

Company Registration No. 07948621

Sutton Grange AD Limited

Annual report and financial statements

For the year ended 31 March 2018

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Sutton Grange AD Limited

Annual report and financial statements 2018

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Sutton Grange AD Limited

Annual report and financial statements 2018

Officers and professional advisers

DIRECTORS

A Feneley
MI Paulson
GKC Vincent
CF Walter

REGISTERED OFFICE

Milton Parc
Milton Ernest
Bedfordshire MK44 1YU

BANKERS

National Westminster Bank Plc
City of London Office
1 Princes Street
London EC2R 8BP

SOLICITORS

Hewitsons LLP
Shakespeare House
42 Newmarket Road
Cambridge
CB5 8EP

INDEPENDENT AUDITORS

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditor
Abacus House
Castle Park
Cambridge
CB3 0AN

Sutton Grange AD Limited

Directors' report

The directors present their annual report on the affairs of the Company, together with the audited financial statements and independent auditors' report, for the year ended 31 March 2018.

This directors' report has been prepared in accordance with the provisions applicable to companies entitled to the small companies exemption.

The directors have taken an exemption under s414B of the Companies Act 2006 from preparing a strategic report for the year ended 31 March 2018.

Principal activities

The Company's principal activity is the operation of an anaerobic digestion plant and related activities.

On 6 February 2018 the Company's ultimate parent undertaking Tamar Energy Limited was acquired by Ancala Bioenergy Limited.

Directors

The directors of the Company who were in office during the year and up to the date of signing the financial statements were:

A Feneley	(appointed 6 February 2018)
DE Hislop	(resigned 6 February 2018)
MI Paulson	
AM Sibley	(resigned 28 September 2018)
GKC Vincent	(appointed 28 September 2018)
CF Walter	

Directors' indemnities

The Company has made qualifying third party indemnity provisions for the benefit of its directors which remained in place during the year.

Exceptional item

An exceptional charge of £6,692k has been recognised in the year in relation to the impairment of the carrying value of the Company's AD plant.

Going Concern

The company meets its day-to-day working capital requirements through short term intergroup funding arrangements. The Company's forecast and projections, taking account of reasonably possible changes in trading performance, show that the Company should be able to operate within the level of available facilities.

After making enquiries the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. The Company therefore continues to adopt the going concern basis in preparing its financial statements.

Sutton Grange AD Limited

Directors' report (continued)

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" Section 1A, and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102 Section 1A, have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 enable them to ensure that the financial statements comply with the Companies Act 2006.

The directors 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.

Statement of disclosure of information to auditors

Each of the persons who is a director at the date of approval of this report confirms 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 he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

PricewaterhouseCoopers LLP have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

Approved by the Board and signed on its behalf by:



A Feneley
Director

Date: 5th Nov 18

Sutton Grange AD Limited

Independent auditors' report to the members of Sutton Grange AD Limited

Report on the audit of the financial statements

Opinion

In our opinion, Sutton Grange AD Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2018 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" Section 1A, and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and financial statements (the "Annual Report"), which comprise: the statement of financial position as at 31 March 2018; the statement of comprehensive income, the statement of changes in equity for the year ended 31 March 2018; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, 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 audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. 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 based on these responsibilities.

With respect to the Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Sutton Grange AD Limited

Independent auditors' report to the members of Sutton Grange AD Limited (continued)

Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Directors' Report for the year ended 31 March 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of directors' responsibilities in respect of the financial statements set out on page 3, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they 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.

Auditors' 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 auditors' 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.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Sutton Grange AD Limited

Independent auditors' report to the members of Sutton Grange AD Limited (continued)

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.

Entitlement to exemptions

Under the Companies Act 2006 we are required to report to you if, in our opinion, the directors were not entitled to: prepare financial statements in accordance with the small companies regime; take advantage of the small companies exemption in preparing the Directors' Report; and take advantage of the small companies exemption from preparing a strategic report. We have no exceptions to report arising from this responsibility.

Miles Saunders

Miles Saunders (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Reading
6 November 2018

Sutton Grange AD Limited

STATEMENT OF COMPREHENSIVE INCOME For the year ended 31 March 2018

	Note	2018 £'000	2017 £'000
TURNOVER	4	3,235	3,251
Other income		-	343
		<u>3,235</u>	<u>3,594</u>
Cost of sales		(3,442)	(3,414)
GROSS (LOSS)/PROFIT		<u>(207)</u>	<u>180</u>
Administrative expenses		(501)	(543)
Exceptional item	5	(6,692)	-
LOSS ON ORDINARY ACTIVITIES BEFORE INTEREST AND TAXATION		<u>(7,400)</u>	<u>(363)</u>
Interest payable and similar charges		(2,235)	(2,043)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		<u>(9,635)</u>	<u>(2,406)</u>
Tax credit on loss on ordinary activities		1,145	5
LOSS FOR THE FINANCIAL YEAR		<u><u>(8,490)</u></u>	<u><u>(2,401)</u></u>
Other comprehensive income		-	-
TOTAL COMPREHENSIVE EXPENSE FOR THE YEAR		<u><u>(8,490)</u></u>	<u><u>(2,401)</u></u>

All activities derive from continuing operations.

Sutton Grange AD Limited

STATEMENT OF FINANCIAL POSITION As at 31 March 2018

	Note	2018 £'000	2017 £'000
FIXED ASSETS			
Property, plant and equipment	8	3,631	10,859
Deferred tax asset	9	1,969	823
		<u>5,600</u>	<u>11,682</u>
CURRENT ASSETS			
Inventories	10	326	282
Debtors	11	498	1,749
Cash and cash equivalents		25	25
		<u>849</u>	<u>2,056</u>
CREDITORS: amounts falling due within one year	12	(5,173)	(2,053)
NET CURRENT LIABILITIES/ASSETS		<u>(4,324)</u>	<u>3</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		1,276	11,685
CREDITORS: amounts falling due after more than one year	13	(19,273)	(21,140)
PROVISIONS FOR LIABILITIES	14	(567)	(619)
NET LIABILITIES		<u>(18,564)</u>	<u>(10,074)</u>
CAPITAL AND RESERVES			
Called up share capital		1	1
Share premium account		2,139	2,139
Profit and loss account		(20,704)	(12,214)
TOTAL SHAREHOLDERS' DEFICIT		<u>(18,564)</u>	<u>(10,074)</u>

These financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies regime and in accordance with provisions of FRS102 Section 1A – small entities.

The financial statements on pages 7 to 16 were approved by the Board of Directors on 31 Nov 18 and signed on its behalf by:



A Feneley
Director

Sutton Grange AD Limited Company Registration No. 07948621

Sutton Grange AD Limited

STATEMENTS OF CHANGES IN EQUITY For the year ended 31 March 2018

	Called up share capital £'000	Share premium account £'000	Profit and loss account £'000	Total shareholders' deficit £'000
Balance as at 1 April 2016	1	1,199	(9,813)	(8,613)
Shares issued during the year	-	940	-	940
Profit for the financial year and comprehensive income	-	-	(2,401)	(2,401)
Balance as at 31 March 2017	1	2,139	(12,214)	(10,074)
Loss for the financial year and comprehensive expense	-	-	(8,490)	(8,490)
Balance as at 31 March 2018	1	2,139	(20,704)	(18,564)

Sutton Grange AD Limited

Notes to the financial statements (continued) For the year ended 31 March 2018

1. STATUTORY INFORMATION

Sutton Grange AD Limited operates an Anaerobic Digestion Plant in Nottinghamshire.

The Company is a private company limited by shares and is incorporated in England. The address of its registered office is Milton Parc, Milton Ernest, Bedford, Bedfordshire MK44 1YU.

2. COMPLIANCE WITH ACCOUNTING STANDARDS

The financial statements of Sutton Grange AD Limited have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102") under Section 1A for small entities and the Companies Act 2006.

3. ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

The Company has adopted FRS 102 Section 1A in these financial statements. Details of the transition to FRS 102 Section 1A are disclosed in note 17.

Basis of preparation

These financial statements are prepared on a going concern basis, under the historical cost convention.

The presentation currency is £'000 sterling.

Going Concern

The company meets its day-to-day working capital requirements through short term intergroup funding arrangements. The Company's forecast and projections, taking account of reasonably possible changes in trading performance, show that the Company should be able to operate within the level of available facilities.

After making enquiries the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. The Company therefore continues to adopt the going concern basis in preparing its financial statements.

Property, plant & equipment and depreciation

Tangible assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is calculated to write down the cost of property, plant and equipment on the straight line basis over their expected useful lives. The expected useful economic lives are as follows:

Plant and machinery	10 – 30 years
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Inventories

Stock is held at a carrying value of the lower of cost and estimated selling price less costs to sell. Stock is recognised as an expense in the period in which the related revenue is recognised.

Sutton Grange AD Limited

Notes to the financial statements (continued) For the year ended 31 March 2018

3. ACCOUNTING POLICIES (continued)

Decommissioning

Decommissioning costs may be incurred by the company at the end of the operating life of the plant. 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 the 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.

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.

Financial instruments

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.

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.

Trade and other receivables are stated net of an allowance for uncollectible amounts.

Financial liabilities

Loans and trade and other 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.

Sutton Grange AD Limited

Notes to the financial statements (continued) For the year ended 31 March 2018

Equity

Equity comprises the following

- “Share capital” represents the nominal value of ordinary equity shares.
- “Share premium account” 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.
- “Accumulated deficit” include all current results as disclosed in the income statement.

Deferred taxation

Deferred taxation is provided on the liability method to take account of timing differences between the treatment of certain items for accounts purposes and their treatment for tax purposes. Tax deferred or accelerated is accounted for in respect of all material timing differences.

Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks with original maturities of three months or less and bank overdrafts.

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.

Services rendered

Revenue earned from gate fees is recognised when waste is received over the gate.

Electricity

Revenue from the sale of electricity and associated renewable certificates, embedded benefits and feed-in tariffs, is recognised based on the quantity of electricity exported or generated, as applicable, at the contracted price, on the date of generation.

Borrowing costs

Borrowing costs are recognised in the profit and loss in the period in which they are incurred.

Critical accounting policies, judgements/estimates

The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. 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;

- The assessment of property, plant and equipment for potential impairment. The recoverable amount of the plant and machinery has been determined based on value in use. Management has to make significant estimates and judgements when putting together the budgets and projections which are used in the value in use calculations. These judgements are mainly in relation to projected revenues (primarily being income from electricity generation). Should the actual income received be significantly lower than that assumed in the impairment review an impairment would result.
- Deferred tax assets are only recognised on losses to the extent that future probable taxable profits will be available against which the deferred tax asset can be utilised. This is based upon future taxable profit forecasts of the Group. Management has to make significant estimates and judgements when forecasting future taxable profits. These judgements are mainly in relation to projected revenues (primarily being income from food waste and electricity generation). Should the actual taxable profits generated differ, the ability to utilise deferred tax assets may change.

Sutton Grange AD Limited

Notes to the financial statements (continued) For the year ended 31 March 2018

4. TURNOVER

The turnover and loss are attributable to one activity, alternative energy production and all arises in the United Kingdom.

5. EXCEPTIONAL ITEM

The exceptional item relates to the impairment of the Company's fixed assets to reflect their expected net realisable value based on a long-term forecast of the Company's cash flows.

6. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	2018 No.	2017 No.
Production staff	<u>4</u>	<u>4</u>

None of the directors received any emoluments in respect of their services to the company during the year (2017: £nil). No advances have been made to directors and there are no outstanding balances with directors.

7. AUDITORS REMUNERATION

Auditors' remuneration of £11k (2017: £10k) is paid by Tamar Energy (Holdings) Limited on behalf of the Company for the audit of the Company's annual financial statements.

8. PROPERTY, PLANT AND EQUIPMENT

	Plant and machinery £'000	Total £'000
Cost		
At 1 April 2017	20,300	20,300
Additions	<u>129</u>	<u>129</u>
At 31 March 2018	<u>20,429</u>	<u>20,429</u>
Accumulated depreciation		
At 1 April 2017	9,441	9,441
Charge for the year	665	665
Impairment provision	<u>6,692</u>	<u>6,692</u>
At 31 March 2018	<u>16,798</u>	<u>16,798</u>
Net book value		
At 31 March 2018	<u>3,631</u>	<u>3,631</u>
At 31 March 2017	<u>10,859</u>	<u>10,859</u>

Sutton Grange AD Limited

Notes to the financial statements (continued) For the year ended 31 March 2018

9. DEFERRED TAXATION

The amount of deferred taxation recognised in these financial statements is as follows:

	2018 £'000	2017 £'000
Accelerated capital allowances	1,918	823
Other short term timing differences	51	-
Deferred tax asset	<u>1,969</u>	<u>823</u>

10. INVENTORIES

	2018 £'000	2017 £'000
Feedstock	274	238
Spare parts	52	44
	<u>326</u>	<u>282</u>

The value of stocks is not materially different from the replacement cost.

11. DEBTORS

	2018 £'000	2017 £'000
Amounts falling due within one year:		
Trade debtors	1	-
Amounts owed by group undertakings	-	536
Other debtors	53	72
Prepayments and accrued income	<u>444</u>	<u>1,141</u>
	<u>498</u>	<u>1,749</u>

Amounts owed by group undertakings are unsecured, interest free, have no fixed date for repayment, are repayable on demand and are due within one year.

12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2018 £'000	2017 £'000
Trade creditors	66	257
Amounts owed to group undertakings	4,874	1,632
Accruals and deferred income	<u>233</u>	<u>164</u>
	<u>5,173</u>	<u>2,053</u>

Amounts due to group undertakings are unsecured, interest free, have no fixed date for repayment, are repayable on demand and are due within one year.

Sutton Grange AD Limited

Notes to the financial statements (continued) For the year ended 31 March 2018

13. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2018 £'000	2017 £'000
Amounts owed to group undertakings	19,273	21,140
	<u>19,273</u>	<u>21,140</u>

Details of the terms of this loan are given in note 16.

14. PROVISIONS FOR LIABILITIES

	2018 £'000	2017 £'000
Decommissioning provision	267	619
Other provisions	300	-
	<u>567</u>	<u>619</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, which is expected to be incurred when the plant ceases 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 and has been reduced in the year to remove cost elements deemed not to be required. The discount rate used in the calculation of the provision as at 31 March 2018 was 2.16% (2017: 3.01%).

Other provisions include management's best estimate of the potential cost of settling a boundary dispute, which is expected to be resolved within the next twelve months.

15. LEASE OBLIGATIONS

The Company had the following future minimum lease payments under non-cancellable operating leases

	2018 £'000	2017 £'000
Land and buildings		
Leases which expire:		
Not later than one year	80	80
Later than one year and not later than five years	322	322
Later than five years	1,608	1,689
	<u>2,010</u>	<u>2,091</u>

Sutton Grange AD Limited

Notes to the financial statements (continued) For the year ended 31 March 2018

16. RELATED PARTY TRANSACTIONS

Transactions with related parties are set out below.

Included in note 13 is £19,273k (2017: £21,140k) owed to the former ultimate parent undertaking, Tamar Energy Limited. This amount includes accrued interest for the year of £2,169k (2017: £1,446k) charged at the rate of 12% per annum. 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. A further amount of £4,005k (2017: £1,632k) is owed to Tamar Energy Limited. This balance is interest free and has no fixed repayment date.

During the year the Company purchased goods and services amounting to £888k (2017: £948k) from Sutton Grange Services Limited, a company in which both M I Paulson and C F Walter are also directors. At 31 March 2018 the amount due to Sutton Grange Services Limited was £163k (2017: £190k).

During the year the Company was charged rent of £80k (2017: £77k) and purchased goods for £nil (2017: £2k) from Fred Walter & Sons Limited, a company in which C F Walter is also a director. At 31 March 2018 the amount due to Fred Walter and Sons Limited was £nil (2017: £nil).

The company has relied upon the disclosure exemption conferred by FRS 102 not to disclose transactions with wholly-owned group undertakings.

17. TRANSITION TO SECTION 1A OF FRS 102

This is the first year the Company has presented its results under Section 1A of FRS 102.

The last financial statements under FRS 101 were for the year ended 31 March 2017.

The date of transition to Section 1A of FRS 102 was 1 April 2016.

On transition there were no changes to the reported profit for the year ended 31 March 2017 or to the reported equity at 1 April 2016 and 31 March 2017 as previously reported.

18. ULTIMATE CONTROLLING PARTY

The ultimate parent company is Ancala Bioenergy Holdco Limited, in whose consolidated financial statements the results of the Company are included. The financial statements of Ancala Bioenergy Holdco Limited are publicly available from c/o Ancala Partners LLP, 40 Gracechurch Street, London, England, EC3V 0BT.

The ultimate controlling party are funds managed by Ancala Partners LLP.

The company's immediate parent undertaking is Tamar Energy Operating Company (one) Limited, a company incorporated in England.

The smallest group for which group financial statements are drawn up and of which the company is a member is Tamar Energy limited. Its registered office and the address from which group financial statements can be obtained is C/O Biogen, Milton Parc, Milton Ernest, Bedfordshire, MK44 1YU.