

Conrad Energy Limited

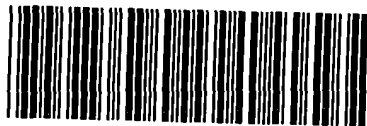
Annual Report and Financial Statements

Year Ended

31 March 2023

Company Number 09866059

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Conrad Energy Limited

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Company Information

Directors	D P G Bates S N Hardman
Company secretary	M D New
Registered number	09866059
Registered office	Suites D&E Windrush Court Blacklands Way Abingdon United Kingdom OX14 1SY
Independent auditor	BDO LLP Two Snowhill Birmingham B4 6GA

Conrad Energy Limited

Strategic Report For the Year Ended 31 March 2023

The Directors present their Strategic Report for the year ended 31 March 2023.

Business review

As a subsidiary company within the Conrad Energy Group the Directors have considered the wider group as part of the business review, a full review of the performance of the Group is outlined below:

Conrad Energy Group Limited is the parent company of a Group that is a full-service Independent Power Producer (IPP).

As at March 2023, the Group had an operating portfolio of 278.6MW of flexible generation assets with a further 68.2MW in stages of development and construction.

The Group strategy remains to be agile with the ability to mimic the flexibility inherent in the asset portfolio across all markets. This flexibility, with fast run-up and run-down, short run capability allows a competitive offering in ancillary service and balancing markets. Continued engagement with the system operator in market design for new products allows for first mover advantage in new markets as we engage with stakeholders across the value chain working with distribution network operators, the UK electricity system operator, other utility/supply companies and the B2B sector.

The key strength of the wider business is embedded in the expertise and software that exists to operate, dispatch and trade the asset portfolio. This advantage enables the Group to extract value over and above the intrinsic value of the asset at delivery.

Group operating profit of £109.5m for the year ended 31 March 2023 (2022 - profit of £29.5m) has exceeded expectations. The wholesale commodity price for both UK gas and power reached unprecedented levels for winter 2022/2023 as macro-economic pressures from Ukraine and France introduced significant scarcity premia over supply concerns. Conrad was well placed to execute in these markets having built a portfolio designed to assist the UK energy market in times of increased system stress.

The group thesis is that flexibility will become increasingly important through the energy transition. As the UK generation system increasingly sources power from green or renewable, but non-dispatchable, sources then this inherent flexibility in the Conrad fleet provides value in periods where scarcity of supply or low-renewable output appears. This comes with some inbuilt volatility in periods of high renewable output, but periods of reduced generation coupled with increased reliance on foreign interconnection to systems with similar renewable build out strategies and thus similar risks, will deliver periods of significant value as and when they occur.

The continuation of in-house O&M and trading development maintains the group position of being able to deliver maximum availability and therefore generation at minimal cost, combined with the ability to execute rapidly into new markets and maximise profits from existing revenue streams.

The drive towards augmentation of business, operational and trading process from the optimal use of data continues. The reporting year has seen a continued development of the iON product to assist in all business areas. In operations, the rollout of a new EAM system coupled into the iON platform will show efficiency gains and cost reductions. The continuation of development of the iON analyse and trade technical platforms has allowed Conrad to remain front of market and agile with regards to optimisation across all markets, existing and new.

Conrad Energy Limited

Strategic Report (continued)
For the Year Ended 31 March 2023

Principal risks and uncertainties

1) Operating risks

Wholesale power and gas prices – to achieve success in merchant market the power price must, at times, be higher than the cost of generation. This is outside the control of the Company. The Company believes that the fundamental underlying changes to the generation mix are sufficiently strong that prices will be regularly above the cost of generation. The Company has also mitigated this operating risk through continued investment in our intelligent dispatch platform to ensure the Company participates in the best balancing markets.

2) Regulatory risk

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

3) Financial risk

The Company'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 Company's operating activities.

The main risks associated with the Company's financial assets and liabilities are set out below:

Credit risks

The Company has external debtors, however, it undertakes assessments of its customers in order to ensure that credit is not extended where there is a likelihood of default.

Financial key performance indicators

The key performance indicators of the Company are as follows:

	2023	2022
	£	£
Turnover	25,012,447	15,737,437
Gross profit	3,236,550	1,262,847
Profit for the year	1,346,825	233,845
EBITDA	2,239,273	441,054

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



D P G Bates
Director

Date: 27 March 2024

Conrad Energy Limited

Directors' Report For the Year Ended 31 March 2023

The Directors present their report and the financial statements for the year ended 31 March 2023.

Principal activity

The principal activity of the Company was that of power generation.

Results and dividends

The profit for the year, after taxation, amounted to £1,346,825 (2022 - £233,845).

No ordinary dividends were paid during the year (2022 - £Nil). A dividend of £470,000 was declared and paid in September 2023.

Directors

The Directors who served during the year and up to the date of signing this report were:

D P G Bates
S N Hardman
M D Darragh (resigned 31 May 2022)
C N B Shears (resigned 31 October 2022)

Directors' responsibilities statement

The Directors are responsible for preparing the Strategic Report, 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 applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and 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; 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 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.

Conrad Energy Limited

Directors' Report (continued) For the Year Ended 31 March 2023

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.


Subsequent events

There have been no significant events affecting the Company since the year end.

Auditor

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

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



D P G Bates
Director

Date: 27 March 2024

Conrad Energy Limited

Independent Auditor's Report to the Members of Conrad Energy Limited

Opinion

In our opinion, the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2023 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 Conrad Energy Limited ("the Company") for the year ended 31 March 2023 which comprise the Statement of Comprehensive Income, the Statement of Financial Position and the 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 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 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.

Conrad Energy Limited

Independent Auditor's Report to the Members of Conrad Energy Limited (continued)

Other information

The Directors are responsible for the other information. The other information comprises the information included in the Annual 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.

We have nothing to report in this regard.

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 and Directors' Reports for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and Directors' Report have 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.

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.

Conrad Energy Limited

Independent Auditor's Report to the Members of Conrad Energy 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:

Non-compliance with laws and regulations

Based on:

- Our understanding of the Company and the industry in which it operates;
- Discussion with management and those charged with governance; and
- Obtaining and understanding of the Company's policies and procedures regarding compliance with laws and regulations;

We considered the significant laws and regulations to be Companies Act 2006, Financial Reporting Standard 102 (United Kingdom Generally Accepted Accounting Practice) and tax legislations.

The Company is also subject to laws and regulations where the consequence of non-compliance could have a material effect on the amount or disclosures in the financial statements, for example through the imposition of fines or litigations. We identified such laws and regulations to be Energy Market regulations, Health and Safety, Employment Law and Bribery Act 2010.

Our procedures in respect of the above included:

- Enquiry with management and those charged with governance regarding any known or suspected instances of non-compliances with laws and regulations;
- Review of minutes of meeting of those charged with governance for any instances of non-compliance with laws and regulations;
- Review of correspondence with tax and other authorities for any instances of non-compliance with laws and regulations;
- Review of financial statement disclosures and agreeing to supporting documentation; and
- Review of accounting policies for non-compliance with relevant standards.

Conrad Energy Limited

Independent Auditor's Report to the Members of Conrad Energy Limited (continued)

Auditor's responsibilities for the audit of the financial statements (continued)

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

Fraud

We assessed the susceptibility of the financial statements to material misstatement, including fraud. Our risk assessment procedures included:

- Enquiry with management and those charged with governance regarding any known or suspected instances of fraud;
- Obtaining an understanding of the Company's policies and procedures relating to:
 - Detecting and responding to the risks of fraud; and
 - Internal controls established to mitigate risks related to fraud.
- Review of minutes of meeting of those charged with governance for any known or suspected instances of fraud;
- Discussion amongst the engagement team as to how and where fraud might occur in the financial statements; and
- Performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud.

Based on our risk assessment, we considered the areas most susceptible to fraud to be management override including the posting of inappropriate journals to manipulate financial results and management bias in accounting estimates. In addition, we considered revenue recognition an area susceptible to fraud, particularly in relation to the posting of manual journals to revenue and the application of revenue recognition.

Our procedures in respect of the above included:

- Testing a sample of journal entries throughout the year, which met a defined risk criteria, by agreeing to supporting documentation;
- Assessing significant estimates made by management for bias; and
- Assessing significant judgements made by management for bias.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members who were all deemed to have appropriate competence and capabilities 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: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Conrad Energy Limited

Independent Auditor's Report to the Members of Conrad Energy 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:
Gareth Singleton
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Gareth Singleton (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
Birmingham
United Kingdom

Date: 27 March 2024

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

Conrad Energy Limited

Statement of Comprehensive Income For the Year Ended 31 March 2023

		2023 £	2022 £
Turnover	4	25,012,447	15,737,437
Cost of sales		(21,775,897)	(14,474,590)
Gross profit		3,236,550	1,262,847
Administrative expenses		(1,599,227)	(914,463)
Operating profit		1,637,323	348,384
Interest payable and similar expenses	8	-	(97)
Profit before tax		1,637,323	348,287
Tax on profit	9	(290,498)	(114,442)
Profit for the financial year		1,346,825	233,845

There was no other comprehensive income for 2023 (2022 - £Nil).

The notes on pages 12 to 25 form part of these financial statements.

Conrad Energy Limited

Registered number:09866059

Statement of Financial Position As at 31 March 2023

	Note	2023 £	2023 £	2022 £	2022 £
Fixed assets					
Intangible assets	10		44,377		59,169
Tangible assets	11		1,305,235		1,283,487
			<u>1,349,612</u>		<u>1,342,656</u>
Current assets					
Stocks	12	3,879,841		1,853,743	
Debtors: amounts falling due within one year	13	51,588,126		46,914,166	
Cash at bank and in hand		4,481,115		4,080,512	
		<u>59,949,082</u>		<u>52,848,421</u>	
Creditors: amounts falling due within one year	14	(60,105,754)		(54,333,034)	
Net current liabilities			<u>(156,672)</u>		<u>(1,484,613)</u>
Total assets less current liabilities			<u>1,192,940</u>		<u>(141,957)</u>
Provisions for liabilities					
Deferred tax	15		(61,180)		(73,108)
Net assets/(liabilities)			<u>1,131,760</u>		<u>(215,065)</u>
Capital and reserves					
Called up share capital	16		1		1
Profit and loss account	17		1,131,759		(215,066)
			<u>1,131,760</u>		<u>(215,065)</u>

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



D P G Bates
Director

Date: 27 March 2024

The notes on pages 12 to 25 form part of these financial statements.

Conrad Energy Limited

Notes to the Financial Statements For the Year Ended 31 March 2023

1. General information

Conrad Energy Limited is a private company limited by shares and incorporated in England and Wales under the Companies Act 2006. The address of the registered office is Suites D&E Windrush Court, Blacklands Way, Abingdon, United Kingdom, OX14 1SY. The nature of the Company's operations and its principal activity are outlined in the Directors' Report.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policies (see note 3).

The accounts have been prepared in the Company's functional currency, pounds sterling (£).

The following principal accounting policies have been applied:

2.2 Financial Reporting Standard 102 - reduced disclosure exemptions

The Company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 11 Financial Instruments paragraphs 11.42, 11.44 to 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b) and 11.48(c);
- the requirements of Section 12 Other Financial Instruments paragraphs 12.26 to 12.27, 12.29(a), 12.29(b) and 12.29A;
- the requirements of Section 26 Share-based Payment paragraphs 26.18(b), 26.19 to 26.21 and 26.23; and
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statements of Conrad Energy Group Limited as at 31 March 2023 and these financial statements may be obtained from Companies House.

Conrad Energy Limited

Notes to the Financial Statements For the Year Ended 31 March 2023

2. Accounting policies (continued)

2.3 Going concern

The financial statements have been prepared on a going concern basis. The Company participates in the centralised banking arrangements of Conrad Energy Group Limited, its ultimate parent, and of its fellow subsidiaries (together the "Group"). In assessing whether the Company is a going concern the Directors of the Company have therefore considered the wider Group position and reviewed the latest board Group budget cash flow model which extends to 31 March 2025. The Directors of the Company are satisfied that the cashflow forecasts of the Group show sufficient cash resources to support the Group over the going concern assessment period.

The wider Group's principal debt financing arrangement as at 31 March 2023 was a £80m debt facility with Close Leasing Limited, of which the full balance was drawn down in March 2023. The first repayments of this debt facility commenced in September 2020 with all amounts to be repaid in biannual instalments by the facility end date of 31 March 2027. In addition to this amount, the Group has a further debt facility of £15m with Clydesdale Bank Plc. The first repayments of this debt facility commenced in March 2023 with all amounts to be repaid in bi-annual instalments by the facility end date of 31 March 2028. The group additionally has a £5m CBILS loan with Close Leasing Limited which is due for repayment at the facility end date of 31 August 2026.

The forecasts indicate that the Group will continue to operate comfortably within the terms of its banking facilities and that the headroom provided by the Group's strong cash position and the debt facilities currently in place is adequate to support the Group over the going concern assessment period. The outstanding debt balance at the date of signing the financial statements is £104.7m.

During the year the Directors of the Company along with the wider Group board have considered the impact of wider economic issues such as political policy changes relating to energy companies and assessed the associated risks to the Group. Based on their experience to date, including the level of post year end trading compared to the budget model, and taking into account all relevant matters of which they are aware, the Directors of the Company do not consider the impact of these risks to affect the view that the Company is a going concern.

Based on this assessment the Directors have a reasonable expectation that the Company has sufficient resources to continue in operational existence for a period of not less than 12 months from the date of approval of the Company's financial statements for the year ended 31 March 2023. Accordingly, the financial statements have been prepared on a going concern basis.

2.4 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.

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.

Conrad Energy Limited

Notes to the Financial Statements For the Year Ended 31 March 2023

2. Accounting policies (continued)

2.5 Finance costs

Finance costs are charged to the 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.

2.6 Pensions

Defined contribution pension plan

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payment obligations.

The contributions are recognised as an expense in the Statement of Comprehensive Income when they fall due. Amounts not paid are shown in accruals as a liability in the Statement of Financial Position. The assets of the plan are held separately from the Company in independently administered funds.

2.7 Intangible assets

Intangible assets acquired separately from a business are recognised at cost and are subsequently measured at cost less accumulated amortisation and accumulated impairment losses.

Intangible assets acquired on business combinations are recognised separately from goodwill at the acquisition date where it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity and the fair value of the asset can be measured reliably; the intangible asset arises from contractual or other legal rights; and the intangible assets is separable from the entity.

Amortisation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Usage rights	-	The expected life of the project to which the rights relate or 20 years
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Usage rights are amortised from the date the assets underlying the rights are in operation. The estimated useful life of usage rights is the lower of the life of the rights, the expected life of the project to which the rights relate or 20 years.

2.8 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated 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.

Assets under construction are not depreciated. Once completed the asset will be transferred to engines, ancillary fittings and plant and depreciated inline with the rates below once the asset is in use.

Conrad Energy Limited

Notes to the Financial Statements For the Year Ended 31 March 2023

2. Accounting policies (continued)

2.8 Tangible fixed assets (continued)

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.

Depreciation is provided on the following basis:

Engines, ancillary fittings and plant	- 20 years straight line
Fixtures and fittings	-
Computer equipment	-

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 Statement of Comprehensive Income.

2.9 Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the stocks to their present location and condition.

Stocks held for distribution at no or nominal consideration are measured at the lower of cost and replacement cost, adjusted where applicable for any loss of service potential.

At each reporting date, an assessment is made for impairment. Any excess of the carrying amount of stocks over its estimated selling price less costs to complete and sell is recognised as an impairment loss in the Statement of Comprehensive Income. Reversals of impairment losses are also recognised in the Statement of Comprehensive Income.

2.10 Debtors

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

2.11 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.

2.12 Creditors

Short-term creditors are measured at the transaction price.

Conrad Energy Limited

Notes to the Financial Statements For the Year Ended 31 March 2023

2. Accounting policies (continued)

2.13 Financial instruments

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

Financial instruments are recognised in the Group's Statement of Financial Position when the Group becomes party to the contractual provisions of the instrument.

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

Basic financial assets

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

Impairment of financial assets

Financial assets, other than those held at fair value through the Statement of Comprehensive Income, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in the Statement of Comprehensive Income.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in the Statement of Comprehensive Income.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the Group transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

Classification of financial liabilities

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

Conrad Energy Limited

Notes to the Financial Statements For the Year Ended 31 March 2023

2. Accounting policies (continued)

2.13 Financial instruments (continued)

Basic financial liabilities

Basic financial liabilities, including creditors, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Derecognition of financial liabilities

Financial liabilities are derecognised when the Group's contractual obligations expire or are discharged or cancelled.

2.14 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the 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 reporting date in the countries where the Company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the reporting 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; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

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 reporting date.

Conrad Energy Limited

Notes to the Financial Statements For the Year Ended 31 March 2023

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

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

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

Key estimates and judgements are made in respect of the useful life of tangible fixed assets, the value of slow moving and obsolete stock and the recoverability of trade debtors and trade creditors.

4. Turnover

The whole of the turnover is attributable to the Company's principal activity.

All turnover arose within the United Kingdom.

5. Auditor's remuneration

During the year, the Company obtained the following services from the Company's auditor:

	2023 £	2022 £
Fees payable to the Company's auditors for the audit of the Company's financial statements	5,000	4,000

The Company has taken advantage of the exemption not to disclose amounts paid for non-audit services as these are disclosed in the consolidated accounts of the parent Company.

Conrad Energy Limited

Notes to the Financial Statements For the Year Ended 31 March 2023

6. Employees

Staff costs, including Directors' remuneration, were as follows:

	2023 £	2022 £
Wages and salaries	9,663,834	8,400,538
Social security costs	1,257,485	729,940
Cost of defined contribution scheme	242,189	194,817
	<u>11,163,508</u>	<u>9,325,295</u>

The average monthly number of employees, including the Directors, during the year was as follows:

	2023 No.	2022 No.
Directors	3	4
Employees	133	109
	<u>136</u>	<u>113</u>

7. Directors' remuneration

	2023 £	2022 £
Directors' emoluments	760,000	764,500
Company contributions to defined contribution pension schemes	17,500	17,500
	<u>777,500</u>	<u>782,000</u>

During the year retirement benefits were accruing to 2 Directors (2022 - 2) in respect of defined contribution pension schemes.

The highest paid Director received remuneration of £550,000 (2022 - £550,000). The value of the Company's contributions paid to a defined contribution pension scheme in respect of the highest paid Director amounted to £10,000 (2022 - £10,000).

8. Interest payable and similar expenses

	2023 £	2022 £
Other interest payable	-	97
	<u>-</u>	<u>97</u>

Conrad Energy Limited

Notes to the Financial Statements For the Year Ended 31 March 2023

9. Taxation

	2023 £	2022 £
Corporation tax		
Current tax on profits for the year	291,218	41,334
Adjustments in respect of previous periods	11,208	-
Total current tax	<u>302,426</u>	<u>41,334</u>
Deferred tax		
Origination and reversal of timing differences	5,274	73,108
Adjustments in respect of prior periods	(17,202)	-
Total deferred tax	<u>(11,928)</u>	<u>73,108</u>
Taxation on profit	<u>290,498</u>	<u>114,442</u>

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2022 - higher than) the standard rate of corporation tax in the UK of 19% (2022 - 19%). The differences are explained below:

	2023 £	2022 £
Profit on ordinary activities before tax	<u>1,637,323</u>	<u>348,287</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2022 - 19%)	311,091	66,175
Effects of:		
Expenses not deductible for tax purposes	125,819	165,793
Capital allowances for year in excess of depreciation	1,266	17,546
Movement in deferred tax not recognised	-	(18,570)
Adjustments to tax charge in respect of prior periods	11,208	-
Adjustments to tax charge in respect of prior periods - deferred tax	(17,202)	-
Other timing differences leading to an increase (decrease) in taxation	31,442	-
Group relief	(173,126)	(116,502)
Total tax charge for the year	<u>290,498</u>	<u>114,442</u>

Conrad Energy Limited

Notes to the Financial Statements For the Year Ended 31 March 2023

9. Taxation (continued)

Factors that may affect future tax charges

The corporation tax is calculated at 19% (2022 - 19%) of the estimated assessable profit for the year. The government announced on 3 March 2021 that the UK corporation tax rate will increase to 25% from 1 April 2023. This was substantively enacted on 24 May 2021.

10. Intangible assets

	Usage rights £
Cost	
At 1 April 2022	88,754
At 31 March 2023	<u>88,754</u>
Amortisation	
At 1 April 2022	29,585
Charge for the year	14,792
At 31 March 2023	<u>44,377</u>
Net book value	
At 31 March 2023	<u>44,377</u>
At 31 March 2022	<u>59,169</u>

Conrad Energy Limited

Notes to the Financial Statements For the Year Ended 31 March 2023

11. Tangible fixed assets

	Plant and machinery £	Fixtures and fittings £	Computer equipment £	Total £
Cost or valuation				
At 1 April 2022	54,050	481,747	1,467,574	2,003,371
Additions	-	48,709	560,197	608,906
At 31 March 2023	<u>54,050</u>	<u>530,456</u>	<u>2,027,771</u>	<u>2,612,277</u>
Depreciation				
At 1 April 2022	5,888	285,859	428,137	719,884
Charge for the year	2,816	42,556	541,786	587,158
At 31 March 2023	<u>8,704</u>	<u>328,415</u>	<u>969,923</u>	<u>1,307,042</u>
Net book value				
At 31 March 2023	<u>45,346</u>	<u>202,041</u>	<u>1,057,848</u>	<u>1,305,235</u>
At 31 March 2022	<u>48,162</u>	<u>195,888</u>	<u>1,039,437</u>	<u>1,283,487</u>

12. Stocks

	2023 £	2022 £
Consumables and engine parts	<u>3,879,841</u>	<u>1,853,743</u>

Conrad Energy Limited

Notes to the Financial Statements For the Year Ended 31 March 2023

13. Debtors

	2023 £	2022 £
Trade debtors	574,416	322,028
Amounts owed by group undertakings	28,127,410	32,914,590
Amounts owed by related parties	22,400,689	12,950,983
Other debtors	49,626	49,626
Prepayments and accrued income	435,985	676,939
	<u>51,588,126</u>	<u>46,914,166</u>

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

14. Creditors: Amounts falling due within one year

	2023 £	2022 £
Trade creditors	2,755,675	977,464
Amounts owed to group undertakings	16,567,862	27,292,461
Amounts owed to related parties	10,807,535	945,461
Corporation tax	314,770	41,334
Other taxation and social security	26,627,517	21,734,237
Other creditors	355,201	573,767
Accruals and deferred income	2,677,194	2,768,310
	<u>60,105,754</u>	<u>54,333,034</u>

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

15. Deferred taxation

	2023 £
At beginning of year	(73,108)
Charged to profit or loss	11,928
At end of year	<u><u>(61,180)</u></u>

Conrad Energy Limited

Notes to the Financial Statements For the Year Ended 31 March 2023

15. Deferred taxation (continued)

The provision for deferred taxation is made up as follows:

	2023 £	2022 £
Fixed asset timing differences	<u>(61,180)</u>	<u>(73,108)</u>

16. Share capital

	2023 £	2022 £
Allotted, called up and fully paid		
1 Ordinary share of £1	<u>1</u>	<u>1</u>

17. Reserves

Profit and loss account

Profit and loss account represents cumulative profits or losses, net of dividends paid and other adjustments.

18. Related party transactions

The Company was a wholly owned subsidiary of Conrad Energy Group Limited. The Company has taken advantage of the exemption conferred by FRS 102 'Related party disclosures' not to disclose transactions with Conrad Energy Group Limited or other wholly owned subsidiaries within the Group.

During the year the Group engaged with entities in the Group of companies headed by Stardust Investor II Limited which included Conrad Energy (Holdings) II Limited. This Group is considered to be related because of common directorships.

The Group had the following transactions with the Stardust Investor II Limited group:

	Sales 2023 £	Receivable at 31 March 2023 £	Sales 2022 £	Receivable at 31 March 2022 £
Stardust Investor II Limited group	<u>(16,062,703)</u>	<u>11,593,154</u>	<u>(12,307,326)</u>	<u>12,005,522</u>

Conrad Energy Limited

Notes to the Financial Statements For the Year Ended 31 March 2023

19. Controlling party

The immediate parent undertaking at the date of signing these accounts is Conrad Energy (Finance) Limited.

The ultimate parent undertaking is Conrad Energy Group Limited and is the parent undertaking of the largest group for which group accounts are prepared, of which the Company is a member. Copies of the accounts may be obtained from Companies House.

In the opinion of the Directors there is no single overall controlling party.