

Sutton Grange AD Limited

Report and Financial Statements

31 March 2014



Registered No. 07948621

Directors

D E Hislop
M I Paulson
M A Stewart
C F Walter

Auditors

Ernst & Young LLP
1 More London Place
London SE1 2AF

Registered Office

Two London Bridge
London SE1 9RA

Registered No. 07948621

Directors' report

The directors present their report and financial statements for the year ended 31 March 2014. The comparative period is from 14 February 2012 to 31 March 2013.

Principal activity

The company's principal activity is the acquisition, development, construction and operation of anaerobic digestion plants and their related activities.

Directors

The directors who served the company during the year were those listed below:

S C Hilton Knox (resigned 12 May 2014)

D E Hislop (appointed 12 May 2014)

M I Paulson

D H W Poulson (resigned 30 October 2013)

M A Stewart (appointed 12 May 2014)

C F Walter

A J Wilson (appointed 31 October 2013, resigned 12 May 2014)

Disclosure of information to the auditors

So far as each person who was a director at the date of approving the report is aware, there is no relevant audit information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the company's auditor, each director has taken all the steps that he is obliged to take as a director in order to make himself aware of any relevant audit information and to establish that the auditor is aware of that information.

Auditors

In accordance with section 485 of the Companies Act 2006, a written resolution is to be proposed for reappointment of Ernst & Young LLP as auditors.

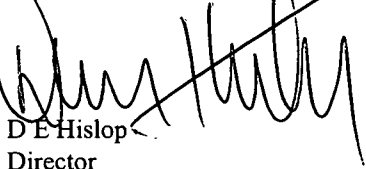
Financial risk management

Details of the company's financial risk management objectives and policies are set out in note 18 to the financial statements.

Small company exemptions

The directors have taken advantage of the small companies' exemption provided by Section 414B of the Companies Act 2006 not to provide a Strategic Report.

On behalf of the Board



D E Hislop
Director

Statement of directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable United Kingdom 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 financial statements under International Financial Reporting Standards as adopted by the European Union.

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 those financial statements the directors are required to:

- prepare fairly the financial position, financial performance and cashflows of the company;
- select suitable accounting policies in accordance with IAS 8: Accounting Policies, Changes in Accounting Estimates and Errors and then apply them consistently;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs as adopted by the European Union is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the company's financial position and financial performance;
- state that the company has complied with IFRSs as adopted by the European Union, subject to any material departures disclosed and explained in the financial statements; and
- make judgements that are reasonable.

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

Independent auditors' report

to the members of Sutton Grange AD Limited

We have audited the financial statements of Sutton Grange AD Limited for the year ended 31 March 2014 which comprise the Income Statement, the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, the Statement of Cash Flows and the related notes 1 to 19. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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.

Respective responsibilities of directors and auditor

As explained more fully in the Statement of Directors' Responsibilities set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Report and Financial Statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2014 and of its loss for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Independent auditors' report (continued)

to the members of Sutton Grange AD Limited

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where 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; and
- the directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemption in not preparing the Strategic Report.

Ernst & Young LLP

Paul Wallek (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London

30 October 2014

Income statement

for the year ended 31 March 2014

	<i>Year ended</i>	<i>Period ended</i>
	<i>31 March</i>	<i>31 March</i>
	<i>2014</i>	<i>2013</i>
<i>Notes</i>	<i>£</i>	<i>£</i>
Revenue	–	–
Cost of sales	–	–
Gross profit	–	–
Administrative expenses	(44,462)	398
Development expenditure	–	(165,155)
Operating loss	3 (44,462)	(164,757)
Finance income/(costs)	5 1,366	(1,366)
Loss on ordinary activities before taxation	(43,096)	(166,123)
Income tax (expense)/credit	6 (137,751)	38,208
Loss for the period	<u>(180,847)</u>	<u>(127,915)</u>

Statement of comprehensive income

for the year ended 31 March 2014

	<i>Year ended</i>	<i>Period ended</i>
	<i>31 March</i>	<i>31 March</i>
	<i>2014</i>	<i>2013</i>
	<i>£</i>	<i>£</i>
Loss for the period	(180,847)	(127,915)
Other comprehensive income	–	–
Total comprehensive loss for the period	<u>(180,847)</u>	<u>(127,915)</u>

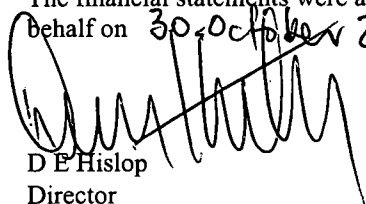
Statement of financial position

at 31 March 2014

	Notes	2014 £	2013 £
Non-current assets			
Property, plant and equipment	7	14,795,813	2,624,923
Deferred tax asset	6	–	38,208
		<u>14,795,813</u>	<u>2,663,131</u>
Current assets			
Inventories	8	494,259	–
Trade and other receivables	9	655,625	609,308
Cash and cash equivalents	10	999,917	20
		<u>2,149,801</u>	<u>609,328</u>
Total assets		<u>16,945,614</u>	<u>3,272,459</u>
Equity and liabilities			
Equity			
Equity share capital	16	400	400
Share premium		1,199,710	1,199,710
Accumulated deficit		(308,762)	(127,915)
Total equity		<u>891,348</u>	<u>1,072,195</u>
Liabilities			
Non-current liabilities			
Financial liabilities	12	15,230,420	327,449
Provisions	14	217,698	–
Deferred tax liability	6	99,543	–
		<u>15,547,661</u>	<u>327,449</u>
Current liabilities			
Trade and other payables	11	506,605	1,872,815
Total liabilities		<u>16,054,266</u>	<u>2,200,264</u>
Total equity and liabilities		<u>16,945,614</u>	<u>3,272,459</u>

The financial statements have been prepared in accordance with the special provisions relating to companies subject to the small companies regime within part 15 of the Companies Act 2006.

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 30 October 2014.



D E Hislop

Director

Registered no: 07948621

Statement of changes in equity

for the year ended 31 March 2014

	<i>Share capital</i> £	<i>Share premium</i> £	<i>Accumulated deficit</i> £	<i>Total equity</i> £
At 14 February 2012	–	–	–	–
Shares issued in the period	400	1,199,710	–	1,200,110
Total comprehensive loss for the period	–	–	(127,915)	(127,915)
At 31 March 2013	400	1,199,710	(127,915)	1,072,195
Total comprehensive loss for the year	–	–	(180,847)	(180,847)
At 31 March 2014	400	1,199,710	(308,762)	891,348

Statement of cash flows

for the year ended 31 March 2014

		<i>Year ended</i> <i>31 March</i> <i>2014</i>	<i>Period ended</i> <i>31 March</i> <i>2013</i>
<i>Notes</i>		<i>£</i>	<i>£</i>
Operating activities			
Loss for the year before income tax		(43,096)	(166,123)
Depreciation	7	2,860	–
Finance income	5	(1,366)	–
<i>Working capital adjustments:</i>			
Increase in inventories	8	(494,259)	–
Increase in trade and other receivables	9	(46,317)	(609,308)
(Decrease)/increase in trade and other payables	11	(1,366,210)	1,872,815
Net cash flow from operating activities		<u>(1,948,388)</u>	<u>1,097,384</u>
Investing activities			
Purchase of property, plant and equipment	7/14	<u>(11,956,052)</u>	<u>(2,624,923)</u>
Net cash flow from investing activities		<u>(11,956,052)</u>	<u>(2,624,923)</u>
Financing activities			
Proceeds from issue of shares	16	–	1,200,110
Increase in loan from group undertakings	12	14,902,971	327,449
Interest received	5	<u>1,366</u>	<u>–</u>
Net cash flow from financing activities		<u>14,904,337</u>	<u>1,527,559</u>
Increase in cash and cash equivalents		999,897	20
Cash and cash equivalents at beginning of year		<u>20</u>	<u>–</u>
Cash and cash equivalents at 31 March		<u><u>999,917</u></u>	<u><u>20</u></u>

Notes to the financial statements

at 31 March 2014

1. General information

Sutton Grange AD Limited is a private limited company incorporated and domiciled in England and Wales. The address of the company's registered office is Two London Bridge, London SE1 9RA.

The principal activity of the company is the development, construction and operation of anaerobic digestion plants. The principal accounting policies adopted by the company are set out in note 2.

2. Accounting policies

Statement of compliance

The company's financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and Interpretations issued by the International Financial Reporting Interpretation Committee (IFRICs) as adopted by the European Union and applied in accordance with the provisions of the Companies Act 2006 as they apply to the financial statements of the company for the year ended 31 March 2014.

Basis of preparation

The financial statements are prepared on the historical cost basis, as modified by the revaluation of certain financial instruments. The financial statements are presented in GB Pounds.

New and amended standards and interpretations

The accounting policies adopted are consistent with those of the previous financial year, except for the following amendments to IFRS effective as of 1 January 2013. Their adoption has not had any impact on the amounts reported in the financial statements but may impact the accounting for future transactions and arrangements:

- IAS 1 Presentation of Items in Other Comprehensive Income
- IFRS 7 Disclosures – Offsetting Financial Assets and Financial Liabilities (Amendment)
- IFRS 13 Fair Value Measurement
- Improvements to International Financial Reporting Standards – 2009-2011 Cycle

Standards issued but not yet effective

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the company's financial statements are disclosed below. The company intends to adopt these standards, if applicable, when they become effective.

		<i>Effective for periods commencing</i>
IAS 28	Investments in Associates and Joint Ventures	1 January 2014
IAS 32	Offsetting Financial Assets and Financial Liabilities – Amendments to IAS 32	1 January 2014
IAS 36	Recoverable Amount Disclosures for Non Financial Assets – Amendments to IAS 36	1 January 2014
IFRS 11	Joint Arrangements	1 January 2014
IFRS 12	Disclosure of Interest in Other Entities	1 January 2014
IFRS 9	Financial Instruments	Expected to be 1 January 2018

The Directors do not anticipate that the adoption of the above standards and interpretations will have a material impact on the company's financial statements in the period of initial application.

Notes to the financial statements

at 31 March 2014

2. Accounting policies (continued)

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any provision for impairment losses. Cost comprises the aggregate amount paid and the fair value of any other consideration given to acquire the asset and includes costs directly attributable to making the asset capable of operating as intended. The cost of property, plant and equipment includes the estimated close down and restoration costs associated with the asset.

Once an undeveloped anaerobic digestion project is considered to be commercially viable, expenditure is capitalised under "Plants under construction". Commercially viable is deemed to be achieved when the company is confident that the project will provide a satisfactory return relative to its perceived risks and is likely to go ahead.

Costs which are necessarily incurred whilst commissioning anaerobic digestion plants, in the period before they are capable of operating in the manner intended by management, are capitalised. Any revenue generated during commissioning is credited against the capitalised cost of commissioning.

Depreciation commences when an asset is available for use. Anaerobic digestion plants are depreciated from the point they move into operation which is regarded as being where the company takes responsibility for running the plant.

Items of property, plant and equipment are depreciated to their estimated residual values on a straight line basis over their expected useful lives. The depreciation methods, estimated remaining useful lives and residual values are reviewed at each reporting date, taking account technological innovations and asset maintenance programmes. A change resulting from the review is treated as a change in accounting estimate. The depreciation expense is recognised in the income statement. The following depreciation rates apply:

Computer equipment	–	50% per annum
Fixtures and fittings	–	33% per annum
Plant and equipment	–	33 to 50% per annum

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected through its continued use or disposal. Gains or losses which arise on de-recognition are included in the income statement in the period of de-recognition. The gain or loss is calculated as the difference between the net disposal proceeds and the carrying amount of the item as at the date of sale.

Restoration

Decommissioning costs may be incurred by the company at the end of the operating life of some of the plants. These are determined under the terms of leases entered for each site and the company assesses its decommissioning provision at each reporting date. The ultimate decommissioning costs can be uncertain and cost estimates vary in response to a number of factors, including resale value of equipment being decommissioned, changes to relevant legal requirements, the emergence of new restoration techniques and experience at other sites. The expected timing, extent and amount of expenditure can also change, for example in response to changes in laws and regulations or their interpretation. As a result there could be significant adjustments to the provisions established which would affect future financial results.

The provision at reporting date represents managements best estimate of the present value of the future decommissioning costs required.

Impairment of non-financial assets

Impairment of non-financial assets is reviewed at each reporting date or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable, to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount of the asset is estimated.

Notes to the financial statements

at 31 March 2014

2. Accounting policies (continued)

Impairment of non-financial assets (continued)

If the recoverable amount of the asset is estimated to be less than the carrying amount, the carrying amount of the asset or cash-generating unit is reduced to the recoverable amount. The impairment is recognised in the income statement as an expense. Recoverable amounts are estimated for individual assets or, where an individual asset cannot generate cash flows independently, the recoverable amount is determined for the larger cash-generating unit to which the asset belongs.

A previously recognised impairment will be reversed insofar as estimates change as a result of an event occurring after the impairment was recognised. An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of impairment is recognised in the income statement.

After recognition of an impairment loss, the depreciation or amortisation charge for the asset is adjusted in the future periods to allocate the asset's revised carrying amount, less its residual value, on a systematic basis over its useful life.

Leasing commitments

Rentals paid under operating leases are charged to the income statement on a straight line basis over the period of the lease.

Financial instruments

Financial instruments recognised on the balance sheet include trade and other receivables, cash and cash equivalents, accounts payable and other financial liabilities.

Initial recognition and measurement

Financial assets and financial liabilities are recognised on the balance sheet when the company becomes party to the contractual provisions of the instrument. Financial instruments are recorded at fair value plus transaction costs, except in the case of financial instruments recorded at fair value through profit and loss which do not include transaction costs. Subsequent measurement and impairment for each classification is specified in the sections below.

All regular way purchases and sales of financial assets are recognised on the trade date i.e. the date that the company commits to purchase or sell the financial asset.

De-recognition of financial assets and liabilities

A financial asset, or a portion of a financial asset, is derecognised where:

- The rights to receive cash flows from the asset have expired;
- The company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement, or
- The company has transferred the rights to receive cash flows from the asset and either:
 - (i) has transferred the substantially all the risks and rewards of the asset or
 - (ii) has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

A financial liability is de-recognised when the obligation under the liability is discharged, cancelled or has expired.

Financial assets

Subsequent to initial measurement, trade and other receivables and cash and cash equivalents are carried at amortised cost using the effective interest rate method. Gains and losses are recognised in income when the receivables are derecognised or impaired, as well as through the amortisation process.

Trade and other receivables reflected on the balance sheet are net of an allowance for uncollectible amounts.

Notes to the financial statements

at 31 March 2014

2. Accounting policies (continued)

Financial instruments (continued)

Financial liabilities

Loans and accounts payables are classified as financial liabilities and are subsequently measured at amortised cost. Gains and losses are recognised in income when the financial liabilities are derecognised or impaired as well as through the amortisation process.

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

Where the contractual liabilities of financial instruments (including share capital) are equivalent to a similar debt instrument, those financial instruments are classified as financial liabilities, and are presented as such in the statement of financial position. Finance costs and gains or losses relating to financial liabilities are included in the income statement. Finance costs are calculated so as to produce a constant rate of return on the outstanding liability.

Where the contractual terms of share capital do not have any features meeting the definition of a financial liability then such capital is classed as an equity instrument. Dividends and distributions relating to equity instruments are debited direct to equity.

Impairment of financial assets

The company's financial assets are reviewed at each reporting date or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable, to determine whether or not there is any indication of impairment.

Assets carried at amortised cost

If there is objective evidence that an impairment loss has been incurred, it is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate. The loss is recognised in profit or loss.

The company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in the income statement, to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date.

Assets carried at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument held at cost, then the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. The loss is recognised in profit or loss. Such impairment losses are not reversed.

Inventory

Inventory consists of raw materials in the form of feedstock. Inventory is valued at the lower of cost and net realisable value. Write-downs to net realisable value and inventory losses are expenses in the period in which the write-downs or losses occur. Net realisable value is the estimated selling price in the ordinary course of business, less necessary costs to make the sale.

Notes to the financial statements

at 31 March 2014

2. Accounting policies (continued)

Cash and cash equivalents

Cash and cash equivalents include cash at bank and in hand.

Equity

Equity comprises the following

- “Share capital” represents the nominal value of ordinary equity shares.
- “Share premium” represents the excess over nominal value of the fair value of consideration received for equity shares consisting of investor ordinary shares, net of expenses of the share issues.
- “Retained earnings” include all current results as disclosed in the income statement.

Taxation

Current taxes are based on the results shown in the financial statements and are calculated using tax rates enacted or substantially enacted by the period end.

The charge for taxation is based on the profit or loss for the period and takes into account taxation deferred because of timing differences between the treatment of certain items for accounting and taxation purposes.

Provision is made at current rates for deferred tax in respect of all timing differences that have originated but not reversed at the period end. Deferred tax assets are only recognised to the extent that they are regarded as recoverable.

Revenue recognition

Revenue is recognised to the extent it is probable that the economic benefits will flow to the company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable, excluding discounts and value added tax.

Electricity

Revenue from the sale of electricity, and associated renewable certificates and embedded benefits is recognised where there is a signed unconditional contract of sale, based on the quantity of electricity exported and price based on the contracted rate on the date of generation.

Interest

Interest is accrued and recognised on a time-proportion basis at the effective rate implicit in the instrument.

Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency at exchange rates prevailing at the date of the transaction. Monetary assets and liabilities are translated at exchange rates prevailing at the balance sheet date. Non-monetary items carried at cost are translated using the exchange rate at the date of the transaction, whilst assets carried at fair value are translated at the exchange rates when the fair value was determined.

Exceptional items

Exceptional items are transactions that by virtue of their incidence, size, nature, or a combination of all three, are disclosed separately in the financial statements.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale (a qualifying asset) are capitalised as part of the cost of the respective assets. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Where funds are borrowed specifically to finance a project, the amount capitalised represents the actual borrowing costs incurred. Where surplus funds are available for a short term from funds borrowed specifically to finance a project, the income generated from the temporary investment of such amounts is

Notes to the financial statements

at 31 March 2014

2. Accounting policies (continued)

Borrowing costs (continued)

also capitalised and deducted from the total capitalised borrowing cost. Where the funds used to finance a project form part of general borrowings, the amount capitalised is calculated using a weighted average of rates applicable to relevant general borrowings of the company during the period. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Significant accounting estimates and assumptions

The preparation of financial statements in conformity with IFRSs requires the management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values that not readily apparent from other sources. 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 if the revision affects only that year, or in the year of the revision and future years if the revision affects both current and future years.

The most critical accounting policies and estimates in determining the financial condition and results of the company are those requiring a greater degree of subjective or complete judgement. These relate to

- Capitalisation and depreciation of plant and machinery
- Calculation of decommissioning provision

Notes to the financial statements

at 31 March 2014

3. Operating loss

This is stated after charging:

	2014	2013
	£	£
Depreciation – owned assets	2,860	–
Auditors' remuneration – audit services	8,967	3,700
Auditors' remuneration – non-audit services	644	4,867

4. Staff costs

	2014	2013
	£	£
Wages and salaries	47,608	–
Social security costs	5,243	–
	<u>52,851</u>	<u>–</u>

Staff costs capitalised as part of plants under construction was £52,851 (2013: £nil).

The average monthly number of employees during the year was made up as follows:

	2014	2013
	No.	No.
Operating staff	3	–
	<u>3</u>	<u>–</u>

None of the directors received any emoluments in respect of their services to the company during the year (2013 - £nil).

5. Finance (income)/costs

	2014	2013
	£	£
Interest on loans from group undertakings	<u>(1,366)</u>	<u>1,366</u>

Notes to the financial statements

at 31 March 2014

6. Income tax

(a) Income tax on loss on ordinary activities

Income tax (charged)/credited in the income statement

	2014	2013
	£	£
Current tax:		
UK corporation tax on the profit for the year	–	–
Deferred tax:		
Origination and reversal of temporary differences	(147,574)	38,208
Adjustment in respect of prior periods	(5,107)	–
Impact of change in tax rates	14,930	–
Total deferred tax	(137,751)	38,208
Total tax (charge)/credit in the income statement	(137,751)	38,208

(b) Reconciliation of the total income tax charge

The income tax expense in the income statement for the year differs from the standard rate of corporation tax in the UK of 23% (2013 – 24%). The differences are reconciled below:

	2014	2013
	£	£
Accounting loss before taxation	(43,096)	(166,123)
Accounting loss before taxation multiplied by standard rate of corporation tax in the UK of 23% (2013 – 24%)	(9,912)	(39,870)
Adjustments in respect of prior periods	5,107	–
Group relief surrendered for nil payment	157,486	–
Impact of change in tax rate	(14,930)	1,662
Total tax charge/(credit) in the income statement	137,751	(38,208)

Notes to the financial statements

at 31 March 2014

6. Income tax (continued)

(c) Deferred income tax

The deferred income tax included in the Statement of Financial Position is as follows:

	2014	2013
	£	£
Deferred tax asset		
Accelerated capital allowances	15,593	–
Tax losses	74,027	38,208
	<u>89,620</u>	<u>38,208</u>
Deferred tax liability		
Capitalised interest	<u>189,163</u>	<u>–</u>

The deferred income tax included in the Income Statement relates to the following:

	2014	2013
	£	£
Tax losses	35,819	38,208
Accelerated capital allowances	15,593	–
Capitalised interest	<u>(189,163)</u>	<u>–</u>
Tax losses	<u>(137,751)</u>	<u>38,208</u>

(d) Factors that may affect future tax charges

At the year end there were tax losses of approximately £321,856 available for set off against future assessable profits. The related deferred tax asset of £74,027 has been recognised in respect of those losses as the directors considered the level and timing of future profit to be sufficiently certain.

From 1 April 2014, the main UK corporation tax rate will be 21%, subsequently reducing to 20% with effect from 1 April 2015. The change in the main UK rate to 20% was substantively enacted as at the balance sheet date. As such, the closing deferred tax liability has been calculated using the substantively enacted rate of 20% as at 31 March 2014.

Notes to the financial statements

at 31 March 2014

7. Property, plant and equipment

	<i>Plant under construction</i>	<i>Computer equipment</i>	<i>Plant and equipment</i>	<i>Fixtures and fittings</i>	<i>Total</i>
	£	£	£	£	£
Cost:					
At 14 February 2012	–	–	–	–	–
Additions	2,624,923	–	–	–	2,624,923
At 1 April 2013	2,624,923	–	–	–	2,624,923
Additions	12,141,879	11,821	1,547	18,503	12,173,750
At 31 March 2014	14,766,802	11,821	1,547	18,503	14,798,673
Depreciation:					
At 14 February 2012	–	–	–	–	–
Provided during the period	–	–	–	–	–
At 1 April 2013	–	–	–	–	–
Provided during the year	–	1,582	258	1,020	2,860
At 31 March 2014	–	1,582	258	1,020	2,860
Net book value:					
At 31 March 2014	14,766,802	10,239	1,289	17,483	14,795,813
At 1 April 2013	2,624,923	–	–	–	2,624,923

The amount of borrowing costs capitalised during the year ended 31 March 2014 was £947,175 (2013 - £nil) at a weighted average interest rate of 12%.

8. Inventories

	<i>2014</i>	<i>2013</i>
	£	£
Feedstock	494,259	–

9. Trade and other receivables

	<i>2014</i>	<i>2013</i>
	£	£
Other debtors	12,090	12,090
Prepayments	65,570	38,364
Other taxes	577,965	558,854
	<u>655,625</u>	<u>609,308</u>

The short term carrying values are considered to be a reasonable approximation of the fair value.

Notes to the financial statements

at 31 March 2014

10. Cash and cash equivalents

	2014	2013
	£	£
Cash at bank	999,917	20

11. Trade and other payables

	2014	2013
	£	£
Trade payables	182,815	1,812,248
Accruals	323,640	60,567
Amounts owed to group undertakings	150	–
	<u>506,605</u>	<u>1,872,815</u>

The above payables were all unsecured. The short term carrying values are considered to be a reasonable approximation of fair value.

12. Financial liabilities

	2014	2013
	£	£
Non-current:		
Amounts due to group undertakings	<u>15,230,420</u>	<u>327,449</u>

Details of the terms of this loan are given in note 17.

13. Lease obligations

Obligations under operating leases

The future minimum rentals payable under non-cancellable operating leases are as follows:

	2014	2013
	£	£
<i>Land and buildings</i>		
Not later than one year	75,000	75,000
After one year but not more than five years	300,000	375,000
After five years	<u>1,725,000</u>	<u>1,800,000</u>
	<u>2,100,000</u>	<u>2,250,000</u>

Notes to the financial statements

at 31 March 2014

14. Provisions

A provision has been recognised for decommissioning costs as follows:

	2014	2013
	£	£
At 1 April	–	–
Arising during the year	217,698	–
At 31 March	<u>217,698</u>	<u>–</u>

The company makes full provision for the future cost of decommissioning the anaerobic digestion plant on a discounted basis on construction commencement. The decommissioning provision represents the present value of decommissioning costs relating to the anaerobic digestion plant property, which is expected to be incurred in 2043 which is when the producing anaerobic digestion plant is expected to cease operation. This provision has been created based on the company's internal estimates. Assumptions based on the current economic environment have been made, which management believes is a reasonable basis upon which to estimate the future liability. This estimate is reviewed regularly to take into account any material changes to the assumptions. However, actual decommissioning costs will ultimately depend upon future market prices for the necessary decommissioning works required that will reflect market conditions at the relevant time. The discount rate used in the calculation of the provision as at 31 March 2014 equalled 4.75%.

15. Capital commitments

At 31 March 2014, amounts contracted for but not provided in the financial statements for the acquisition of property, plant and equipment amounted to £1,297,788 (2013: £5,618,925) for the company.

16. Share capital

		2014		2013
<i>Allocated, called up and fully paid</i>	<i>No.</i>	£	<i>No.</i>	£
Ordinary A shares of £1.00 each	290	290	290	290
Ordinary B shares of £1.00 each	110	110	110	110
Ordinary shares of £1.00 each		<u>400</u>		<u>400</u>

Rights, preferences and conditions

Ordinary A and Ordinary B shares carry full and equal rights to participate in voting in all circumstances and in dividends and capital distributions, whether on a winding up or otherwise.

Notes to the financial statements

at 31 March 2014

17. Related party transactions

Included in note 12 is £15,230,420 (2013: £327,449) owed to the parent undertaking Tamar Energy Limited. This amount includes accrued interest of £945,808 (2013: £1,366) charged at the rate of 12% per annum during the year. This loan is payable in quarterly instalments once certain conditions are met, and has a final repayment date of 19 March 2023. Tamar Energy Limited holds a debenture charge over this loan, dated 19 March 2013.

Included in note 11 is £150 (2013: £nil) owed to Tamar Organics Limited, a fellow subsidiary undertaking.

During the year the company purchased goods amounting to £281,931 (2013: £nil) from Sutton Grange Services Limited, a company in which both M I Paulson and C F Walter are also directors. At 31 March 2014 the amount due to Sutton Grange Services Limited was £4,228 (2013: £nil).

During the year the company was charged rent of £75,000 (2013: £nil) by Fred Walters and Sons Limited, a company in which C F Walter is also a director. At 31 March 2014 the amount due to Fred Walters and Sons Limited was £nil (2013: £nil).

18. Financial instruments

Risk management objectives and policies

The company's principal financial assets comprise cash and cash equivalents, trade and other receivables and other taxes and prepayments. The company's financial liabilities comprise loans, trade payables, other payables and accrued expenses.

All the company's financial liabilities are measured at amortised cost.

The Board determines as required the degree to which it is appropriate to use financial instruments to mitigate financial risks.

Credit risk

The company's cash at bank is held with reputable international banks. Cash is held on current account. The fair value of cash and cash equivalents at 31 March 2014 did not differ materially from their carrying value.

Interest rate risk

The company has no material exposure to interest rate risk.

Fair value of financial instruments

The fair values of the company's financial instruments at 31 March 2014 did not differ materially from their carrying values.

Liquidity risk

The company finances its operations through revenue from operations, the issue of equity share capital and debt in order to ensure sufficient cash resources are maintained to meet short-term liabilities and future project development requirements.

Management monitors availability of funds in relation to forecast expenditures in order to ensure timely fundraising.

19. Ultimate parent undertaking and controlling party

In the director's opinion the company's immediate and ultimate parent undertaking and controlling party is Tamar Energy Operating Company (one) Limited, a company incorporated England and Wales. The smallest and largest group for which group financial statements are drawn up and of which the company is member is Tamar Energy Limited. Its registered office and the address from which group financial statements can be obtained is Two London Bridge, London, SE1 9RA.