

Pimbo Generation Limited

Directors' Report and Financial Statements

Year Ended

31 December 2022

Company Number 10133254

WEDNESDAY



ACCX83JU

A16

27/09/2023

#40

COMPANIES HOUSE

Pimbo Generation Limited

Company Information

Directors	Alan Baker Jonathan Poley Alessandro Boninsegna Stephen Hutt
Registered number	10133254
Registered office	Masters House 107 Hammersmith Road London W14 0QH
Independent auditor	BDO LLP 55 Baker Street London W1U 7EU

Pimbo Generation Limited

Contents

	Page
Directors' Report	1 - 3
Independent Auditor's Report	4 - 7
Income Statement and Statement of Comprehensive Income	8
Statement of Financial Position	9
Statement of Changes in Equity	10
Notes to the Financial Statements	11 - 20

Pimbo Generation Limited

Directors' Report For the Year Ended 31 December 2022

The Directors present their report and the financial statements for the year ended 31 December 2022.

Directors' responsibilities statement

The Directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law, the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under Company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies for the Company's financial statements 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;
- 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 to 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.

Principal activity

The principal activity of the Company during the year is the operation of a gas peaking power plant.

Pimbo Generation Limited

Directors' Report (continued) For the Year Ended 31 December 2022

Going concern

The financial statements have been prepared on the going concern basis, which assumes that the Company will continue in operational existence for the foreseeable future.

The Directors confirm that they have complied with the requirements of Companies Act 2006. Based on the assessment they have made of the Company's financial situation; they have concluded they have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future and continue to adopt the going concern basis in preparing the accounts.

The ultimate controlling party Forsa UK Holdings Limited has confirmed that they will continue to provide adequate financial support to enable the Company to continue its normal trading operations for a period of not less than twelve months from the date on which the audited financial statements are approved. To this end a legally binding letter of support has been provided to the Company.

The Directors continue to monitor the potential impact, including that of continued uncertainty in Eastern Europe, of the energy market dynamics on the Company. In the short-term, the Company continues to believe the impact of higher, and more volatile, gas prices will have minimal impact on the Company's ability to operate effectively. The Company's electricity sales prices are set each day based on the market price for gas that day. If the electricity market price is too low, the Company does not generate, consume gas or incur variable costs. Gas is only consumed if the electricity price is at an appropriate level to generate sustainable margins. As a result, sales volumes have not been affected by the current gas price spike and operating margins remain at a sustainable level. The Company also considers the benefit that can be gained from longer term sale agreements and takes advantage of such opportunities as they arise.

In the long term, the Directors remain of the opinion that the current market dynamic amplifies the importance of the transition to renewable energy – where flexible generation and gas peaking plants in particular, have an important role to play.

In the Directors' view, flexible power generation will remain essential to the UK's infrastructure. Even during a stress test, the Company would have sufficient cash available through its operating activities to continue as a going concern and pay all its commitments as they fall due for 12 months from signing these financial statements. As such, the Directors have adopted the going concern basis in preparing the Annual Report and Financial Statements.

Directors

The Directors who served during the year, and to the date of signing, were:

Alan Baker
Jonathan Poley
Alessandro Boninsegna
Stephen Hutt (appointment 14 March 2023)

Qualifying third party indemnity provisions

The Company has arranged qualifying third party indemnity for all of its Directors.

Disclosure of information to auditor

Each of the persons who are Directors at the time when this Directors' Report is approved has confirmed that:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware, and
- the Director has taken all the steps that ought to have been taken as a Director in order to be aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Pimbo Generation Limited

Directors' Report (continued) For the Year Ended 31 December 2022

Subsequent events

There have been no events subsequent to the year end that have impacted the Company.

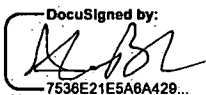
Auditor

The auditor, BDO LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

Small companies note

In preparing this report, the Directors have taken advantage of the small companies exemptions provided by section 415A of the Companies Act 2006.

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

DocuSigned by:

7536E21E5A6A429...

Alan Baker
Director

Date: 22 September 2023

Pimbo Generation Limited

Independent Auditor's Report to the Members of Pimbo Generation Limited

Opinion on the financial statements

In our opinion, the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Pimbo Generation Limited ("the Company") for the year ended 31 December 2022 which comprise the Income Statement and Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity 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 for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditors' 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 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 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.

Pimbo Generation Limited

Independent Auditor's Report to the Members of Pimbo Generation Limited (continued)

Other information

The Directors are responsible for the other information. The other information comprises the information included in the Directors' Report and Financial Statements, 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.

Other Companies Act 2006 reporting

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

- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Directors' Report has been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Directors' Report.

We have nothing to report in respect of the following matters 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, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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; or
- the Directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemptions in preparing the Directors' Report and from the requirement to prepare a Strategic Report.

Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Pimbo Generation Limited

Independent Auditor's Report to the Members of Pimbo Generation Limited (continued)

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 Company and determined that the most significant which are directly relevant to specific assertions in the financial statements are those related to the reporting framework (Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland, and the Companies Act 2006);
- We determined how the Company is complying with those legal and regulatory frameworks by making enquiries of management, and those responsible for legal and compliance procedures, corroborating our enquiries through our review of board minutes;
- We used an engagement team with appropriate competence and capabilities to identify non-compliance with laws and regulations;
- We assessed the susceptibility of the financial statements to material misstatement, including how fraud might occur, by meeting with management from various parts of the business to understand where it is considered there was a susceptibility to fraud. We also considered the processes and controls that the entity has established to address risks identified, or that otherwise prevent, deter and detect fraud, and how management monitors those process controls; and
- We challenged assumptions made by management in their significant accounting estimates in particular in relation to estimation of the carrying value of tangible assets, depreciation rates of tangible assets and their useful economic lives, estimation of rehabilitation costs, the recognition and measurement of accrued income, judgements used in the going concern assumption and uncertain tax provisions.

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: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Pimbo Generation Limited

Independent Auditor's Report to the Members of Pimbo Generation Limited (continued)

Use of our report

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

DocuSigned by:

Marc Reinecke

1514286B22FD46D...

Marc Reinecke (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
55 Baker Street
London
W1U 7EU

Date: 22 September 2023

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Pimbo Generation Limited

Income Statement and Statement of Comprehensive Income For the Year Ended 31 December 2022

	2022 £000	As restated 2021 £000
Revenue	5,534	3,797
Cost of sales	(2,408)	(1,736)
Gross profit	3,126	2,061
Administrative expenses	(181)	(172)
Depreciation	(630)	(615)
Operating profit	2,315	1,274
Interest payable and similar expenses	(817)	(856)
Profit before tax	1,498	418
Tax on profit	-	-
Profit for the financial year	1,498	418

There was no other comprehensive income for 2022 (2021 - £Nil).

The notes on pages 11 to 20 form part of these financial statements.

Pimbo Generation Limited

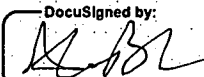
Registered number:10133254

**Statement of Financial Position
As at 31 December 2022**

	Note	2022 £000	As restated 2021 £000
Fixed assets			
Tangible assets	4	9,881	10,509
Current assets			
Debtors: amounts falling due within one year	5	698	746
Cash at bank and in hand		1,543	706
		<u>2,241</u>	<u>1,452</u>
Creditors: amounts falling due within one year	6	(12,045)	(13,383)
Net current liabilities		<u>(9,804)</u>	<u>(11,931)</u>
Total assets less current liabilities		<u>77</u>	<u>(1,422)</u>
Provisions	7	(153)	(152)
Net liabilities		<u>(76)</u>	<u>(1,574)</u>
Capital and reserves			
Share capital	8	-	-
Profit and loss account		(76)	(1,574)
		<u>(76)</u>	<u>(1,574)</u>

The financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies regime and in accordance with the provisions of FRS 102 Section 1A - small entities.

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

DocuSigned by:

 7538E21E5A8A429...

Alan Baker
Director

Date: 22 September 2023

The notes on pages 11 to 20 form part of these financial statements.

Pimbo Generation Limited

Statement of Changes in Equity For the Year Ended 31 December 2022

	Share capital £000	Profit and loss account £000	Total equity £000
At 1 January 2021	-	(1,992)	(1,992)
Comprehensive income for the year			
Profit for the year	-	418	418
At 1 January 2022	-	(1,574)	(1,574)
Comprehensive income for the year			
Profit for the year	-	1,498	1,498
At 31 December 2022	-	(76)	(76)

The notes on pages 11 to 20 form part of these financial statements.

Pimbo Generation Limited

Notes to the Financial Statements For the Year Ended 31 December 2022

1. Accounting policies

1.1 Basis of preparation of financial statements

The Company financial statements are prepared for Pimbo Generation Limited for the year ended 31 December 2022. The financial statements are presented in Pound Sterling and rounded to the nearest thousand. The Company is a private company limited by shares and is incorporated in the United Kingdom.

The accounts have been prepared in accordance with FRS 102 1A, the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland and the Companies Act 2006. There are no material departures from these standards.

1.2 Going concern

The financial statements have been prepared on the going concern basis, which assumes that the Company will continue in operational existence for the foreseeable future.

The Directors confirm that they have complied with the requirements of Companies Act 2006. Based on the assessment they have made of the Company's financial situation, they have concluded they have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future and continue to adopt the going concern basis in preparing the accounts.

The ultimate controlling party Forsa UK Holdings Limited has confirmed that they will continue to provide adequate financial support to enable the Company to continue its normal trading operations for a period of not less than twelve months from the date on which the audited financial statements are approved. To this end a legally binding letter of support has been provided to the Company.

The Directors continue to monitor the potential impact, including that of continued uncertainty in Eastern Europe, of the energy market dynamics on the Company. In the short-term, the Company continues to believe the impact of higher, and more volatile, gas prices will have minimal impact on the Company's ability to operate effectively. The Company's electricity sales prices are set each day based on the market price for gas that day. If the electricity market price is too low, the Company does not generate, consume gas or incur variable costs. Gas is only consumed if the electricity price is at an appropriate level to generate sustainable margins. As a result, sales volumes have not been affected by the current gas price spike and operating margins remain at a sustainable level. The Company also considers the benefit that can be gained from longer term sale agreements and takes advantage of such opportunities as they arise.

In the long term, the Directors remain of the opinion that the current market dynamic amplifies the importance of the transition to renewable energy – where flexible generation and gas peaking plants in particular, have an important role to play.

In the Directors' view, flexible power generation will remain essential to the UK's infrastructure. Even during a stress test, the Company would have sufficient cash available through its operating activities to continue as a going concern and pay all its commitments as they fall due for 12 months from signing these financial statements. As such, the Directors have adopted the going concern basis in preparing the Annual Report and Financial Statements.

Pimbo Generation Limited

Notes to the Financial Statements For the Year Ended 31 December 2022

1. Accounting policies (continued)

1.3 Revenue

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 discounts, rebates, value added tax and other sales taxes.

Merchant Electricity Revenue

Revenue from the sale of merchant electricity and associated embedded benefits is recognised where there is an unconditional contract of sale, based on the quantity of electricity and price based on the contracted rate on the date of export.

Where the customer provides the Company with the gas needed for production, the Company considers that those contractual arrangements result in it providing an electricity generation service to the customer. The company is entitled to retain a "gross margin" from the sale of the electricity, being a share of the revenue obtained by the customer from the onward sale of electricity, net of the customer's costs procuring the gas used in production. Consequently, the amounts recognised as revenue are the amounts the Company is entitled to under the contract net of charges and deductions made by the customer in respect of the gas acquisition costs.

Capacity Market Revenue

Revenue earned from providing the capacity market is recognised where there is an unconditional contract for the provision of services, based on the contracted price and the availability during the contract.

Balancing Services Revenue

Revenue earned from providing balancing services to National Grid is recognised where there is an unconditional contract for the provision of services, based on the contracted price and the availability during the contract.

1.4 Prior year adjustment

During the preparation of the 31 December 2022 financial statements, the Company reviewed the accounting treatment of its Purchase Power Agreement, resulting in a restatement of prior year comparatives to recognise revenue on a net basis for direct gas costs supplied. Refer to note 9 for further details of the restatement.

1.5 Operating leases: the Company as lessee

Rentals paid under operating leases are charged to profit or loss on a straight-line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight-line basis over the lease term, unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

1.6 Interest payable

Interest costs in relation to loans from other group entities are recognised in the Income Statement and Statement of Comprehensive Income as they accrue. Interest income and similar expenditure relates to cash at bank and loans from other group entities.

Pimbo Generation Limited

Notes to the Financial Statements For the Year Ended 31 December 2022

1. Accounting policies (continued)

1.7 Loans

Loans with other group entities are considered "basic" financial instruments as defined under FRS 102 par 11.5 and 11.8 and are recognised at amortised cost.

1.8 Property, plant and equipment

Projects in operation

Costs related to projects under construction are capitalised where, in the opinion of the Directors, the related project is highly likely to be successfully constructed and the economic benefits arising from future operations will at least equal the amount of capitalised expenditure incurred to date and the cost can be measured reliably. Subsequently they are measured at cost as Property, Plant and equipment.

The Group does not charge any depreciation on its projects under construction as the projects are not operational yet and the economic benefit of the assets have not yet started to flow into the business.

Once a project is completed and becomes operational, it will be considered an operational gas peaking power plant and is depreciated over its useful economic life, which the Group currently estimates to be 20 years. The useful life is based on industry standards and research which indicates that gas peaking power plants have a life of 20 years if not longer.

1.9 Depreciation

Depreciation is provided to write off the cost of all tangible fixed assets, except projects under construction, evenly over their expected useful lives. It is calculated as follows:

Operational gas peaking power plants - straight line over 20 years

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

Gains and losses on disposal (where applicable) are determined by comparing the proceeds with the carrying amount and are recognised in the Income Statement and Statement of Comprehensive Income.

When defining gross profit within the financial statements, the company follows the principal trading considerations applied by its generation businesses when making a sale. In respect of generation, this reflects the direct costs of the commodities to generate the power such as gas and carbon. Accordingly, cost of sales excludes depreciation, presented separately on the face of the income statement, indirect overheads and staff costs.

Pimbo Generation Limited

Notes to the Financial Statements For the Year Ended 31 December 2022

1. Accounting policies (continued)

1.10 Impairment of fixed assets

At each balance sheet date, the Company reviews the carrying amounts of its assets that are subject to and amortisation to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment (if any). The impairment is measured as the difference between the recoverable amount and the carrying amount and is recognised in the Income Statement and Statement of Comprehensive Income. Recoverable amount is the higher of the fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a post-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

1.11 Decommissioning provision

A rehabilitation or decommissioning provision has been accounted for where a project has a legal liability under a project lease to return the leased lands to their original condition prior to signing the lease. At the end of the lease, costs are incurred in disconnecting the site from the grid, removing the engines and all other equipment from the site, as well as restoring the land to its original state. The Company recognises the full discounted cost of decommissioning as an asset and liability when the obligation to decommission the site arises. The decommissioning asset is included within property, plant & equipment – development assets with the cost of the related project. The liability is included within provisions. Revisions to the estimated costs of decommissioning which alter the level of the provisions required are also reflected in adjustments to the decommissioning asset. The depreciation of the asset is calculated over the term of the land lease and is recognised in the Income Statement and Statement of Comprehensive Income.

1.12 Current and deferred taxation

Tax expense for the period comprises current and deferred tax. Tax is recognised in the Income Statement and Statement of Comprehensive Income, except that a change attributable to an item of income or 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.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates and laws that are enacted or substantively enacted at the Statement of Financial Position date.

Deferred tax is accounted for in respect of all timing differences that have originated but not reversed by the Statement of Financial Position date.

Deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Current and deferred tax balances are not discounted.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the difference 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.

Pimbo Generation Limited

Notes to the Financial Statements For the Year Ended 31 December 2022

1. Accounting policies (continued)

1.13 Debtors

Short term debtors are measured at transaction price, less any impairment.

Loans receivable from subsidiary companies are measured at historical cost and subsequently measured at amortised cost less any impairment. The loans are amortised using the effective interest rate method.

1.14 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions. 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.

1.15 Creditors

Short-term creditors, including intercompany loans payable, are measured at the transaction price, including transaction costs. Other financial liabilities are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

1.16 Financial instruments

The Company only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in ordinary shares.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Income Statement and Statement of Comprehensive Income.

Pimbo Generation Limited

Notes to the Financial Statements For the Year Ended 31 December 2022

2. Judgements in applying accounting policies and key sources of estimation uncertainty

In preparing these financial statements, the Directors have made the following judgements:

Impairment of assets

There are not considered to be any indicators of impairment of the Company's fixed and current assets. Factors taken into consideration in reaching such a decision include economic viability and expected future financial performance of the asset, which is largely driven by power curves provided by an independent consultant as well as the discount rate used in discounting future cash flows.

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

The depreciation of the asset is calculated over the term of the land lease and is recognised on the income statement.

Decommissioning provision

Revisions to the estimated costs of the decommissioning which alter the level of provisions required are also reflected in adjustments to the decommissioning asset.

Going concern

Refer to note 1.2.

3. Employees

The Company had no employee during the year (2021 - Nil). No remuneration or pension was paid to the Directors for their services to the Company during the year (2021 - £Nil). The Directors of the Company receive remuneration from a separate limited Company.

Pimbo Generation Limited

Notes to the Financial Statements For the Year Ended 31 December 2022

4. Tangible fixed assets

	Project in operation £000
Cost or valuation	
At 1 January 2022	11,874
Additions	2
At 31 December 2022	<u>11,876</u>
Depreciation	
At 1 January 2022	1,365
Charge for the year	630
At 31 December 2022	<u>1,995</u>
Net book value	
At 31 December 2022	<u>9,881</u>
At 31 December 2021	<u>10,509</u>

5. Debtors

	2022 £000	As restated 2021 £000
Trade debtors	-	268
Other debtors	25	15
Prepayments and accrued income	673	463
	<u>698</u>	<u>746</u>

Pimbo Generation Limited

Notes to the Financial Statements For the Year Ended 31 December 2022

6. Creditors: amounts falling due within one year

	2022 £000	As restated 2021 £000
Trade creditors	137	8
Amounts owed to group undertakings	11,722	13,113
Accruals and deferred income	186	262
	<u>12,045</u>	<u>13,383</u>

Amounts owed to group undertakings of £5,272k (2021 - £5,751k) relates to a 9% (2021 - 9%) interest-bearing loan that is unsecured and repayable on demand. Further amounts owed to group undertakings of £6,450k (2021 - £7,362k) relates to a 6% (2021 - 6%) interest-bearing loan that is unsecured and repayable on demand. The loan attracting 6% interest relates to financing ultimately received from a third party, while the loan attracting 9% interest relates to financing ultimately received from the parent company.

In 2019 the Company, through its parent entity Forsa Energy Gas Acquisitions Holdco 1 Limited had an £8.5 million finance facility available for the construction of a gas peaking power plant. This was made up of a Development facility of £7.7 million and a VAT facility of £0.8 million.

In 2020, the Development and VAT facilities held within the parent company Forsa Energy Acquisitions Holdco 1 Limited were refinanced into a Term Loan. The shares of Pimbo Generation Limited have been provided as security for this loan.

As at 31st December 2022, the capital balance with Forsa Energy Gas Acquisitions Holdco 1 Limited relating to this loan was £6.4m (2021 - £7.3m).

7. Creditors: amounts falling due after more than one year

	2022 £000	2021 £000
Decommissioning provision	<u>153</u>	<u>152</u>

The decommissioning provision comprises of £152k (2021 - £152k) in provisions brought forward and £1k (2021 - £Nil) charged during the year. The charges are included within 'Interest payable and similar expenses' in the Income Statement and Statement of Comprehensive Income.

8. Share capital

	2022 £000	2021 £000
Allotted, called up and fully paid		
1 Ordinary share of £1	<u>-</u>	<u>-</u>

Pimbo Generation Limited

Notes to the Financial Statements For the Year Ended 31 December 2022

9. Prior year adjustment

The Company holds a Purchase Power Agreement with its major customer. The contract terms state that the supply of gas is provided directly by the same customer and for the term of the contract the Company is not permitted to source gas from alternative suppliers. All the electricity produced is delivered to the customer and not to third parties. The company is entitled to retain a "gross margin" from the sale of the electricity, being a share of the revenue obtained by the customer from the onward sale of electricity, net of the customer's costs procuring the gas used in production. Previously the company recognised the cost of the gas in cost of sales and its revenue was presented as the amount the gross margin plus the cost of the gas. Based on the overall contractual terms, the Company has determined that, under FRS 102, the Company is providing an electricity generation service to the customer and therefore its revenue is the "gross margin" it is entitled to.

Consequently, under the terms of the contract the Company no longer will present the cost of gas acquired as a cost of sale.

As a result, the Company has retrospectively reduced cost of sales for the year ended 31 December 2021 by £3,958k of direct gas costs with a corresponding reduction to revenue.

Consistent with the contractual terms described above, as the amounts are settled net, the carrying value of trade debtors and accrued income have been reduced by £586k with a corresponding reduction to trade creditors and accruals.

10. Commitments under operating leases

At 31 December 2022 the Company had future minimum lease payments due under non-cancellable operating leases for each of the following periods:

	2022 £000	2021 £000
Not later than 1 year	38	37
Later than 1 year and not later than 5 years	209	160
Later than 5 years	515	602
	<u>762</u>	<u>799</u>

11. Related party transactions

The Company has taken exemption under FRS 102 section 1AC.35 from disclosing transactions with group companies, on the grounds that each company party to the transactions is wholly owned within the group.

12. Subsequent events

There have been no events subsequent to the year end that have impacted the Company.

Pimbo Generation Limited

Notes to the Financial Statements For the Year Ended 31 December 2022

13. Controlling party

The Company's immediate parent undertaking is Forsa Energy Gas Acquisitions Holdco 1 Limited. The largest and smallest group of which the Company is a member for which group financial statements are prepared is Forsa UK Holdings Limited. Copies of the financial statements of Forsa UK Holdings Limited can be obtained from the Company's registered office 3 More London Riverside, London, SE1 2AQ.

The Company's ultimate parent undertaking and controlling party at the year end date was Tiger Infrastructure Associates GP III LP, a limited partnership established in USA – Delaware.