

Conrad Energy Limited

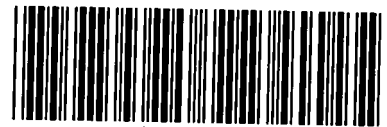
Annual Report and Financial Statements

Year Ended

31 March 2022

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 OX14 1SY
Independent auditors	BDO LLP Two Snowhill Birmingham B4 6GA

Conrad Energy Limited

Strategic Report For the Year Ended 31 March 2022

The Directors present their Strategic Report for the year ended 31 March 2022.

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 2022, the Group had an operating portfolio of 256MW of flexible generation assets with a further 84.5MW in stages of development and construction. The Group also had a 12MWh battery storage site in early stage development.

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 £29.5m for the year ended 31 March 2022 (2021 - loss of £5.5m) has exceeded expectations.

The Group is well positioned to benefit from a continuation of favourable market conditions over the next five-year period. As the energy transition gathers pace, the increase in non-dispatchable generation in place of traditional thermal capacity will put further pressure on supply margins at the same time that demand will start to rally with the increase in electrification of heat, transport and economic recovery. This leads the Group to believe in an increased requirement for flexibility in balancing, ancillary services, wholesale and forward markets.

The Group is uniquely placed to offer services across all markets flexibly to both the UK electricity system operator and across liquid wholesale markets in the medium term. In-house capability for operations and maintenance (O&M) led by experienced market experts affords us the agility to manage assets and ensure we can deliver high levels of availability in periods of system stress, supporting the system operator in delivery of long-term capacity contracts, whilst affording a lower cost base. In trading and optimising in-house, the Group can optimise across multiple markets where value opportunities arise.

Finally and most importantly, an increasingly agile and data intensive market requires a data driven and capable business. The Group has embraced this opportunity in two ways. Key assets in staff upskilling and training have been developed and put in place whilst reinforcing data intelligent behaviours, procedures and practises which are utilised across the business to ensure duplication is minimal and efficiency is maximised. Secondly, the acquisition of The Genius Group Solutions Limited in March 2022 has brought in-house our iON platform and the capabilities to develop this further. Driving our four business pillars of dispatch, analyse, trade and operate, iON uses big data to inform day-to-day operations and executive decision making, allowing us to automate where possible and make smarter and more informed decisions more quickly. The iON platform also gives the Group the opportunity to provide trading services to third-party asset owners, a strong area for growth in the medium term.

Conrad Energy Limited

Strategic Report (continued) For the Year Ended 31 March 2022

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:

	2022	2021
	£	£
Turnover	15,737,437	2,321,189
Gross profit/(loss)	1,262,847	(554,553)
Profit/(loss) for the year	233,845	(1,239,465)
EBITDA	441,054	(780,143)

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



D P G Bates
Director

Date: 12 April 2023

Conrad Energy Limited

Directors' Report For the Year Ended 31 March 2022

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

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 £348,290 (2021 - loss of £1,239,465).

No ordinary dividends were paid during the year (2021 - £Nil). The Directors do not recommend payment of a further dividend.

Directors

The Directors who served during the year and up to the date of 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 year.

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 2022

Disclosure of information to auditors

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 auditors are 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 auditors are aware of that information.

Subsequent events

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

Auditors

The auditors, 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: 12 April 2023

Conrad Energy Limited

Independent Auditors' 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 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 Conrad Energy Limited ("the Company") for the year ended 31 March 2022 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 Auditors' 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 Strategic and Directors' reports.

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

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 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 Auditors' 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:

We gained an understanding of the legal and regulatory framework applicable to the Company and the industry in which it operates, and considered the risk of acts by the Company which were contrary to applicable laws and regulations, including fraud. These included but were not limited to compliance with Companies Act 2006, the principles of United Kingdom Generally Accepted Accounting Practice, Energy Market regulations, Health and Safety, Employment Law, the Bribery Act 2010 and tax legislations.

We focused on laws and regulations that could give rise to a material misstatement in the financial statements.

Our tests included, but were not limited to:

- agreement of financial statements disclosures to underlying supporting documentation;
- review of accounting policies for non-compliance with relevant standards;
- enquiries of management including consideration of known or suspected instances of non-compliance with laws and regulations and fraud, and procedures relating to:
 - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances;
 - detecting and responding to the risks of fraud and whether they had knowledge of any actual, suspected or alleged fraud;
 - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations;
- review of correspondence with the relevant authorities to identify any irregularities or instances of non-compliance with laws and regulations;
- review of minutes of Directors' board meetings throughout the year; and
- obtaining an understanding of the control environment in monitoring compliance with laws and regulations.

Conrad Energy Limited

Independent Auditors' 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)

We also 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. We designed and executed procedures in line with our responsibilities to detect material misstatements in respect of irregularities including fraud as detailed below:

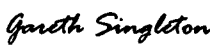
- We tested the appropriateness of journal entries made throughout the year by applying specific criteria and investigated any that appear unusual as to nature or amount that may have been indicative of management override;
- We assessed whether the judgements made in accounting estimates were indicative of a potential bias and tested the application of revenue recognition; and
- We identified areas at risk of management bias and challenged key estimates and judgements applied by management in the financial statements to assess their appropriateness.

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.

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:

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Gareth Singleton (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
Birmingham
United Kingdom

Date: 12 April 2023

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 2022

	2022 £	2021 £
Turnover	15,737,437	2,321,189
Cost of sales	(14,474,590)	(2,875,742)
Gross profit/(loss)	1,262,847	(554,553)
Administrative expenses	(914,463)	(684,901)
Operating profit/(loss)	348,384	(1,239,454)
Interest payable and similar expenses	(97)	(11)
Profit/(loss) before tax	348,287	(1,239,465)
Tax on profit/(loss)	(114,442)	-
Profit/(loss) for the financial year	233,845	(1,239,465)

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

The notes on pages 11 to 23 form part of these financial statements.

Conrad Energy Limited

Registered number:09866059

Statement of Financial Position As at 31 March 2022

	Note	2022 £	2022 £	As restated 2021 £	As restated 2021 £
Fixed assets					
Intangible assets	9		59,169		73,962
Tangible assets	10		1,283,487		932,434
			<u>1,342,656</u>		<u>1,006,396</u>
Current assets					
Stocks	11	1,853,743		1,307,083	
Debtors: amounts falling due within one year	12	46,914,166		23,521,861	
Cash at bank and in hand		4,080,512		1,860,430	
		<u>52,848,421</u>		<u>26,689,374</u>	
Current liabilities					
Creditors: amounts falling due within one year	13	(54,333,034)		(28,144,680)	
			<u>(1,484,613)</u>		<u>(1,455,306)</u>
Net current liabilities					
Deferred tax			(73,108)		-
			<u>(215,065)</u>		<u>(448,910)</u>
Capital and reserves					
Called up share capital			1		1
Profit and loss account	15		(215,066)		(448,911)
			<u>(215,065)</u>		<u>(448,910)</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: 12 April 2023

The notes on pages 11 to 23 form part of these financial statements.

Conrad Energy Limited

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

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, 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 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 2024. 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 2022 was a £80m debt facility with Close Leasing Limited, of which the full balance was drawn down in March 2022. The first repayments of this debt facility commenced in September 2020 with all amounts to be repaid in bi-annual 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 will commence in March 2023 with all amounts to be repaid in bi-annual instalments by the facility end date of 31 March 2028. The group additional has a £5m CBILS loan with Close Leasing 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 £93m.

During the year the Directors of the Company along with the wider Group board have considered the impact of wider economic issues such as the Russian invasion of Ukraine and other 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.

Conrad Energy Limited

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

2. Accounting policies (continued)

2.2 Going concern (continued)

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 2022. Accordingly, the financial statements have been prepared on a going concern basis.

2.3 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.

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.

2.4 Finance costs

Finance costs are charged to profit or loss 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.

2.5 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 profit or loss 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.

Conrad Energy Limited

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

2. Accounting policies (continued)

2.6 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.

2.7 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 and ancillary fittings and plant and depreciated inline with the rates below once the asset is in use.

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 and ancillary fittings and plant	- 20 years
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.

Conrad Energy Limited

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

2. Accounting policies (continued)

2.8 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.

2.9 Debtors

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

2.10 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.

2.11 Creditors

Short-term creditors are measured at the transaction price.

2.12 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 balance sheet 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.

Conrad Energy Limited

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

2. Accounting policies (continued)

2.12 Financial instruments (continued)

Impairment of financial assets (continued)

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.

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.

Conrad Energy Limited

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

2. Accounting policies (continued)

2.13 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.

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.

Conrad Energy Limited

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

5. Auditors' remuneration

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

	2022 £	2021 £
Fees payable to the Company's auditors for the audit of the Company's financial statements	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.

6. Employees

Staff costs were as follows:

	2022 £	2021 £
Wages and salaries	8,400,538	5,881,575
Social security costs	729,940	686,075
Cost of defined contribution scheme	194,817	209,149
	<u>9,325,295</u>	<u>6,776,799</u>

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

	2022 No.	2021 No.
Directors	4	4
Employees	109	83
	<u>113</u>	<u>87</u>

7. Interest payable and similar expenses

	2022 £	2021 £
Other interest payable	97	11

Conrad Energy Limited

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

8. Taxation

	2022 £	2021 £
Corporation tax		
Current tax on profits for the year	41,334	-
Total current tax	<u>41,334</u>	<u>-</u>
Deferred tax		
Origination and reversal of timing differences	73,108	-
Total deferred tax	<u>73,108</u>	<u>-</u>
Taxation on profit	<u>114,442</u>	<u>-</u>
Factors affecting tax charge for the year		

The tax assessed for the year is higher than (2021 - higher than) the standard rate of corporation tax in the UK of 19% (2021 - 19%). The differences are explained below:

	2022 £	2021 £
Profit/(loss) before tax	<u>348,287</u>	<u>(1,239,465)</u>
Profit/(loss) before tax multiplied by standard rate of corporation tax in the UK of 19% (2021 - 19%)	66,175	(235,498)
Effects of:		
Expenses not deductible for tax purposes	165,793	-
Remeasurement of deferred tax for changes in tax rates	17,546	-
Movement in deferred tax not recognised	(18,570)	-
Group relief	(116,502)	235,498
Total tax charge for the year	<u>114,442</u>	<u>-</u>

Conrad Energy Limited

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

8. Taxation (continued)

Factors that may affect future tax charges

The corporation tax is calculated at 19% (2021 – 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.

9. Intangible assets

	Usage rights £
Cost	
At 1 April 2021	88,754
At 31 March 2022	<u>88,754</u>
Amortisation	
At 1 April 2021	14,792
Charge for the year	14,793
At 31 March 2022	<u>29,585</u>
Net book value	
At 31 March 2022	<u>59,169</u>
At 31 March 2021	<u>73,962</u>

Conrad Energy Limited

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

10. Tangible fixed assets

	Plant and machinery £	Fixtures and fittings £	Computer equipment £	Total £
Cost or valuation				
At 1 April 2021	54,050	470,651	1,049,740	1,574,441
Additions	-	11,096	417,834	428,930
At 31 March 2022	<u>54,050</u>	<u>481,747</u>	<u>1,467,574</u>	<u>2,003,371</u>
Depreciation				
At 1 April 2021	3,071	239,667	399,269	642,007
Charge for the year	2,817	46,192	28,868	77,877
At 31 March 2022	<u>5,888</u>	<u>285,859</u>	<u>428,137</u>	<u>719,884</u>
Net book value				
At 31 March 2022	<u>48,162</u>	<u>195,888</u>	<u>1,039,437</u>	<u>1,283,487</u>
At 31 March 2021	<u>50,979</u>	<u>230,984</u>	<u>650,471</u>	<u>932,434</u>

11. Stocks

	2022 £	2021 £
Consumables and engine parts	<u>1,853,743</u>	<u>1,307,083</u>

Conrad Energy Limited

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

12. Debtors

	2022 £	As restated 2021 £
Trade debtors	322,028	56,930
Amounts owed by group undertakings	33,059,944	18,474,512
Amounts owed by related parties	12,805,629	1,473,872
Other debtors	49,626	3,516,547
Prepayments and accrued income	676,939	-
	<u>46,914,166</u>	<u>23,521,861</u>

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

13. Creditors: Amounts falling due within one year

	2022 £	As restated 2021 £
Trade creditors	977,464	753,470
Amounts owed to group undertakings	27,292,461	25,665,869
Amounts owed to related parties	945,461	-
Corporation tax	41,334	-
Other taxation and social security	21,734,237	-
Other creditors	573,767	873,043
Accruals and deferred income	2,768,310	852,298
	<u>54,333,034</u>	<u>28,144,680</u>

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

14. Deferred taxation

	2022 £
At beginning of year	-
Charged to profit or loss	(73,108)
At end of year	<u>(73,108)</u>

Conrad Energy Limited

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

14. Deferred taxation (continued)

The deferred taxation balance is made up as follows:

	2022 £	2021 £
Fixed asset timing differences	<u>(73,108)</u>	<u>-</u>

15. Reserves

Profit and loss account

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

16. Prior year adjustment

During the year the directors identified that amounts due to and from the same related party had incorrectly been presented gross in trade receivables and trade payables instead of being disclosed as a single balance due from the related party.

The impact of the adjustment on the relevant line items is summarised below:

	As previously stated £	Adjustment £	Restated amount £
Trade debtors	2,866,133	(2,809,300)	56,930
Amounts owed by related parties	-	1,473,872	1,473,872
Trade creditors	<u>(2,088,828)</u>	<u>1,335,358</u>	<u>(753,470)</u>

No other accounting entries have been made in respect of these adjustments.

Conrad Energy Limited

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

17. Related party transactions

The Company is a wholly owned subsidiary of Conrad Energy (Finance) Limited. The Company has taken advantage of the exemption conferred by FRS 102 'Related party disclosures' not to disclose transactions with Conrad Energy (Finance) 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 2022 £	Receivable at 31 March 2022 £
Stardust Investor II Limited group	(12,307,326)	8,990,158

18. Controlling party

During the year the immediate parent undertaking was Conrad Energy (Finance) Limited, a limited company incorporated in England and Wales.

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.