

Tamar Renewable Power (Hoddesdon) Limited

Report and Financial Statements

31 March 2017

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Tamar Renewable Power (Hoddesdon) Limited

Registered No. 09090821

Directors

D E Hislop
S P Greenfield

Independent auditors

PricewaterhouseCoopers LLP
3 Forbury Place
23 Forbury Road
Reading
Berkshire
RG1 3JH

Registered Office

3rd Floor
150 Waterloo Road
London
SE1 8SB

Registered No. 09090821

Directors' report

The directors present their report and audited financial statements for the year ended 31 March 2017.

Principal activities

The company's principal activity is the construction and operation of an anaerobic digestion plant and related activities. Following an extended construction phase, the company formally commenced trading with effect from 1 February 2017.

Directors

The directors who served the company during the year and up to the date of this report are listed below:

C R Cooper	(resigned 14 June 2016)
D E Hislop	
R Kindell	(resigned 18 November 2016)
S P Greenfield	(appointed 18 November 2016)

Future developments

The company will continue to operate its anaerobic digestion plant for the foreseeable future.

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 auditors in connection with preparing their report, of which the auditors are unaware. Having made enquiries of fellow directors and the company's auditors, 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 auditors are aware of that information.

Going Concern

The directors have considered the going concern basis for preparation of these financial statements and concluded it to be appropriate on the basis that the company is dependent on the financial support from its shareholder, Tamar Energy Limited, who have confirmed to carry on providing their financial support to the company for the foreseeable future being not less than twelve months from the date of the signing these financial statements.

Directors' indemnities

As permitted by the Articles of Association, the Directors have the benefit of an indemnity which is a qualifying third party indemnity provision as defined by Section 234 of the Companies Act 2006. The indemnity was in force throughout the last financial year and is currently in force. The Company also purchased and maintained throughout the financial year Directors' and Officers' liability insurance in respect of itself and its Directors.

Independent auditors

In accordance with section 485 of the Companies Act 2006, a written resolution is to be proposed for the re-appointment of PricewaterhouseCoopers LLP as auditors.

Small Companies Exemption

In preparing this report, the directors have taken advantage of the small companies' exemption provided by Section 414B and 415A of the Companies Act 2006 not to provide a Strategic Report and from certain disclosures required in the Directors' Report.

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.

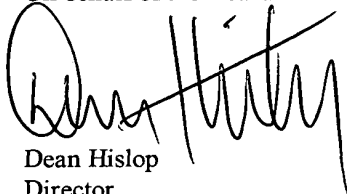
Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", 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 101, 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.

On behalf of the Board



Dean Hislop
Director

Date: 12 December 2017

Independent auditors' report to the members of Tamar Renewable Power (Hoddesdon) Limited

Report on the financial statements

Our opinion

In our opinion, Tamar Renewable Power (Hoddesdon) Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 31 March 2017 and of its loss 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.
-

What we have audited

The financial statements, included within the Report and Financial Statements (the "Annual Report"), comprise:

- Statement of financial position as at 31 March 2017;
- Income statement and Statement of comprehensive income for the year then ended;
- the Statement of changes in equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinions on other matters prescribed by the Companies Act 2006

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

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

In addition, in light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Directors' Report. We have nothing to report in this respect.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

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; 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.

We have no exceptions to report arising from this responsibility.

Independent auditors' report to the members of Tamar Renewable Power (Hoddesdon) Limited (continued)

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. 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: 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.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

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) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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.

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). 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.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report 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. With respect to the Directors' Report, we consider whether those reports include the disclosures required by applicable legal requirements.

Christine Dobson (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Reading

13 December 2017

Income statement

for the year ended 31 March 2017

	Note	2017 £	2016 £
Revenue	3	452,283	–
Changes in inventories		62,477	–
Raw material and consumables used		(258,662)	–
Employee benefits expense	4	(65,200)	–
Other expenses		<u>(1,209,812)</u>	<u>(1,228,305)</u>
Earnings before interest, tax and depreciation		(1,018,914)	(1,228,305)
Depreciation of property, plant and equipment		(195,891)	(5,375)
Impairment provision	5	<u>(3,854,647)</u>	<u>–</u>
Operating loss	5	(5,069,452)	(1,233,680)
Finance income	6	132	570
Finance cost	7	<u>(1,371,837)</u>	<u>(937)</u>
Loss before taxation		(6,441,157)	(1,234,047)
Income tax	8	<u>912,671</u>	<u>(460,338)</u>
Loss for the financial year		<u>(5,528,486)</u>	<u>(1,694,385)</u>

Statement of comprehensive income

for the year ended 31 March 2017

	2017 £	2016 £
Loss for the financial year	(5,528,486)	(1,694,385)
Other comprehensive income	<u>–</u>	<u>–</u>
Total comprehensive expense for the financial year	<u>(5,528,486)</u>	<u>(1,694,385)</u>

Statement of financial position

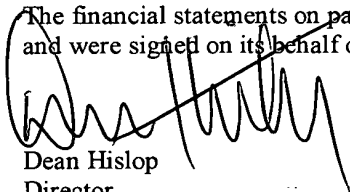
at 31 March 2017

	Note	2017 £	2016 £
Assets			
Non-current assets			
Property, plant and equipment	9	19,182,160	18,856,061
Deferred tax asset	8	636,632	–
		<u>19,818,792</u>	<u>18,856,061</u>
Current assets			
Inventories	10	62,477	–
Trade and other receivables	11	768,460	313,529
Cash and cash equivalents	12	45,143	273,663
		<u>876,080</u>	<u>587,192</u>
Total assets		<u>20,694,872</u>	<u>19,443,253</u>
Equity and liabilities			
Equity			
Share capital	17	1,000	1,000
Accumulated losses		(7,960,068)	(2,431,582)
Total equity		<u>(7,959,068)</u>	<u>(2,430,582)</u>
Liabilities			
Non-current liabilities			
Financial liabilities	14	16,859,422	15,526,949
Provisions	16	370,304	164,093
Deferred tax liability	8	–	276,039
		<u>17,229,726</u>	<u>15,967,081</u>
Current liabilities			
Trade and other payables	13	11,388,697	5,871,237
Financial liabilities	14	35,517	35,517
		<u>11,424,214</u>	<u>5,906,754</u>
Total liabilities		<u>28,653,940</u>	<u>21,873,835</u>
Total equity and liabilities		<u>20,694,872</u>	<u>19,443,253</u>

The notes on pages 9 to 22 are an integral part of these financial statements.

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 on pages 6 to 22 were approved and authorised for issue by the board and were signed on its behalf on 12 December 2017.


Dean Hislop
Director
Registered no. 09090821

Statement of changes in equity

for the year ended 31 March 2017

	<i>Share capital</i>	<i>Accumulated losses</i>	<i>Total equity</i>
	£	£	£
At 31 March 2015	1,000	(737,197)	(736,197)
Total comprehensive expense for the year	–	(1,694,385)	(1,694,385)
At 31 March 2016	1,000	(2,431,582)	(2,430,582)
Total comprehensive expense for the year	–	(5,528,486)	(5,528,486)
At 31 March 2017	1,000	(7,960,068)	(7,959,068)

Notes to the financial statements

For the year ended 31 March 2017

1. General information

Tamar Renewable Power (Hoddesdon) Limited is a private company limited by shares incorporated and domiciled in England. The address of the company's registered office is 3rd Floor, Waterloo Road, London, SE1 8SB.

The principal activity of the company is the construction and operation of an anaerobic digestion plant and related activities. The company's interests are located in the UK. The principal accounting policies adopted by the company are set out in note 2.

2. Accounting policies

Statement of compliance

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) and in accordance with applicable accounting standards.

The Company's financial statements are presented in GB Pounds.

The results of Tamar Renewable Power (Hoddesdon) Limited are included in the consolidated financial statements of Tamar Energy Limited which are available from 3rd Floor, Waterloo Road, London, SE1 8SB.

Basis of preparation

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

The financial statements of Tamar Renewable Power (Hoddesdon) Limited have been prepared in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS 101). The financial statements have been prepared under the historical cost convention and in accordance with the Companies Act 2006.

The Company has taken advantage of the following disclosure exemptions under FRS 101:

- a) the requirements of paragraphs 45(b) and 46-52 of IFRS 2 Share based Payment;
- b) the requirements of paragraphs 62, B64(d), B64(e), B64(g), B64(h), B64(j) to B64(m), B64(n)(ii), B64 (o)(ii), B64(p), B64(q)(ii), B66 and B67 of IFRS 3 Business Combinations;
- c) the requirements of paragraph 33 (c) of IFRS 5 Non-current Assets Held for Sale and Discontinued Operations;
- d) the requirements of IFRS 7 Financial Instruments: Disclosures;
- e) the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement;
- f) the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:
 - i. paragraph 79(a)(iv) of IAS 1;
 - ii. paragraph 73(e) of IAS 16 Property, Plant and Equipment;
 - iii. paragraph 118(e) of IAS 38 Intangible Assets;
- g) the requirements of paragraphs 76 and 79(d) of IAS 40 Investment Property; and
- h) the requirements of paragraph 50 of IAS 41 Agriculture.
- i) the requirements of paragraphs 10(d), 10(f), 39(c), 130 and 134-136 of IAS 1 Presentation of Financial Statements;

Notes to the financial statements

For the year ended 31 March 2017

2. Accounting policies (continued)

Basis of preparation (continued)

- j) the requirements of IAS 7 Statement of Cash Flows;
- k) the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;
- l) the requirements of paragraph 17 of IAS 24 Related Party Disclosures;
- m) the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member ; and
- n) the requirements of paragraphs 134(d)-134(f) and 135(c)-135(e) of IAS 36 Impairment of Assets.

The directors have considered the going concern basis for preparation of these financial statements and concluded it to be appropriate on the basis that the company is dependent on the financial support from its shareholder, Tamar Energy Limited, who have confirmed to carry on providing their financial support to the company for the foreseeable future being not less than twelve months from the date of the signing these financial statements.

New and amended standards and interpretations

Certain new standards, interpretations and amendments to existing standards have been published and are mandatory only for the company's accounting periods beginning on or after 1 April 2016 or later periods and which the company has not adopted early. Those that may be applicable to the company in future are as follows:

IFRS 9	Financial Instruments	1 January 2018
IFRS 15	Revenue from Contracts with Customers	1 January 2017
IFRS 16	Leases	1 January 2019

Except for IFRS 16, the company does not anticipate that the adoption of these standards and interpretations will either individually or collectively have a material impact on the company's financial statements in the period of initial application. The full impact of IFRS 16 has not yet been assessed.

The company does not anticipate adopting these standards and interpretations ahead of their effective date.

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 plant is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Notes to the financial statements

For the year ended 31 March 2017

2. Accounting policies (continued)

Property, plant and equipment (continued)

Items of property, plant and equipment are depreciated to their estimated residual values on a straight line basis over their expected useful lives. Operational plants situated on leasehold property are depreciated over the shorter of the expected useful life and the remaining period of the lease. 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 main depreciation periods used by the company are as set out below.

Plant and equipment	–	10 – 30 years
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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.

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 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.

Notes to the financial statements

For the year ended 31 March 2017

2. Accounting policies (continued)

Hire purchase and leasing commitments

Assets held under finance leases, which transfer to the company substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease, with a corresponding liability being recognised for the lower of the fair value of the leased asset and the present value of the minimum lease payments. Lease payments are apportioned between the reduction of the lease liability and finance charges in the income statement so as to achieve a constant rate of interest on the remaining balance of the liability. Assets held under finance leases are depreciated over the shorter of the estimated useful life of the asset and the lease term.

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 statement of financial position include other receivables, cash and cash equivalents, trade and other payables and other financial liabilities.

Initial recognition and measurement

Financial assets and financial liabilities are recognised 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 transactions costs. Subsequent measurement and impairment for each classification is specified in the sections below.

All regular 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, 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 are stated net of an allowance for uncollectible amounts.

Notes to the financial statements

For the year ended 31 March 2017

2. Accounting policies (continued)

Financial instruments (continued)

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.

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.

Inventory

Inventory consists of spare parts used to maintain the AD plant. Inventory is valued at the lower of cost and net realisable value. Write-downs to net realisable value and inventory losses are expensed 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.

Cash and cash equivalents

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

Notes to the financial statements

For the year ended 31 March 2017

2. Accounting policies (continued)

Equity

Equity comprises the following

- “Share capital” represents the nominal value of equity shares, consisting of ordinary shares.
- “Accumulated losses” includes 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.

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.

Interest

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

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.

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

Notes to the financial statements

For the year ended 31 March 2017

2. Accounting policies (continued)

Significant accounting estimates and assumptions

The preparation of financial statements 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 are 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 property, plant and equipment
- The assessment of property, plant and equipment for potential impairment
- Calculation of decommissioning provision
- Recognition of deferred taxation

3. Revenue

	2017	2016
	£	£
Electricity	373,745	–
Gate fees	78,538	–
	<u>452,283</u>	<u>–</u>

All revenues are generated within and attributed to the United Kingdom.

4. Employee benefits expense

	2017	2016
	£	£
Wages and salaries	607,899	53,583
Social security costs	63,909	15,996
	<u>671,808</u>	<u>69,579</u>

Staff costs capitalised as part of plant under construction was £606,608 (2016: £69,579).

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

	2017	2016
	No.	No.
Operating staff	<u>13</u>	<u>3</u>

None of the directors received any emoluments in respect of their services to the company during the year (2016: £nil). The directors are remunerated by another group company as their services to the company are incidental to their services to the group.

Notes to the financial statements

For the year ended 31 March 2017

5. Operating loss

This is stated after charging:

	2017	2016
	£	£
Depreciation: owned assets	174,391	–
Depreciation: leased assets	21,500	5,375
	195,891	5,375
Impairment adjustment	3,854,647	–
Operating lease payments	24,430	–
Auditors' remuneration – audit services	10,000	10,896
Auditors' remuneration – tax services	1,750	1,772

Impairment adjustment

During the year it was determined that there were indications that the company's anaerobic digestion plant would be unlikely to generate sufficient cash flows over its lifetime to justify its carrying value.

Consequently, an impairment assessment was undertaken and the difference between the asset's carrying amount and its value in use, as represented by the present value of the estimated future cash flows, of £3,854,647, has been charged in the Income Statement. The discount rate applied to the estimated future cash flows was 10.25%.

6. Finance income

	2017	2016
	£	£
Interest on bank account	132	570

7. Finance costs

	2017	2016
	£	£
Interest on loans from group undertakings	1,367,990	–
Finance lease interest	2,810	937
Unwinding of discount on provisions	1,037	–
	1,371,837	937

Notes to the financial statements

For the year ended 31 March 2017

8. Income tax

(a) Income tax on loss on ordinary activities

Income tax (credited)/charged in the income statement

	2017	2016
	£	£
Current tax:		
UK corporation tax on the loss for the year	–	–
Deferred tax:		
Origination and reversal of temporary differences	(729,096)	607,727
Adjustment in respect of prior periods	(183,575)	(116,718)
Impact of change in tax rates	–	(30,671)
Total deferred tax	(912,671)	460,338
Total tax (credit)/charge in the income statement	(912,671)	460,338

(b) Reconciliation of the total income tax (credit)/charge

The income tax (credit)/charge in the income statement for the year differs from the standard rate of corporation tax in the UK of 20% (2016: 20%). The differences are reconciled below:

	2017	2016
	£	£
Accounting loss before income tax	(6,441,157)	(1,234,047)
At UK standard rate of corporation tax of 20% (2016: 20%)	(1,288,231)	(246,809)
<i>Effects of:</i>		
Permanent differences	207	32,818
Adjustment in respect of prior periods	(183,575)	(116,718)
Group relief surrendered for nil payment	477,917	–
Losses not recognised for deferred tax	–	821,718
Impact of change in tax rates	81,011	(30,671)
Total tax (credit)/charge in the income statement	(912,671)	460,338

(c) Deferred income tax

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

	2017	2016
	£	£
Deferred tax asset/(liability)		
Accelerated capital allowances	989,075	76,404
Capitalised interest	(352,443)	(352,443)
	636,632	(276,039)

Notes to the financial statements

For the year ended 31 March 2017

8. Income tax (continued)

The deferred income tax included in the Income Statement is as follows:

	2017 £	2016 £
Accelerated capital allowances	(729,096)	(76,404)
Tax losses	–	300,935
Adjustments in respect of prior years	(183,575)	–
Capitalised interest	–	235,807
	<u>(912,671)</u>	<u>460,338</u>

(d) Factors that may affect future tax charges

At the year end there were tax losses of approximately £2,128,148 (2016: £4,108,591) available for set off against future assessable profits. The related deferred tax asset of £361,785 (2016: £698,460) has not been recognised in respect of those losses as the directors consider the level and timing of future profits not to be sufficiently certain in the short-term.

Changes to the UK corporation tax rates were substantively enacted as part of Finance Bill 2015 on 26 October 2015. These include reductions to the main rate to reduce the rate to 19% from 1 April 2017 and to 17% from 1 April 2020. Deferred tax balances have been measured using these enacted tax rates and reflected in these financial statements.

9. Property, plant and equipment

	<i>Plant under construction</i> £	<i>Plant & machinery</i> £	<i>Total</i> £
Cost:			
At 1 April 2016	18,753,936	107,500	18,861,436
Additions	4,220,813	155,824	4,376,637
Transfer	(22,974,749)	22,974,749	–
At 31 March 2017	<u>–</u>	<u>23,238,073</u>	<u>23,238,073</u>
Depreciation:			
At 1 April 2016	–	5,375	5,375
Provided during the year	–	195,891	195,891
Impairment adjustment	–	3,854,647	3,854,647
At 31 March 2017	<u>–</u>	<u>4,055,913</u>	<u>4,055,913</u>
Net book value:			
At 31 March 2017	<u>–</u>	<u>19,182,160</u>	<u>19,182,160</u>
At 31 March 2016	<u>18,753,936</u>	<u>102,125</u>	<u>18,856,061</u>

The amount of borrowing costs capitalised during the year ended 31 March 2017 was £nil (2016: £1,374,831) at a weighted average interest rate of 8.5%.

Notes to the financial statements

For the year ended 31 March 2017

9. Property, plant and equipment (continued)

Assets held under finance leases

The carrying value of plant and equipment held under finance leases and hire purchase contracts at 31 March 2017 was £80,625 (2016: £102,125).

Impairment adjustment

During the year it was determined that there were indications that the company's anaerobic digestion plant would be unlikely to generate sufficient cash flows over its lifetime to justify its carrying value. Consequently, an impairment assessment was undertaken and the difference between the asset's carrying amount and its value in use, as represented by the present value of the estimated future cash flows, of £3,854,647, has been charged in the Income Statement. The discount rate applied to the estimated future cash flows was 10.25%.

10. Inventories

	2017	2016
	£	£
Spare parts	62,477	—

11. Trade and other receivables

	2017	2016
	£	£
Trade receivables	115,014	—
Amount due from group undertaking	52,397	—
Prepayments and accrued income	551,994	16,599
Other taxes	49,055	296,930
	<u>768,460</u>	<u>313,529</u>

Amounts due from group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

12. Cash and cash equivalents

	2017	2016
	£	£
Cash at bank	<u>45,143</u>	<u>273,663</u>

Notes to the financial statements

For the year ended 31 March 2017

13. Trade and other payables

	2017	2016
	£	£
Trade payables	344,975	401,055
Amounts owed to group undertakings	10,303,399	5,084,632
Other creditors	207,143	307,571
Accruals	533,180	77,979
	<u>11,388,697</u>	<u>5,871,237</u>

The above payables were all unsecured. Amounts owed to group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

14. Financial liabilities

	2017	2016
	£	£
Current:		
Obligations under finance leases and hire purchase contracts (note 15)	<u>35,517</u>	<u>35,517</u>
Non-current:		
Obligations under finance leases and hire purchase contracts (note 15)	14,800	50,317
Amount due to group undertaking	<u>16,844,622</u>	<u>15,476,632</u>
	<u>16,859,422</u>	<u>15,526,949</u>

Details of the terms of this loan are given in note 18.

15. Lease obligations

Obligations under finance leases and hire purchase contracts

The company uses finance leases and hire purchase contracts to acquire plant and machinery. These leases have terms of renewal but no purchase options and escalation clauses. Renewals are at the option of the lessee. Future minimum lease payments under finance leases and hire purchase contracts are as follows:

	2017	2016
	£	£
Not later than one year	38,327	38,327
After one year but not more than five years	<u>15,970</u>	<u>54,297</u>
	54,297	92,624
Less finance charges allocated to future periods	<u>(3,980)</u>	<u>(6,790)</u>
Present value of minimum lease payments	<u>50,317</u>	<u>85,834</u>

The present value of minimum lease payments is analysed as follows:

Not later than one year	35,517	35,517
After one year but not more than five years	<u>14,800</u>	<u>50,317</u>
	<u>50,317</u>	<u>85,834</u>

Notes to the financial statements

For the year ended 31 March 2017

16. Provisions

A provision has been recognised for decommissioning costs as follows:

	£
At 1 April	164,093
Arising in the year	205,174
Unwinding of discount	1,037
At 31 March	<u>370,304</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 2040 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 2017 was 3.01% (2016: 3.01%).

17. Share capital

		2017		2016
<i>Allotted, called up and fully paid</i>	<i>No.</i>	<i>£</i>	<i>No.</i>	<i>£</i>
Ordinary shares of £1 each	1,000	<u>1,000</u>	1,000	<u>1,000</u>

Rights, preferences and conditions

Ordinary 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.

18. Related party transactions

Included in note 14 is £16,844,622 (2016: £15,476,632) owed to the parent undertaking, Tamar Energy (Holdings) Limited. This amount includes accrued interest of £1,367,990 (2016: £1,374,831) charged at the rate of 8.5% per annum during the year. This loan is payable in quarterly instalments once certain conditions are met.

The company has relied upon the disclosure exemption conferred by FRS 101 not to disclose transactions with fellow group undertakings.

19. Capital commitments

At 31 March 2017, amounts contracted for but not provided in the financial statements for the acquisition of property, plant and equipment amounted to £21,995 (2016: £904,066).

Notes to the financial statements

For the year ended 31 March 2017

20. Ultimate parent undertaking and controlling party

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

In the director's opinion the company's ultimate parent undertaking and controlling party is Tamar Energy Limited, a company incorporated in England. The smallest and largest 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 3rd Floor, Waterloo Road, London, SE1 8SB.