 4 | 540 | 596 |
| | | 540 | 596 |
| Current assets | | | |
| Debtors | 6 | 1,958 | 2,021 |
| Cash at bank and in hand | | 1,822 | 1,194 |
| | | 3,780 | 3,215 |
| Creditors | | | |
| Amounts falling due within one year | 7 | (810) | (853) |
| Net current assets | | 2,970 | 2,362 |
| Total assets less current liabilities | | 3,510 | 2,958 |
| Provisions for liabilities | | (4) | (38) |
| Net assets | | 3,506 | 2,920 |
| Capital and reserves | | | |
| Called-up share capital | | 100 | 100 |
| Profit and loss account | | 3,406 | 2,820 |
| Total shareholders' funds | | 3,506 | 2,920 |

The financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies regime and a copy of the Profit and Loss Account has not been delivered.

The financial statements of Welsh Power Group Limited (registered number: 05766467) were approved and authorised for issue by the Board of Directors on 12 December 2019. They were signed on its behalf by:



 M Tucker
 Director

WELSH POWER GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2019

1. Accounting policies

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

General information and basis of accounting

Welsh Power Group Limited (the Company) is a private company, limited by shares, incorporated in the United Kingdom under the Companies Act 2006 and is registered in England and Wales. The address of the Company's registered office is Fourth Floor, 2 Kingsway, Cardiff, CF10 3FD, United Kingdom.

The financial statements have been prepared under the historical cost convention and in accordance with Section 1A of Financial Reporting Standard 102 (FRS 102) 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' issued by the Financial Reporting Council.

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

Basis of consolidation

The Company is a parent undertaking of a small group and as such is not required by the Companies Act 2006 to prepare group financial statements. These financial statements therefore present information about the Company as an individual and not about the group.

Going concern

The directors have assessed the Balance Sheet and likely future cash flows at the date of approving these financial statements. The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence and to meet its financial obligations as they fall due for at least 12 months from the date of signing these financial statements. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

Tangible fixed assets

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

The estimated useful lives range as follows:

Vehicles - 3 years

Office equipment - 3- 5 years

Residual value represents the estimated amount which would currently be obtained from disposal of an asset, after deducting estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life.

Investment properties

Investment properties for which fair value can be measured reliably without undue cost or effort on an ongoing basis are measured at fair value annually with any change recognised in the Profit and Loss Account.

WELSH POWER GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2019

Financial instruments

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument.

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.

Financial assets and liabilities

Financial assets and liabilities are only offset in the Balance Sheet when, and only when there exists a legally enforceable right to set off the recognised amounts and the Company intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified as at fair value through the Profit and Loss Account, which are initially measured at fair value (which is normally the transaction price excluding transaction costs), unless the arrangement constitutes a financing transaction. If an arrangement constitutes a financing transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Financial assets are derecognised when and only when a) the contractual rights to the cash flows from the financial asset expire or are settled, b) the Company transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or c) the Company, despite having retained some, but not all, significant risks and rewards of ownership, has transferred control of the asset to another party.

Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

Investments

Investments in subsidiaries are measured at cost less accumulated impairment.

Investments in unlisted shares, whose market value can be reliably measured are assessed at each reporting date. Gains and losses on re-measurement are recognised in the Profit and Loss Account for the period. Where market value cannot be reliably measured, investments are stated at historic cost less any provisions for impairment.

WELSH POWER GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2019

Impairment of assets

Assets, other than those measured at fair value, are assessed for indicators of impairment at each Balance Sheet date. If there is objective evidence of impairment, an impairment loss is recognised in the Profit and Loss Account 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.

Where indicators exist for a decrease in impairment loss, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised.

Financial assets

For financial assets carried at amortised cost, the amount of impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

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.

Where indicators exist for a decrease in impairment loss, and the decrease can be related objectively to an event occurring after the impairment was recognised, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired financial asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised.

Taxation

Current tax

Current tax is provided at amounts expected to be paid (or recoverable) using the tax rates and laws that have been enacted or substantively enacted at the Balance Sheet date.

Deferred tax

Deferred tax arises as a result of including items of income and expenditure in taxation computations in periods different from those in which they are included in the Company's financial statements. Deferred tax is provided in full on timing differences which result in an obligation to pay more or less tax at a future date, at the average tax rates that are expected to apply when the timing differences reverse, based on current tax rates and laws.

Deferred tax assets and liabilities are not discounted.

Turnover

The revenue, all of which arises in the United Kingdom, is attributable to the activities of providing management services to the power generating assets.

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding value added tax and other sales taxes.

WELSH POWER GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2019

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.

Employee benefits

The Company operates a defined contribution scheme. The amount charged to the Profit and Loss Account 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 included as either accruals or prepayments in the Balance Sheet.

Foreign currency

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the Balance Sheet date are reported at the rates of exchange prevailing at that date.

Exchange differences are recognised in the Profit and Loss Account in the period in which they arise except for exchange differences arising on gains or losses on non-monetary items which are recognised in the Statement of Comprehensive Income.

Leases

The Company as lessee

Assets held under finance leases, hire purchase contracts and other similar arrangements, which confer rights and obligations similar to those attached to owned assets, are capitalised as tangible fixed assets at the fair value of the leased asset (or, if lower, the present value of the minimum lease payments as determined at the inception of the lease) and are depreciated over the shorter of the lease terms and their useful lives. The capital elements of future lease obligations are recorded as liabilities, while the interest elements are charged to the Profit and Loss Account over the period of the leases to produce a constant periodic rate of interest on the remaining balance of the liability.

Rentals under operating leases are charged 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 similarly spread on a straight-line basis over the lease term.

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 the Company will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the Balance Sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

WELSH POWER GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2019

2. Critical accounting judgements

In the application of the Company's accounting policies, which are described in note 1, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

Investment property valuation

Valuation of the investment property is considered to be a critical estimate. Investment properties are stated based on a valuation undertaken by the Company. The significant assumptions used were a discount rate of 10%, inflation of 2.5%, discounted cash flow terms of 19 years and a market valuation subject to existing tenancy rather than vacant possession.

There are no critical accounting judgements.

3. Employees

| | 2019 | 2018 |
|--|---------------|---------------|
| | Number | Number |
| Monthly average number of persons employed by the Company during the year, including directors | 28 | 25 |

Directors' remuneration

The total directors' remuneration for the year comprised £610,000 (2018: £187,000) of directors' emoluments and £36,000 (2018: £61,000) of the Company's contributions to defined contribution pension schemes.

During the year retirement benefits were accruing to 4 directors (2018: 3) in respect of defined contribution pension schemes.

The highest paid director received total emoluments of £195,000 (2018: £83,000). The value of the Company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £nil (2018: £12,500).

WELSH POWER GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2019

4. Tangible fixed assets

| | Investment property | Vehicles | Office equipment | Total |
|--------------------------------------|------------------------|----------|---------------------|------------|
| | £'000 | £'000 | £'000 | £'000 |
| Cost/Valuation | | | | |
| At 01 April 2018 | 371 | 43 | 381 | 795 |
| Additions | - | - | 21 | 21 |
| Remeasurement of investment property | 3 | - | - | 3 |
| Disposals | - | (43) | (3) | (46) |
| At 31 March 2019 | 374 | - | 399 | 773 |
| Accumulated depreciation | | | | |
| At 01 April 2018 | - | 43 | 156 | 199 |
| Charge for the year | - | - | 80 | 80 |
| Disposals | - | (43) | (3) | (46) |
| At 31 March 2019 | - | - | 233 | 233 |
| Net book value | | | | |
| At 31 March 2019 | 374 | - | 166 | 540 |
| At 31 March 2018 | 371 | - | 225 | 596 |

Investment properties

Investment properties are stated based on a valuation undertaken by the Company. The significant assumptions used were a discount rate of 10%, inflation of 2.5%, discounted cash flow term of 19 years and a market valuation subject to the existing tenancy rather than vacant possession.

If the investment properties had been accounted for under historical cost, the properties would have been measured at £160,000 (2018: £160,000).

The fair value of investment properties included in the Balance Sheet and the change in fair value recognised in the Profit and Loss Account in the year were as follows:

| | 2019 | 2018 |
|--|-------|-------|
| | £'000 | £'000 |
| Fair value gain recognised in the Profit and Loss Account for the year | 3 | 5 |
| Fair value of investment properties at 31 March | 374 | 371 |

WELSH POWER GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2019

5. Fixed asset investments

Investments in shares

| Name of entity | Registered office | Nature of business | Class of shares | % of ownership 31.3.19 | % of ownership 31.3.18 |
|----------------------------------|---|--|------------------------|-------------------------------|-------------------------------|
| WPG Energy Limited | Fourth Floor, 2 Kingsway, Cardiff, CF10 3FD, United Kingdom | Non-trading | Ordinary | 100.00% | 100.00% |
| Carron Energy Holdings Limited | Fourth Floor, 2 Kingsway, Cardiff, CF10 3FD, United Kingdom | Non-trading | Ordinary | 100.00% | 100.00% |
| Uskmouth Holding Company Limited | Fourth Floor, 2 Kingsway, Cardiff, CF10 3FD, United Kingdom | Non-trading | Ordinary | 100.00% | 100.00% |
| Dragon Generation Limited | Fourth Floor, 2 Kingsway, Cardiff, CF10 3FD, United Kingdom | Non-trading | Ordinary | 100.00% | 100.00% |
| Cale Power Limited * | Fourth Floor, 2 Kingsway, Cardiff, CF10 3FD, United Kingdom | Non-trading | Ordinary | 100.00% | 100.00% |
| Apus Energy Limited | Fourth Floor, 2 Kingsway, Cardiff, CF10 3FD, United Kingdom | Development of power generation projects | Ordinary | 50.00% | 50.00% |

*held indirectly by Welsh Power Group Limited.

Welsh Power Group Limited has a 50% interest in Apus Energy Limited, making it a joint venture of the Company. At 31 March 2019, Apus Energy Limited had net liabilities of £893,000 (2018: net liabilities of £502,000) and made a net loss for the year of £391,000 (2018: net loss of £1,225,000).

6. Debtors

| | 2019 | 2018 |
|---|--------------|--------------|
| | £'000 | £'000 |
| Trade debtors | 650 | 311 |
| Amounts owed by Group undertakings | - | 77 |
| Amounts owed by joint ventures (note 9) | 1,065 | 961 |
| Prepayments and accrued income | 192 | 598 |
| Other debtors | 51 | 74 |
| | 1,958 | 2,021 |

Amounts owed by Group undertakings are unsecured, interest-free and repayable on demand.

WELSH POWER GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2019

7. Creditors: amounts falling due within one year

| | 2019 | 2018 |
|------------------------------------|--------------|--------------|
| | £'000 | £'000 |
| Trade creditors | 131 | 126 |
| Amounts owed to Group undertakings | - | 7 |
| Other creditors | 110 | 87 |
| Other taxation and social security | 166 | 142 |
| Accruals and deferred income | 325 | 343 |
| Corporation tax | 78 | 148 |
| | 810 | 853 |

Amounts owed to Group undertakings are unsecured, interest-free and repayable on demand.

8. Financial commitments

Commitments

Total future minimum lease payments under non-cancellable operating leases are as follows:

| | 2019 | 2018 |
|------------------------------|--------------|--------------|
| | £'000 | £'000 |
| - within one year | 84 | 52 |
| - between two and five years | 335 | 336 |
| - after five years | 298 | 381 |
| | 717 | 769 |

Pensions

The Company operates a defined contribution pension scheme for qualifying employees. The assets of the scheme are held separately from those of the Company in an independently administered fund. The total expense charged to the Profit and Loss Account in the year was £100,000 (2018: £109,000).

| | 2019 | 2018 |
|--------------------------------------|--------------|--------------|
| | £'000 | £'000 |
| Unpaid contributions due to the fund | 10 | 9 |
| | 10 | 9 |

WELSH POWER GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
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9. Related party transactions

The Company is exempt from disclosing related party transactions with 100% owned subsidiary companies by virtue of the provisions of Section 33 of FRS 102.

During the year, Welsh Power Group Limited has continued to provide loan funding to Apus Energy Limited, a joint venture of Welsh Power Group Limited. Included within debtors in note 7 is the amount outstanding on the loan as at 31 March 2019 of £700,000 (2018: £700,000). The loan is unsecured and has an interest rate of 10% from 31 March 2016. Interest charged during the year on loans was £77,000 (2018: £74,000). Included within debtors in note 7 is the accrued interest as at 31 March 2019 of £271,000 (2018: £194,000). During the year the Company sold goods and services in the ordinary course of business to Apus Energy Limited to the value of £480,000 (2018: £540,000). The amount outstanding at 31 March 2019 for trading balances included within debtors in note 7 was £99,000 (2018: £67,000).

10. Called-up share capital

Allotted, called-up and fully paid shares classified as equity

| | 2019 | 2018 |
|------------------------------------|-------|-------|
| | £'000 | £'000 |
| 100,000 Ordinary shares at £1 each | 100 | 100 |

In March 2018, Welsh Power Group Limited carried out a share reduction. The share capital of the Company was reduced from £114,672,423 to £100,000 by the cancellation of 114,572,423 ordinary shares with a nominal value of £1 each.

11. Audit Opinion

The Company has chosen to file filleted financial statements without a Profit and Loss Account. Consequently, the Company is not required to file an auditor's report.

The auditor's report on the financial statements for the year ended 31 March 2019 was unqualified. The audit report was signed by David Hedditch (Senior Statutory Auditor) on behalf of Deloitte LLP.

12. Ultimate controlling party

The ultimate parent company is Carron Energy Limited, a company incorporated in the United Kingdom with the registered office address being the same as that of this Company.

There is no ultimate controlling party.