

Registered number
11924643

Mercia Power Response (Holdings) Limited

Annual Report and Financial Statements

31 December 2021



Mercia Power Response (Holdings) Limited
Annual Report and accounts
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Mercia Power Response (Holdings) Limited
Company Information

Directors

Neil O'Brien - Chairman
Graham White - CEO
Paul Tittley - CFO
Andrew Leach - Non Exec
Graham Shaw - Non Exec
Richard Thompson - Non Exec

Secretary

John Aiken

Auditors

BDO LLP
Two Snowhill
Birmingham

Bankers

NatWest
8 Park Row
Leeds
LS1 5HD

Solicitors

Squire Patton Boggs (UK) LLP
6 Wellington Place
Leeds
LS1 4AP

Registered office

Strelley Hall
Main Street, Strelley
Nottingham
NG8 6PE

Registered number

11924643

Mercia Power Response (Holdings) Limited

Strategic Report

The directors present their Strategic Report on the group for the year ended 31 December 2021.

Business review

Mercia Power Response (Holdings) Limited (MPRH) is the parent company of a group that specialises in the provision of flexible power response services to the UK national electrical grid and other UK powermarket participants, helping to balance the supply of renewable energy with demand. The Group develops and operates advanced power stations that quickly respond when supply from renewables is low, providing energy to communities across the country and ensuring that they have power.

The Group has a large-scale diversified portfolio and as at 31 December 2021, the group had 192 MW of wholly owned operational capacity, together with 20 MW of operational capacity owned by associated companies. A further 37 MW was under construction and development. 31 MW of capacity was managed for third parties under longer term agreements.

These sites sell power on the day ahead and intraday markets at peak times and also through the provision of services to National Grid to help them balance the power network in real-time.

The board is pleased with the performance of the group in the period to 31 December 2021 with key indicators EBITDA and operational availability both above budget. The group generated revenue of £66.8m, up 219% against the previous year (FY20: £20.9m). Gross profit was £22.5m (FY20: £8.6m).

As in the previous year the business has been resilient to the disruption caused by Covid which has overall had no noticeable impact on the results of the Group. The nature of the business allows for the management function to be carried out effectively remotely, including if working from home, with visits to sites able to be carried out with suitable social distancing and other safety measures implemented.

In May 2021 the Group drew down £17.8 million (net) under a loan facility from NatWest Bank. The loan is repayable over 8 years. The loan was taken to finance further development of the group whether by acquisition of operational sites or the development of new ones. On 28 May 2021 the Group acquired 100% ownership of 6 associated companies which operate peaking power plants for a consideration of £25.3 million. In September a further £7.5 million (net of costs) was drawn down from NatWest Bank on similar terms.

UK peak demand for electricity is forecast to almost double by 2050, driven in part by electrification of transport, home heating and hydrogen electrolysis. UK generation is shifting from baseload generation from sources such as Coal and Nuclear to increasing dependency on intermittent renewables, such as wind. Combined with significant growth in demand for electricity, this is leading to ever increasing scale of imbalances on the UK grid, both regionally and locally, creating the need for highly flexible, dispatchable plant that can generate at short notice during times of low renewable output or high demand. The Group has built highly flexible power plants that are able to provide this flexibility along with an intelligent dispatch platform to ensure the assets generate at times when they are needed most.

Since the year end the energy markets have seen increased volatility, initially because of uncertainty over Russia's intent and more recently because of the invasion of Ukraine. Over time it appears this will lead to major changes in the source of Europe's gas supplies and an acceleration of efforts to increase the role of renewables. Reserve Power plays a critical role in supporting the transition to renewables so this is not seen as detrimental to group's prospects.

Mercia Power Response (Holdings) Limited

Strategic Report

The group has a portfolio of sites under development and construction and ambitious plans for further growth, with a pipeline of other sites which meet its stringent criteria. Mercia is also in the process of developing 110MW of grid-scale battery storage sites. These will complement the group's core competencies, operating systems and existing gas fuelled power stations. The sites will sell into the merchant market, rather than the ancillary services market Mercia currently sells into, and the group is targeting developing a minimum of 400MW battery capacity over the next five years.

Principal risks and uncertainties

i) Operating risks

Wholesale power and gas prices - to achieve success in merchant market the power price must, generally, be higher than the Group's cost of generation. This is outside the control of the Group. The Group believes that the fundamental underlying changes to the generation mix are sufficiently strong that prices will be regularly above the cost of generation. The Group has also mitigated this operating risk through continued investment in our intelligent dispatch platform and our joint venture with a market leading optimisation service provider.

ii) Regulatory risk

The Group manages this risk through the use of regulatory specialists and power market consultants. The Group is also actively engaged in industry forums and maintains strong relationships with regulatory bodies.

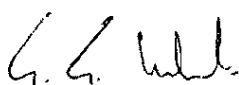
iii) Financial risk

The Group's principal financial instruments comprise cash, cash equivalents and loans. Other financial assets and liabilities, such as trade creditors and trade debtors, arise directly from the Group's operating activities.

The Group has established processes with the objective of ensuring sufficient working capital exists. Under the terms of the loan from the parent company interest unpaid rolls up into the loan, providing flexibility in the use of cash.

The main risks associated with the Company's financial assets and liabilities is credit risk. The Group has external debtors, however, these are restricted to larger well funded organisations in order to ensure that credit is not extended where there is a likelihood of default

This report was approved by the board on 27 April 2022 and signed on its behalf.



Graham White
CEO

Mercia Power Response (Holdings) Limited

Registered number: 11924643

Directors' Report

The directors present their report and the audited financial statements for the year ended 31 December 2021.

Principal activities

The company is the holding company for a group whose activities are the development, operation and management of peaking power plants.

Future developments

The directors are confident about the future of the company and its business. Reference is made to the Strategic Report where more information is included.

Result for the year and dividends

The profit for the financial year was £8,406,049 (2020: Loss of £3,154,067). The directors do not recommend payment of a dividend.

Directors

The following persons served as directors during the year:

Neil O'Brien - Chairman
Graham White - Managing Director
Paul Tittley - Commercial Director
Andrew Leach - Non Exec
Graham Shaw - Non Exec
Richard Thompson - Non Exec

Political donations

No political donations were made in the year.

Disclosure of information to auditors

Each person who was a director at the time this report was approved confirms that:

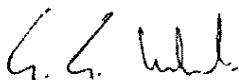
- so far as he is aware, there is no relevant audit information of which the company's auditor is unaware; and
- he has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditor is aware of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

Third party indemnity provisions

The company maintains Directors and Officers insurance cover.

This report was approved by the board on 27 April 2022 and signed on its behalf.

Graham White
CEO



Mercia Power Response (Holdings) Limited

Statement of Directors' Responsibilities

The directors are responsible for preparing the directors' report, the strategic 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 group and company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 group and company and of the profit or loss of the group and company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Mercia Power Response (Holdings) Limited
Independent auditor's report
to the members of Mercia Power Response (Holdings) Limited

Opinion on the financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2021 and of the Group's profit for the year then ended;
- the financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Mercia Power Response (Holdings) Limited (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 31 December 2021 which comprise of the Consolidated Income Statement, Consolidated and Company Statements of Financial Position, Group and Company Statements of Changes in Equity, Consolidated statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 - The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

Basis of 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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 FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's and Parent Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

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

We have nothing to report in this regard.

Mercia Power Response (Holdings) Limited
Independent auditor's report
to the members of Mercia Power Response (Holdings) Limited

Other Companies Act 2006 reporting

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 Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report or the Directors' report.

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

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of Directors

As explained more fully in the Statement of directors' responsibilities 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.

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the legal and regulatory frameworks applicable to the Group based on our understanding of the Group and sector experience and discussions with management. The most significant considerations for the Group are the Companies Act 2006, corporate taxes and VAT and employment tax legislation.
- We enquired of management and obtained and reviewed supporting documentation, concerning the Group's policies and procedures relating to:
 - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
 - detecting and responding to the risks of fraud and whether they had knowledge of any actual, suspected or alleged fraud; and
 - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations.

Mercia Power Response (Holdings) Limited
Independent auditor's report
to the members of Mercia Power Response (Holdings) Limited

- We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to manipulate financial results and management bias in accounting estimates.

Based on our understanding of the environment and assessment of the incentive and opportunity for fraud we carried out the following procedures:

- We reviewed correspondence with the relevant authorities to identify any irregularities or instances of non-compliance with laws and regulations. We corroborated our enquiries of management through our review of board minutes.
- We used data assurance techniques to identify and analyse the complete population of all journals in the year to identify and substantively test any which we considered were indicative of management override. We also tested the consolidation journals and other adjustments made in the preparation of the financial statements
- We reviewed the Group's accounting policies for non-compliance with relevant standards. Our work also included considering significant accounting estimates for evidence of misstatement or possible bias and testing any significant transactions that appeared to be outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

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

Use of our report

This report is made solely to the Parent Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Parent Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Gareth Singleton
(Senior Statutory Auditor)
for and on behalf of BDO LLP
Statutory Auditor
Birmingham, UK
27 April 2022

DocuSigned by:
Gareth Singleton
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BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Mercia Power Response (Holdings) Limited
Consolidated Income Statement
for the year ended 31 December 2021

	Notes	2021 £	2020 £
Turnover	3	66,756,420	20,938,527
Cost of sales		(44,269,451)	(12,323,306)
Gross profit		<u>22,486,969</u>	<u>8,615,221</u>
Administrative expenses		(9,524,826)	(7,340,890)
Other operating income		567	18,436
Operating profit	4	<u>12,962,710</u>	<u>1,292,767</u>
Income from interest in joint venture	11	1,811,574	426,047
Income from interest in associated undertakings	11	300,390	782,051
Interest receivable		28,955	26,231
Interest payable	7	(6,830,919)	(5,610,863)
Profit/(loss) on ordinary activities before taxation		8,272,710	(3,083,767)
Tax on profit/(loss) on ordinary activities	8	133,339	(70,300)
Profit/(loss) for the financial year		<u>8,406,049</u>	<u>(3,154,067)</u>

There was no other comprehensive income in either year.

All of the result comes from the continuing operations of the group.

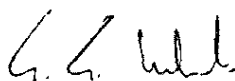
Mercia Power Response (Holdings) Limited
Consolidated and Company Statements of Financial Position
as at 31 December 2021

	Notes	Group		Company	
		2021	2020	2021	2020
		£	£	£	£
Fixed assets					
Intangible assets	9	14,739,769	10,786,728	-	-
Tangible assets	10	81,702,674	55,394,341	-	-
Investments	11	538,848	1,235,433	8,990,839	8,990,838
		<u>96,981,291</u>	<u>67,416,502</u>	<u>8,990,839</u>	<u>8,990,838</u>
Current assets					
Debtors	12	16,241,558	6,319,886	83,217,403	76,216,985
Cash at cash equivalents		14,342,503	2,042,445	-	-
		<u>30,584,061</u>	<u>8,362,331</u>	<u>83,217,403</u>	<u>76,216,985</u>
Creditors: amounts falling due within one year	13	(25,197,968)	(8,598,932)	(4,060,113)	(3,611,283)
Net current assets/(liabilities)		<u>5,386,093</u>	<u>(236,601)</u>	<u>79,157,290</u>	<u>72,605,702</u>
Total assets less current liabilities		<u>102,367,384</u>	<u>67,179,901</u>	<u>88,148,129</u>	<u>81,596,540</u>
Creditors: amounts falling due after more than one year	14	(98,921,305)	(73,723,657)	(78,323,657)	(73,723,657)
Provisions for liabilities					
Deferred taxation	17	(1,583,786)	-	-	-
Net assets/(liabilities)		<u>1,862,293</u>	<u>(6,543,756)</u>	<u>9,824,472</u>	<u>7,872,883</u>
Capital and reserves					
Called up share capital	18	1,200	1,200	1,200	1,200
Share premium	19	7,384,103	7,384,103	7,384,103	7,384,103
Other reserves	20	5,452,653	5,452,653	609,187	609,187
Profit and loss account	21	(10,975,663)	(19,381,712)	1,829,982	(121,607)
Total equity		<u>1,862,293</u>	<u>(6,543,756)</u>	<u>9,824,472</u>	<u>7,872,883</u>

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own Income Statement in these financial statements. The profit for the year was £1,951,589 (2020: loss £75,008).

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:

Graham White
CEO
27 April 2022



Registered number
11924643

Mercia Power Response (Holdings) Limited
Consolidated statement of Changes in Equity
for the year ended 31 December 2021

	Share capital	Share premium	Other reserves	Profit and loss account	Total
	£	£	£	£	£
At 1 January 2020	1,200	7,384,103	5,269,224	(16,227,645)	(3,573,118)
Loss for the financial year				(3,154,067)	(3,154,067)
Options granted			183,429		183,429
At 31 December 2020	1,200	7,384,103	5,452,653	(19,381,712)	(6,543,756)
At 1 January 2021	1,200	7,384,103	5,452,653	(19,381,712)	(6,543,756)
Profit for the financial year				8,406,049	8,406,049
At 31 December 2021	<u>1,200</u>	<u>7,384,103</u>	<u>5,452,653</u>	<u>(10,975,663)</u>	<u>1,862,293</u>

Mercia Power Response (Holdings) Limited
Company statement of Changes in Equity
for the year ended 31 December 2021

	Share capital	Share premium	Other reserves	Profit and loss account	Total
	£	£	£	£	£
At 1 January 2020	1,200	7,384,103	425,758	(46,599)	7,764,462
Loss for the financial year				(75,008)	(75,008)
Options granted	-		183,429		183,429
At 31 December 2020	<u>1,200</u>	<u>7,384,103</u>	<u>609,187</u>	<u>(121,607)</u>	<u>7,872,883</u>
 At 1 January 2021	 1,200	 7,384,103	 609,187	 (121,607)	 7,872,883
Profit for the financial year				1,951,589	1,951,589
At 31 December 2021	<u>1,200</u>	<u>7,384,103</u>	<u>609,187</u>	<u>1,829,982</u>	<u>9,824,472</u>

Mercia Power Response (Holdings) Limited
Consolidated statement of Cash Flows
for the year ended 31 December 2021

	Note	2021 £	2020 £
Operating activities			
Profit/(loss) for the financial year		8,406,049	(3,154,067)
Adjustments for:			
Income from interest in associated undertakings and joint venture		(2,111,964)	(1,208,098)
Interest receivable		(28,955)	(26,231)
Interest payable		6,830,919	5,610,863
Tax on profit/(loss) on ordinary activities		(133,339)	70,300
Depreciation		2,481,680	1,831,849
(Profit)/Loss on sale of fixed asset		(2,256)	2,564
Amortisation of intangible assets		1,557,361	1,287,968
Share based payments		-	183,429
Increase in debtors		(7,164,932)	(215,550)
Increase in creditors		10,173,278	1,060,286
		20,007,841	5,443,313
Dividends received		600,000	-
Corporation tax paid		69,551	-
Cash generated by operating activities		<u>20,677,392</u>	<u>5,443,313</u>
Investing activities			
Acquisition of tangible fixed assets		(8,521,449)	(6,874,417)
Proceeds from sale of tangible fixed assets		16,581	5,904
Purchase of subsidiary (net of cash acquired)		(24,765,179)	-
Interest received		28,955	26,231
Cash used in investing activities		<u>(33,241,091)</u>	<u>(6,842,282)</u>
Financing activities			
Proceeds from new loans		41,603,941	4,750,000
Issue costs re new loans		(1,482,846)	-
Repayment of loans		(9,062,704)	-
Interest paid		(6,187,472)	(3,162,251)
Interest element of finance lease payments		(154)	(10,708)
Capital element of finance lease payments		(7,008)	(25,422)
Cash generated by financing activities		<u>24,863,757</u>	<u>1,551,619</u>
Net cash generated			
Cash generated by operating activities		20,677,392	5,443,313
Cash used in investing activities		(33,241,091)	(6,842,282)
Cash generated by financing activities		24,863,757	1,551,619
Net cash generated		12,300,058	152,650
Cash and cash equivalents at 1 January		2,042,445	1,889,795
Cash and cash equivalents at 31 December		<u>14,342,503</u>	<u>2,042,445</u>
Cash and cash equivalents comprise:			
Cash at bank	30	<u>14,342,503</u>	<u>2,042,445</u>

The company is a qualifying entity for the purposes of FRS 102 and has elected to take the exemption under paragraph 1.12(b) of FRS 102 not to present the company statement of cash flows.

Mercia Power Response (Holdings) Limited
Notes to the Accounts
for the year ended 31 December 2021

1 Summary of significant accounting policies

Basis of preparation

The financial statements have been prepared under the historical cost convention and in accordance with FRS 102, The Financial Reporting Standard applicable in the UK and Republic of Ireland.

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own Statement of Income in these financial statements.

The following principal accounting policies have been applied:

Parent company disclosure exemptions

In preparing the separate financial statements of the parent company, advantage has been taken of the following disclosure exemptions available in FRS 102:

- No cash flow statement has been presented for the parent company;
- No statement of comprehensive income has been presented for the parent company; and
- No disclosure has been given for the aggregate remuneration of the key management personnel of the parent company as their remuneration is included in the totals for the group as a whole.

Basis of consolidation

The consolidated financial statements present the results of the Company and its own subsidiaries ("the Group") as if they form a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full

Going concern

The financial statements have been prepared on a going concern basis. In reaching this assessment the directors have carried out a detailed going concern assessment on the Group and Company. The Company is a holding company and as such the assessment of the going concern of the Company is consistent with the Group it heads.

The Group is performing ahead of the business plan prepared at the inception of the business and when the initial funding of the Group was obtained. The development of the asset base has been funded through a loan from the Group's controlling party which is long term and not due for repayment for over five years. Under the terms of the loan unpaid interest rolls up into the loan to leave a minimum level of working capital in the Group. During the year end the Group drew down £25.1 million (net of costs) under a loan facility from NatWest Bank. The loan is repayable over 8 years and was taken to finance further development of the group whether by acquisition of operational sites or the development of new ones. The business plan including detailed trading and cash flow forecasts through to December 2023 illustrates that the business can service the debt from trading operations for the foreseeable future, being a period of one year from the date of approval of the financial statements, and the forecast performance of the business will allow for the longer term debt from the controlling party to be repaid at its due date through an orderly refinance.

Since March 2020 the business has had to respond to the disruption of Covid-19. The business has been resilient to the disruption of Covid-19 which has had overall no noticeable impact on the results of the Group. During 2021 there was increased volatility in the prices of gas. The Group is not directly exposed to changes in gas prices as these movements are generally reflected in the price of electricity, leaving the opportunity to generate profitably unchanged. Since the year end the invasion of Ukraine has taken place which has caused uncertainty over gas supplies to Europe. The UK imports a relatively small portion of its gas from Russia so no direct impact on the Group's ability to operate is seen as likely.

Mercia Power Response (Holdings) Limited
Notes to the Accounts
for the year ended 31 December 2021

Note 1 continued

The Group continues to perform in line with its business plan and the directors expect this to be the case in the future. The business plan operating model and forecasts demonstrate that the Group is expected to meet its liabilities as they fall due and comply with relevant covenants. Therefore, the directors are content that the going concern basis of preparation is appropriate.

Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

- the amount of turnover can be measured reliably;
- it is probable that the Company will receive the consideration due under the transaction; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

The sale of energy is measured at the contractual value of metered units supplied during the year. Revenue from triads (a premium issued for generating energy at times of peak demand) is recognised when amounts receivable can be estimated with a reasonable degree of certainty.

Business combinations and goodwill

Business combinations are accounted for by applying the purchase method or if the relevant requirements are met merger accounting.

Acquisitions accounted for by the Purchase method

The cost of a business combination is the fair value of the consideration given, liabilities incurred or assumed and of equity instruments issued plus the costs directly attributable to the business combination. Where control is achieved in stages the cost is the consideration at the date of each transaction.

Contingent consideration is initially recognised at estimated amount where the consideration is probable and can be measured reliably. Where (i) the contingent consideration is not considered probable or cannot be reliably measured but subsequently becomes probable and measurable; or (ii) contingent consideration previously measured is adjusted, the amounts are recognised as an adjustment to the cost of the business combination.

On acquisition of a business, fair values are attributed to the identifiable assets, liabilities and contingent liabilities unless the fair value cannot be measured reliably, in which case the value is incorporated in goodwill. Intangible assets are only recognised separately from goodwill where they are separable and arise from contractual or other legal rights. Where the fair value of contingent liabilities cannot be reliably measured they are disclosed on the same basis as other contingent liabilities.

Goodwill recognised represents the excess of the fair value and directly attributable costs of the purchase consideration over the fair values to the group's interest in the identifiable net assets, liabilities and contingent liabilities acquired.

Goodwill is amortised over its expected useful life which is estimated to be ten years. Goodwill is assessed for impairment when there are indicators of impairment and any impairment is charged to the income statement. No reversals of impairment are recognised.

Mercia Power Response (Holdings) Limited
Notes to the Accounts
for the year ended 31 December 2021

Note 1 continued

Acquisitions accounted for by Merger Accounting

Group reconstructions are accounted for by using the merger accounting method provided:

- (a) the use of the merger accounting method is not prohibited by company law or other relevant legislation;
- (b) the ultimate equity holders remain the same, and the rights of each equity holder, relative to the others, are unchanged; and
- (c) no non-controlling interest in the net assets of the group is altered by the transfer.

With the merger accounting method the carrying values of the assets and liabilities of the parties to the combination are not required to be adjusted to fair value, although appropriate adjustments shall be made to achieve uniformity of accounting policies in the combining entities.

The results and cash flows of all the combining entities shall be brought into the financial statements of the combined entity from the beginning of the financial year in which the combination occurred, adjusted so as to achieve uniformity of accounting policies. The comparative information shall be restated by including the total comprehensive income for all the combining entities for the previous reporting period and their statement of financial position for the previous reporting date, adjusted as necessary to achieve uniformity of accounting policies.

Tangible fixed assets

Tangible fixed assets are measured at cost less accumulative depreciation and any accumulative impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method, as follows:

Electricity generating plant	over 40 years
Computer & office equipment	over 3 years
Motor vehicles	over 4 years

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Consolidated Statement of Comprehensive Income.

Investments

Investments in subsidiaries, associates and joint ventures are measured at cost less any accumulated impairment losses.

Mercia Power Response (Holdings) Limited
Notes to the Accounts
for the year ended 31 December 2021

Note 1 continued

Impairment of fixed assets and goodwill

Fixed assets and goodwill are assessed at each reporting date to determine whether there is any indication that the assets are impaired. Where there is any indication that an asset may be impaired, the carrying value of the asset (or cash-generating unit to which the asset has been allocated) is tested for impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's (or CGU's) fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs). Fixed assets that have been previously impaired are reviewed at each reporting date to assess whether there is any indication that the impairment losses recognised in prior periods may no longer exist or may have decreased, except for goodwill where impairment losses previously recognised are not reversed.

Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

Debtors

Short term debtors are measured at transaction price (which is usually the invoice price), less any impairment losses for bad and doubtful debts. Loans and other financial assets are initially recognised at transaction price including any transaction costs and subsequently measured at amortised cost determined using the effective interest method, less any impairment losses for bad and doubtful debts.

Site development

Costs incurred on bringing new sites to development are included within short term debtors until such time as contracts are placed for site development and gensets ordered when the costs incurred to date on the site are transferred to fixed assets. When the decision is made not to proceed with a site costs incurred to date are written off to the profit and loss account.

Creditors

Short term creditors are measured at transaction price (which is usually the invoice price). Loans and other financial liabilities are initially recognised at transaction price net of any transaction costs and subsequently measured at amortised cost determined using the effective interest method.

Finance costs

Finance costs are charged to the Consolidated Statement of Comprehensive Income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

Mercia Power Response (Holdings) Limited
Notes to the Accounts
for the year ended 31 December 2021

Note 1 continued

Taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Consolidated Statement of Comprehensive Income, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the Company and the Group operate and generate income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Balance Sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits;
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met; and
- Where they relate to timing differences in respect of interests in subsidiaries, associates, branches and joint ventures and the Group can control the reversal of the timing differences and such reversal is not considered probable in the foreseeable future.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Provisions

Provisions (ie liabilities of uncertain timing or amount) are recognised when there is an obligation at the reporting date as a result of a past event, it is probable that economic benefit will be transferred to settle the obligation and the amount of the obligation can be estimated reliably.

Leased assets

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. All other leases are classified as operating leases. The rights of use and obligations under finance leases are initially recognised as assets and liabilities at amounts equal to the fair value of the leased assets or, if lower, the present value of the minimum lease payments. Minimum lease payments are apportioned between the finance charge and the reduction in the outstanding liability using the effective interest rate method. The finance charge is allocated to each period during the lease so as to produce a constant periodic rate of interest on the remaining balance of the liability. Leased assets are depreciated in accordance with the company's policy for tangible fixed assets. *If there is no reasonable certainty that ownership will be obtained at the end of the lease term, the asset is depreciated over the lower of the lease term and its useful life.* Operating lease payments are recognised as an expense on a straight line basis over the lease term.

Pensions

Contributions to defined contribution plans are expensed in the period to which they relate.

Mercia Power Response (Holdings) Limited
Notes to the Accounts
for the year ended 31 December 2021

2 Critical accounting estimates and judgements

In the process of applying the company's accounting policies, the company is required to make certain judgements, estimates and assumptions that it believes are reasonable based on the information available. The significant judgements relate to the following:

Carrying value of goodwill

Goodwill is amortised over its expected useful life. Goodwill is assessed for impairment when there are indicators of impairment and any impairment is charged to the income statement. This calculation requires the exercise of judgement. Indicators of impairment that the directors consider include, but are not restricted to, performance of the business compared to budget and expectations or changes in the external market.

Other sources of estimation uncertainty

Useful lives of tangible fixed assets

Depreciation is provided so as to write down the assets to their residual values over their estimated useful lives as set out in the company's accounting policy. The selection of these estimated lives requires the exercise of management judgement. Useful lives are periodically reviewed and should management's assessment of useful lives shorten then depreciation charges in the financial statements would increase and carrying amounts of tangible fixed assets would reduce accordingly. The carrying amount of tangible fixed assets by each class is included in note 10.

Carrying value of contracts

The fair value of certain contracts was capitalised on acquisition and is amortised over its expected useful life. Calculation of the fair value requires the use of estimates. Factors that the directors must consider include, but are not restricted to, the life of the contracts and the appropriate market interest rate at which to discount future cash flows. Estimates of discount rates are based on external debt along with estimated equity risk premiums.

3 Analysis of turnover	2021	2020
	£	£
Development, operation and management of peaking power plants.	<u>66,756,420</u>	<u>20,938,527</u>
By geographical market:		
UK	<u>66,756,420</u>	<u>20,938,527</u>
4 Operating profit	2021	2020
	£	£
This is stated after charging:		
Depreciation of owned fixed assets	2,417,035	1,814,256
Depreciation of assets held under finance leases and hire purchase contracts	64,645	17,593
Amortisation of intangible assets	1,557,361	1,287,968
Operating lease rentals - plant and machinery	-	26,032
Operating lease rentals - land and buildings	594,406	405,686
Research and development expenditure	-	-
Auditors' remuneration for audit services	53,330	51,000
Auditors' remuneration for other services	2,050	5,791
Key management personnel compensation (including directors' emoluments)	<u>345,127</u>	<u>275,040</u>

Mercia Power Response (Holdings) Limited
Notes to the Accounts
for the year ended 31 December 2021

5 Directors' emoluments	2021	2020
	£	£
Emoluments	391,589	315,672
Contributions to defined contribution pension plans	17,538	17,368
	<u>409,127</u>	<u>333,040</u>
The Company had no directors' emoluments.		
Highest paid director:		
Emoluments	169,062	128,345
Company contributions to defined contribution pension plans	12,696	12,700
	<u>181,758</u>	<u>141,045</u>
Number of directors to whom retirement benefits accrued:	2021	2020
	Number	Number
Defined contribution plans	<u>2</u>	<u>2</u>
6 Staff costs	2021	2020
	£	£
Wages and salaries	1,146,073	950,027
Social security costs	137,237	107,677
Other pension costs	46,645	40,693
Share based payments	-	183,429
	<u>1,329,955</u>	<u>1,281,826</u>
Average number of employees during the year	Number	Number
Administration and project management	8	8
Engineering	5	5
Executive directors	2	2
	<u>15</u>	<u>15</u>
The Company has no employees and thus no staff costs in the current year or comparative period.		
7 Interest payable	2021	2020
	£	£
Bank loans and overdrafts	600,549	-
Other loans	6,230,216	5,600,155
Finance charges payable under finance leases and hire purchase contracts	154	10,708
	<u>6,830,919</u>	<u>5,610,863</u>

Mercia Power Response (Holdings) Limited
Notes to the Accounts
for the year ended 31 December 2021

8 Taxation	2021	2020
	£	£
Analysis of charge in period		
Current tax:		
UK corporation tax on profits of the period	(344,313)	-
Share of joint venture's tax	344,199	78,113
Adjustments in respect of previous periods	(69,437)	-
	(69,551)	78,113
Deferred tax:		
Origination and reversal of timing differences	(63,788)	(7,813)
Tax on profit/(loss) on ordinary activities	<u>(133,339)</u>	<u>70,300</u>

Factors affecting tax charge for year

The differences between the tax assessed for the year and the standard rate of corporation tax are explained as follows:

	2021	2020
	£	£
Profit/(loss) on ordinary activities before tax	<u>8,272,710</u>	<u>(3,083,767)</u>
Standard rate of corporation tax in the UK	19%	19%
	£	£
Profit/(loss) on ordinary activities before tax multiplied by the standard rate of corporation tax	1,571,815	(585,916)
Effects of:		
Goodwill	244,714	244,714
Expenses not deductible for tax purposes	335,455	682,491
Movement in unrecognised deferred tax	(2,190,722)	(181,302)
Adjustments to tax charge in respect of previous periods	(69,437)	-
Other	(25,164)	(89,687)
Current tax charge for year	<u>(133,339)</u>	<u>70,300</u>

The group has an unrecognised deferred tax asset of approximately £160,000 (2020: £3,167,000).

Factors that may affect future tax charges

The group's future tax charge will be influenced by any changes to the corporate tax regime such as the increase in the rate of corporation tax to 25% from 1 April 2023 or changes to the rates of capital allowances and restrictions on the deductibility of interest.

Mercia Power Response (Holdings) Limited
Notes to the Accounts
for the year ended 31 December 2021

9 Intangible fixed assets

	Goodwill £	Contracts £	Total £
Cost			
At 1 January 2021	12,879,676		12,879,676
Additions (on acquisitions see note 31)		5,510,402	5,510,402
At 31 December 2021	<u>12,879,676</u>	<u>5,510,402</u>	<u>18,390,078</u>
Amortisation			
At 1 January 2021	2,092,948		2,092,948
Provided during the year	1,287,967	269,394	1,557,361
At 31 December 2021	<u>3,380,915</u>	<u>269,394</u>	<u>3,650,309</u>
Carrying amount			
At 31 December 2021	<u>9,498,761</u>	<u>5,241,008</u>	<u>14,739,769</u>
At 31 December 2020	<u>10,786,728</u>	<u>-</u>	<u>10,786,728</u>

Goodwill is being written off in equal annual instalments over its estimated economic life of 10 years. The value of the contracts is being amortised over the remaining contract term.

10 Tangible fixed assets

	Electricity generating plant <i>At cost</i> £	Computer and office equipment <i>At cost</i> £	Motor vehicles <i>At cost</i> £	Total £
Cost				
At 1 January 2021	58,959,422	82,934	92,760	59,135,116
Acquisitions	20,282,889	-	-	20,282,889
Additions	8,502,161	19,288	-	8,521,449
Disposals	-	-	(67,927)	(67,927)
At 31 December 2021	<u>87,744,472</u>	<u>102,222</u>	<u>24,833</u>	<u>87,871,527</u>
Depreciation				
At 1 January 2021	3,613,893	62,237	64,645	3,740,775
Acquisitions	-	-	-	-
Charge for the year	2,461,462	14,892	5,326	2,481,680
Disposals	-	-	(53,602)	(53,602)
At 31 December 2021	<u>6,075,355</u>	<u>77,129</u>	<u>16,369</u>	<u>6,168,853</u>
Carrying amount				
At 31 December 2021	<u>81,669,117</u>	<u>25,093</u>	<u>8,464</u>	<u>81,702,674</u>
At 31 December 2020	<u>55,345,529</u>	<u>20,697</u>	<u>28,115</u>	<u>55,394,341</u>
			2021 £	2020 £
Carrying value of motor vehicles included above held under finance leases and hire purchase contracts			<u>8,464</u>	<u>28,115</u>

Mercia Power Response (Holdings) Limited
Notes to the Accounts
for the year ended 31 December 2021

11 Investments
Group

	Investments in associated undertakings £	Investment in joint venture £	Total £
Cost			
At 1 January 2021	813,960	421,473	1,235,433
Share of result in year	300,390	1,467,375	1,767,765
Dividend received		(1,350,000)	(1,350,000)
Controlling interest acquired (see note 32)	(1,114,350)		(1,114,350)
At 31 December 2021	-	538,848	538,848

The list of subsidiary companies is:

Company	Company no.	Interest %
FRP Mercia Holdco Limited	10693054	100
FRP Mercia Holdco 2 Limited	13091546	100
Mercia Power Response Limited	09688709	100
Mercia Power Response (Albion Close) Limited	10276812	100
Mercia Power Response (Asher Lane 2) Limited	10217188	100
Mercia Power Response (Bradberry Balk Lane) Limi	12282170	100
Mercia Power Response (Chesterfield Road) Limited	10217080	100
Mercia Power Response (Common Lane) Limited	10276850	100
Mercia Power Response (Common Side Lane) Limit	12282261	100
Mercia Power Response (Cuckoo Road) Limited	10276822	100
Mercia Power Response (Fulwood Road) Limited	11495004	100
Mercia Power Response (Geddington Road) Limited	11857803	100
Mercia Power Response (Graphite Way) Limited	10279538	100
Mercia Power Response (Hallam Way) Limited	12395582	100
Mercia Power Response (Hatton) Limited	12742143	100
Mercia Power Response (Manners Avenue 2) Limited	10276831	100
Mercia Power Response (Nottingham Road) Limited	10217239	100
Mercia Power Response (Outgang Lane) Limited	10276869	100
Mercia Power Response (Pontefract Road) Limited	10217285	100
Mercia Power Response (Private Road No.5) Limited	10217008	100
Mercia Power Response (Sandy Lane) Limited	10269414	100
Mercia Power Response (The Wood Yard) Limited	10276847	100
Mercia Power Response (Wellington Road) Limited	11969489	100
Mercia Power Response (Whittington Road) Limited	10217287	100
Amalgamated Smart Metering Limited	09299892	100
Durham RP Limited	11632552	100
Exeter RP Limited	09874992	100
Holditch Power Limited	12570831	100
Ilkeston Power Limited	09806343	100
Reserve Power Trading Limited	09548349	100
Westfield SM Limited	09305317	100

Mercia Power Response (Holdings) Limited
Notes to the Accounts
for the year ended 31 December 2021

Note 11 continued

All interests are in ordinary shares. The activity of all of the companies is peaking power generation except from FRP Mercia Holdco Limited which is a holding company and Mercia Power response Limited which operates and develops peaking power plants. The company's investment in FRP Mercia Holdco Limited and Mercia Power Response Limited is direct ownership, all other investments are indirect ownership. All of the subsidiaries are registered in England and their registered offices are the same as that of the Company. All of the subsidiaries listed above save FRP Mercia Holdco Limited are exempt from the requirements of the Companies Act 2006 (the Act) relating to the audit of individual accounts by virtue of section 479A of the Act as the Company has given a guarantee under section 479C of the Act in respect of the period

The list of joint ventures and associated companies is:

Company	Shares held	
	Class	%
Adela Energy Limited	Ordinary	50
Thornton Energy Estate Limited	B Ordinary	20

Adela Energy Limited is a joint venture which provides energy optimisation services to operators of peaking power plants. Thornton Energy Estate Limited owns a power plant, the operational management of which is carried out by the Group.

At 31 December 2020 the group had the following non-trading subsidiaries: Mercia Power Response (Bicester Road) Limited (12742143), Mercia Power Response (Darnell Road) Limited (13760737), Mercia Power Response (Fordbridge Lane) Limited (12576953), Mercia Power Response (High View Road) Limited (12576953), Mercia Power Response (Neander) Limited (12644752), Mercia Power Response (Old Doncaster Road) Limited (12282439), Mercia Power Response (Riby Street) Limited (12577743), Mercia Power Response (Sookholme Road) Limited (12282385), Mercia Power Response (Union Street) Limited (10276842), Mercia Power Response (Woolaston Road) Limited (12591814). These non-trading subsidiaries are exempt from audit by virtue of s479A of CA2006.

Company

The Company's investments of £8,990,839 (2020: £8,990,838) represent the investments in FRP Mercia Holdco Limited and Mercia Power Response Limited and, additionally in 2021, FRP Mercia Holdco 2 Limited and are shown at cost

12 Debtors	2021	2020
Group	£	£
Trade debtors	239,228	74,766
Amounts owed by associated undertakings	1,000,000	250,000
Other debtors	2,610,605	1,072,396
Prepayments and accrued income	11,416,055	4,176,567
Costs incurred on sites for future development	975,670	746,157
	<u>16,241,558</u>	<u>6,319,886</u>

Company

Amounts owed by group undertakings and undertakings in which the company has a participating interest

83,217,402	72,727,307
<u>1</u>	<u>1</u>
<u>83,217,403</u>	<u>72,727,308</u>

Included in amounts owed by group undertakings are amounts due after more than one year of £78,379,354 (2020: £72,727,307).

Mercia Power Response (Holdings) Limited
Notes to the Accounts
for the year ended 31 December 2021

13 Creditors: amounts falling due within one year	2021	2020
Group	£	£
Bank loans	3,015,757	-
Obligations under finance lease and hire purchase contracts (see note 16)	-	7,008
Trade creditors	7,647,481	1,508,798
Other taxes and social security costs	1,533,371	321,618
Other creditors	124,882	4,869
Accruals and deferred income	12,876,477	6,756,639
	<u>25,197,968</u>	<u>8,598,932</u>
Company		
Accruals and deferred income	<u>4,060,113</u>	<u>3,611,283</u>
Accruals and deferred income for both Company and Group include £4,060,113 (2020: £3,611,283) due to the Company's immediate parent company in respect of accrued interest on the loan provided.		
14 Creditors: amounts falling due after one year	2021	2020
Group	£	£
Bank loans	20,597,648	-
Amounts owed to group undertakings and undertakings in which the company has a participating interest (see note 15)	78,323,657	73,723,657
	<u>98,921,305</u>	<u>73,723,657</u>
Company		
Amounts owed to group undertakings and undertakings in which the company has a participating interest (see note 15)	<u>78,323,657</u>	<u>67,073,657</u>
15 Loans	2021	2020
	£	£
Loans not wholly repayable within five years:		
Due to immediate parent company	78,323,657	73,723,657
Bank loan	23,613,405	-
	<u>101,937,062</u>	<u>73,723,657</u>
Analysis of maturity of debt:		
Within one year or on demand	3,015,757	-
Between one and two years	3,056,705	-
Between two and five years	9,420,727	73,723,657
After five years	<u>86,443,873</u>	<u>-</u>
	<u>101,937,062</u>	<u>73,723,657</u>

Mercia Power Response (Holdings) Limited
Notes to the Accounts
for the year ended 31 December 2021

Note 15 continued

The loan is from the Company's immediate parent company and carries an interest rate of 7.9%. The loan is secured by a floating charge over the group's assets.

The bank loan was received in two tranches which carry a variable interest rate of 2.85% and 3.25% over SONIA. The loan is repayable in equal six-monthly instalments ending on 30 June 2029. The loan is secured by a first floating charge over certain of the group's assets. Caps are in place to fix the rate for SONIA for the tranches to maximums of 0.75% and 1.5%. The market value of these interest rate Caps at the year end was not material so they have not been recognised in the financial statements. An amount of £466,000 held in a restricted account under the terms of the loan is included in other debtors.

16 Obligations under finance leases and hire purchase contracts	2021	2020		
	£	£		
Amounts payable:				
Within one year	-	7,008		
	-	7,008		
17 Deferred taxation	2021	2020		
	£	£		
Contracts held as intangible assets	1,240,988	-		
Accelerated capital allowances	342,798	-		
	1,583,786	-		
	2021	2020		
	£	£		
At 1 January	-	-		
On acquisition	1,647,574	-		
Credited to the profit and loss account re losses utilised	(871,667)	(1,143,438)		
Charged to the profit and loss on reversal of accelerated capital allowances	807,879	1,143,438		
At 31 December	1,583,786	-		
18 Share capital	Nominal value	2021 Number	2021	2020
			£	£
Allotted, called up and fully paid:				
Ordinary shares	£0.01 each	100	1	1
A Ordinary shares	£0.01 each	72,367	724	724
B Ordinary shares	£0.01 each	47,534	475	475
			1,200	1,200

All of the shares have attached to them full voting, dividend and capital distribution rights.

Mercia Power Response (Holdings) Limited
Notes to the Accounts
for the year ended 31 December 2021

Note 18 continued

During 2020 the company granted options over 1,800 B ordinary shares to employees of Mercia Power Response Limited under the Company's unapproved share option scheme. The options vested immediately on issue and can be exercised up to 10 years after grant on a sale or listing of the company. They have been valued at £183,429 which has been charged to the profit and loss account and gave rise to an other reserve.

In 2019 the company granted options over 4,178 B ordinary shares during the acquisition of Mercia Power Response Limited. These options have an exercise price of £0.01, vested immediately and can be exercised up to 10 years after grant. They have been valued at £425,758 and this amount has been included as part of the cost of investment, with the issue giving rise to an other reserve of the same amount.

19 Share premium	2021	2020
	£	£
At 1 January	7,384,103	7,384,103
Shares issued	-	-
At 31 December	<u>7,384,103</u>	<u>7,384,103</u>

20 Other reserves	2021	2020
Group	£	£
At 1 January	5,452,653	5,269,225
Arising on acquisition		
Arising on issue of share options	-	183,428
At 31 December	<u>5,452,653</u>	<u>5,452,653</u>

The other reserve in 2019 arose on the acquisition of Mercia Power Response Limited and represents £4,843,466 of merger reserve from shares issued where the merger relief provisions of the Companies Act were applied and £425,758 being the share option reserve arising on share options issued as part of the consideration.

Company

The other reserve in the Company is the share option reserve arising on the issue of share options.

21 Profit and loss account	2021	2020
	£	£
At 1 January	(19,381,712)	(16,227,645)
Profit/(loss) for the financial year	8,406,049	(3,154,067)
At 31 December	<u>(10,975,663)</u>	<u>(19,381,712)</u>

22 Capital commitments	2021	2020
	£	£
Amounts contracted for but not provided in the accounts	<u>3,159,638</u>	<u>2,829,686</u>

23 Defined contribution pension plans

The group makes pension contributions to various defined contribution schemes on behalf of its employees. The total contributions in the year are shown in note 6.

Mercia Power Response (Holdings) Limited
Notes to the Accounts
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24 Other financial commitments

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

	Land and buildings 2021 £	Land and buildings 2020 £	Other 2021 £	Other 2020 £
Falling due:				
within one year	626,355	394,820	52,507	37,322
within two to five years	2,412,697	1,519,280	63,745	83,526
in over five years	2,721,375	931,263	-	-
	<u>5,760,427</u>	<u>2,845,363</u>	<u>116,252</u>	<u>120,848</u>

25 Related party transactions

During the year the Group carried out for and received services from Power Balancing Services Limited (PBS), a company owned by Mr White and Mr Leach, directors of the company. These transactions were on an arms length basis. £82,427 was invoiced for services provided (2020: 81,788) and £60,875 was purchased (2020: £72,183). At the year end £155 was due from the PBS (2020: £250).

The Company has received a loan from its immediate holding company, Blackmead Infrastructure Limited. Details are give in note 15 and the accrued interest due at the year end is shown in note 13. The amount due at the year end is the maximum due in the year.

Key Management Personal is considered to represent the executive directors and their emoluments are disclosed in note 5. In addition the Group incurred £42,770 (2020: £43,652) of social security costs due to their employment

26 Controlling party

The Company's immediate parent company is Blackmead Infrastructure Limited. Its ultimate parent company is Averon Park Limited, whose registered office is C/O Foresight Group LLP, The Shard, 32 London Bridge Street, London SE1 9SG, which is considered by the directors to be the company's controlling party.

27 Presentation currency

The financial statements are presented in Pound Sterling.

28 Legal form of entity and country of incorporation

Mercia Power Response (Holdings) Limited is a private company limited by shares and incorporated in England.

29 Principal place of business

The address of the company's principal place of business and registered office is:

Strelley Hall
Main Street, Strelley
Nottingham
NG8 6PE

Mercia Power Response (Holdings) Limited
Notes to the Accounts
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30 Net debt reconciliation

	At 1 Jan 2021	Cash flows	Acquired	Non-cash changes	At 31 Dec 2021
Cash at bank and in hand	2,042,445	11,593,514	706,544	-	14,342,503
Group loan	(73,723,657)	(4,600,000)	-	-	(78,323,657)
Bank loan	-	(23,457,715)	-	(155,690)	(23,613,405)
Finance leases	(7,008)	7,008	-	-	-
Total	(71,688,220)	(16,457,193)	706,544	(155,690)	(87,594,559)

31 Business Combinations

On 28 May 2021 the Group acquired 100% ownership of 6 of its associated companies Amalgamated Smart Metering Ltd, Durham RP Limited, Exeter RP Holdings Limited, Ilkeston Power Limited, Reserve Power Trading Limited and Westfield SM Limited (collectively "the EIS companies") which operate peaking power plants. The companies were acquired for a total consideration of £25,277,603 in cash and accounted for under the purchase method.

The following tables summarise the consideration paid by the Group for the companies and the fair value of assets acquired and liabilities assumed at the acquisition date of each company.

Recognised amounts of identifiable assets acquired and liabilities assumed

	Note	Book values £	Adjustments £	Fair value £
Fixed assets		20,014,322		20,014,322
Intangible assets	(a)	-	5,510,402	5,510,402
Loan to the Group		3,000,676		3,000,676
Cash and cash equivalents		706,544		706,544
Other current assets		1,583,231		1,583,231
Other current liabilities		(2,775,648)		(2,775,648)
Deferred tax	(b)	-	(1,647,574)	(1,647,574)
Total identifiable assets		<u>22,529,125</u>	<u>5,510,402</u>	<u>26,391,953</u>
Equity value accounted as associate				(1,114,349)
Goodwill				-
Consideration				25,277,604

The adjustments arising on the acquisition were in respect of the following:

- (a) The recognition of an intangible asset being the value of certain contracts.
- (b) Deferred tax adjustment arising as a result of the acquisition adjustment and a provision for deferred tax for timing differences between depreciation and capital allowances.

The revenue from the EIS Companies included in the consolidated income statement for 2021 was £14,564,703. The companies also contributed profit of £3,124,886 over the same period.

Additionally in March 2021 the Group acquired 100% of Holditch Power Limited for a cash consideration of £194,120 (net of £253 cash acquired). This company held the rights to a site for development.

Mercia Power Response (Holdings) Limited
Notes to the Accounts
for the year ended 31 December 2021

Note 31 continued

	£
Consideration	
Cash	25,149,171
Directly attributable costs	128,432
	<u>25,277,603</u>
For cash flow disclosure purposes the amounts are disclosed as follows:	
Cash consideration	25,149,171
Directly attributable costs	128,432
	<u>25,277,603</u>
Less: cash and cash equivalents acquired	(706,544)
Add: Cash consideration for Holditch Power Limited	194,120
	<u>24,765,179</u>