

Registered number: 02152229

YLEM ENERGY LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020



YLEM ENERGY LIMITED

COMPANY INFORMATION

| | |
|----------------------------|--|
| Directors | I Gadsby C Hull P Noland T Scott A Ward S Watson J Feingold |
| Registered number | 02152229 |
| Registered office | Edison House Daniel Adamson Road Salford Manchester United Kingdom M50 1DT |
| Independent auditor | Grant Thornton UK LLP Chartered Accountants & Statutory Auditor 4 Hardman Square Spinningfields Manchester M3 3EB |
| Bankers | Barclays Bank PLC 3 Hardman Street Spinningfields Manchester M3 3AX |
| Solicitors | Stevens & Bolton LLP Wey House Farnham Road Guildford GU1 4YD |

YLEM ENERGY LIMITED

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YLEM ENERGY LIMITED

**STRATEGIC REPORT
FOR THE YEAR ENDED 31 MARCH 2020**

Introduction

The principal activities of the Company are: the supply of electricity generated from landfill sites; the operation, maintenance and hire of equipment used for the generation of electricity from landfill and other gases; the development and sale of power generation projects from landfill and other gases; and the provision of project services relating to the above activities.

Business review

The Company continues to operate its landfill gas business seeking to optimise the current installed capacity.

Principal risks and uncertainties

The directors periodically review and agree objectives for managing key risks. These risks, and the way in which the Company seeks to manage them, are summarised below:

Market risk

The Company's turnover, currently mainly in Sterling, relates to power generation schemes, generation equipment hire, and operations and maintenance under medium and long-term contracts with third party customers. The output or service is contracted using long term firm or index linked prices with the exception of renewable energy, which benefits from a premium price under the Renewables Obligation. Over the years the UK Government has made several changes to the support mechanisms for renewable power, however there are no indications that Renewable Obligations support is set to change, although the market regulator is proposing to make changes to certain embedded benefits. Risks exist as a result of exposure to energy markets and fluctuating prices, which are mitigated using a range of strategies, including but not limited to division of the portfolio, contract length and timing. Sites are assumed to have a theoretical gas yield and gas rights agreements are in place over the duration of the theoretical economic life of the contract.

Liquidity risk and Interest rate risk

The Company seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably. The Company has access to further funding from the group to develop new projects.

Credit risk

The principal credit risk arises from the Company's trade debtors. The majority of customers are blue chip or government backed, and the failure of an individual contract would not have a substantial impact on the Company's performance. Credit risk is minimised by contracting mainly with electricity suppliers with an acceptable international credit rating and by obtaining credit reports for all prospective customers before contracts are signed.

YLEM ENERGY LIMITED

STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2020

Financial key performance indicators

The key performance indicators of the Company are the gross exported electricity to the grid, turnover and operating results of the landfill gas sites. In the year ended 31 March 2020 the company exported approximately 92.9 GWh of electricity to the grid (2019: 101.0 GWh). The Company saw a marginal decrease in turnover of 1.5% (2019: 1%) however, gross margin increased to 28.2% (2019: 27.5%) due to a decrease in overhaul costs and engine materials. Net Finance income in the year amounted to £85,000 (2019: £64,000) as a result of the reduction in the loans owing to group undertakings reducing interest payable.

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

paul Noland

P Noland
Director

Date: 26/2/2021

YLEM ENERGY LIMITED

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 MARCH 2020

The directors present their report and the financial statements for the year ended 31 March 2020.

Results and dividends

The profit for the year, after taxation, amounted to £1,019,000 (2019 - £1,230,000).

As a result, net assets have increased to £14,843,000 (2019: £13,824,000). The company paid no dividend (2019: £Nil) during the year.

Directors

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

C Hull
I Gadsby
P Noland
S Scott (resigned 19 June 2020)
T Scott
A Ward
S Watson
J Feingold (appointed 13 November 2020)

Directors' responsibilities statement

The directors are responsible for preparing the Strategic report, the Directors' report and the financial statements in accordance with applicable law and regulations.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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. 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.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

YLEM ENERGY LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2020**

Future developments

The financial statements have been prepared on the going concern basis for the reasons set out in note 2.3 to the financial statements.

Qualifying third party indemnity provisions

The group has appropriate Directors' and Officers' insurance covering all directors of the company.

Going concern

The Company made a profit after tax of £1.0m in the year and has net assets of £14.8m at the year end. The company has strong contracted income from long term power generation rights and a substantial cash balance. For these reasons the financial statements have been prepared on a going concern basis.

Disclosure of information to auditor

The directors confirm that:

- so far as each director is aware, there is no relevant audit information of which the Company's auditor is unaware, and
- the directors have taken all the steps that they ought to have taken as a director in order to have made themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Auditor

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

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

paul Noland

P Noland
Director

Date: 26/2/2021



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF YLEM ENERGY LIMITED

Opinion

We have audited the financial statements of Ylem Energy Limited (the 'Company') for the year ended 31 March 2020, which comprise the Statement of income and retained earnings, the Balance sheet and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

The impact of macro-economic uncertainties on our audit

Our audit of the financial statements requires us to obtain an understanding of all relevant uncertainties, including those arising as a consequence of the effects of macro-economic uncertainties such as Covid-19 and Brexit. All audits assess and challenge the reasonableness of estimates made by the directors and the related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the company's future prospects and performance.

Covid-19 and Brexit are amongst the most significant economic events currently faced by the UK, and at the date of this report their effects are subject to unprecedented levels of uncertainty, with the full range of possible outcomes and their impacts unknown. We applied a standardised firm-wide approach in response to these uncertainties when assessing the company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company associated with these particular events.



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF YLEM ENERGY LIMITED (CONTINUED)

Conclusions relating to going concern

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

- 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.

In our evaluation of the directors' conclusions, we considered the risks associated with the company's business model, including effects arising from macro-economic uncertainties such as Covid-19 and Brexit, and analysed how those risks might affect the company's financial resources or ability to continue operations over the period of at least twelve months from the date when the financial statements are authorised for issue. In accordance with the above, we have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

Other information

The directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our Auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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 such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in 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 in this regard.



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF YLEM ENERGY LIMITED (CONTINUED)

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 Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

Matter on which we are required to report under the Companies Act 2006

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report or the Directors' report.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

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

Responsibilities of directors for the financial statements

As explained more fully in the Directors' responsibilities statement 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, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF YLEM ENERGY LIMITED (CONTINUED)

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an Auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an Auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Grant Thornton UK LLP

Michael Lowe
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Manchester
Date: 1/3/2021

YLEM ENERGY LIMITED

**STATEMENT OF INCOME AND RETAINED EARNINGS
FOR THE YEAR ENDED 31 MARCH 2020**

| | Note | 2020 £000 | 2019 £000 |
|---|------|---------------|---------------|
| Turnover | 4 | 13,671 | 13,862 |
| Cost of sales | | (9,818) | (9,963) |
| Gross profit | | 3,853 | 3,899 |
| Administrative expenses | | (2,589) | (2,516) |
| Operating profit | | 1,264 | 1,383 |
| Interest receivable and similar income | 9 | 90 | 103 |
| Interest payable and expenses | 10 | (5) | (39) |
| Profit before tax | | 1,349 | 1,447 |
| Tax on profit | 11 | (330) | (217) |
| Profit after tax | | 1,019 | 1,230 |
| | | | |
| Retained earnings at the beginning of the year | | 11,924 | 10,694 |
| | | 11,924 | 10,694 |
| Profit for the year | | 1,019 | 1,230 |
| Retained earnings at the end of the year | | 12,943 | 11,924 |

The notes on pages 11 to 27 form part of these financial statements.

YLEM ENERGY LIMITED
REGISTERED NUMBER:02152229

BALANCE SHEET
AS AT 31 MARCH 2020

| | Note | 2020 £000 | 2019 £000 |
|---|------|----------------------|----------------------|
| Fixed assets | | | |
| Tangible assets | 12 | 8,059 | 10,794 |
| Investments | 13 | 5 | 5 |
| | | <u>8,064</u> | <u>10,799</u> |
| Current assets | | | |
| Stocks | 14 | 400 | 836 |
| Debtors: amounts falling due within one year | 15 | 6,585 | 4,464 |
| Cash at bank and in hand | 16 | 6,674 | 4,659 |
| | | <u>13,659</u> | <u>9,959</u> |
| Creditors: amounts falling due within one year | 17 | (5,904) | (5,115) |
| Net current assets | | <u>7,755</u> | <u>4,844</u> |
| Total assets less current liabilities | | <u>15,819</u> | <u>15,643</u> |
| Creditors: amounts falling due after more than one year | 18 | - | (716) |
| Provisions for liabilities | | | |
| Deferred tax | 19 | (499) | (652) |
| Other provisions | 20 | (477) | (451) |
| | | <u>(976)</u> | <u>(1,103)</u> |
| Net assets | | <u><u>14,843</u></u> | <u><u>13,824</u></u> |
| Capital and reserves | | | |
| Called up share capital | 21 | 1,900 | 1,900 |
| Profit and loss account | 22 | 12,943 | 11,924 |
| | | <u><u>14,843</u></u> | <u><u>13,824</u></u> |

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 26/2/2021.

Paul Noland

P Noland
 Director

The notes on pages 11 to 27 form part of these financial statements.

YLEM ENERGY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020**

1. General information

Ylem Energy Limited, limited by shares, is a Company incorporated in England and Wales under the Companies Act. The address of the registered office is given on the Company Information page. The nature of the Company's operations and its principal activities are set out in the Strategic Report on page 1.

2. Accounting policies**2.1 Basis of preparation of financial statements**

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

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

The following principal accounting policies have been applied:

2.2 Financial reporting standard 102 - reduced disclosure exemptions

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

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

This information is included in the consolidated financial statements of Ylem Group Limited as at 31 March 2020 and these financial statements may be obtained from the address given on page 27.

2.3 Going concern

The Company's business activities, together with the factors likely to affect its future development and position, are set out in the Strategic Report.

The Company has strong contracted income streams flowing from long term power generation rights and a substantial cash balance. The directors believe that the Company is adequately funded to continue developing its core businesses, making selective investments in future power generation projects and managing the associated risks successfully.

Based on the latest forecasts and an assessment of reasonably expected future events, the directors consider that the Company has adequate financial resources for the future. Thus, the going concern basis of accounting is appropriate in preparing the Annual Financial Statements for the year ended 31 March 2020.

YLEM ENERGY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020**

2. Accounting policies (continued)

2.4 Foreign currency translation

Functional and presentation currency

The Company's functional and presentational currency is GBP.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Statement of income and retained earnings within 'finance income or costs'. All other foreign exchange gains and losses are presented in profit or loss within 'other operating income'.

2.5 Revenue

Turnover represents the value of sales of electricity generated, developed sites sold, hire of equipment and operation and maintenance contracts, exclusive of Value Added Tax. This is measured as the fair value of work done and goods and services provided in the normal course of business. It is recognised once the risks and rewards have been passed onto the customer. Turnover in relation to renewable obligation certificates (ROCs) is recognised on sale of the related electricity to the grid.

2.6 Operating leases: the Company as lessee

Rentals paid under operating leases are charged to profit or loss on a straight line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the lease term, unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

2.7 Pensions

Defined contribution pension plan

The Company operates a defined contribution plan for its employees. The assets of the scheme are held separately from those of the company. For defined contribution schemes, the amount charged to the profit and loss account in respect of pension costs and other retirement benefits is the contributions payable in the year. Differences between the contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

YLEM ENERGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020

2. Accounting policies (continued)

2.8 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in profit or loss except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the Company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Balance sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

2.9 Leased assets

Rentals payable under operating leases are charged to the profit and loss account on a straight-line basis over the lease term.

2.10 Foreign currencies

Transactions denominated in foreign currencies are translated into Sterling at the rate of exchange ruling at the date of the transaction. Assets and liabilities denominated in foreign currency are translated into Sterling at the exchange rate ruling at the balance sheet date. All exchange differences are taken to the profit and loss account.

YLEM ENERGY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020**

2. Accounting policies (continued)**2.11 Tangible fixed assets**

Tangible fixed assets are capitalised at cost.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Site assets

| | |
|--------------------------------|--------------------------------------|
| - Long-term leasehold property | - the life of the operating contract |
| - Relocatable generators | - 12 - 15 years |
| - Overhauls | - 8 years |
| Motor Vehicles | - 3 - 4 years |
| Fixtures and fittings | - 3 years |
| Computer and office equipment | - 3 - 4 years |
| Assets under construction | - not depreciated |

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss.

Assets under construction are not depreciated in line with the applicable accounting framework.

Site costs include the anticipated decommissioning costs of power generation projects at the completion of their lives under contract and capital contributions to site costs.

Residual value represents the estimated amount which would currently be obtained from disposal of an asset, after deducting estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life.

2.12 Impairment of fixed assets and goodwill

Assets that are subject to depreciation or amortisation are assessed at each balance sheet date to determine whether there is any indication that the assets are impaired. Where there is any indication that an asset may be impaired, the carrying value of the asset (or cash-generating unit to which the asset has been allocated) is tested for impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's (or CGU's) fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs). Non-financial assets that have been previously impaired are reviewed at each balance sheet date to assess whether there is any indication that the impairment losses recognised in prior periods may no longer exist or may have decreased.

YLEM ENERGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020

2. Accounting policies (continued)

2.13 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

Investments in unlisted company shares, whose market value can be reliably determined, are remeasured to market value at each balance sheet date. Gains and losses on remeasurement are recognised in the Statement of income and retained earnings for the period. Where market value cannot be reliably determined, such investments are stated at historic cost less impairment.

Investments in listed company shares are remeasured to market value at each Balance sheet date. Gains and losses on remeasurement are recognised in profit or loss for the period.

2.14 Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to sell, which is equivalent to the net realisable value. Cost is determined on a first in, first out basis and, in the case of work in progress and finished goods, includes all direct expenditure and production overheads, based on normal levels of activity, incurred in bringing products to their present location and condition.

Net realisable value is based on estimated selling price net of any payments on account, less any further costs of realisation.

2.15 Long term contracts

These are assessed on a contract by contract basis and reflected in the profit and loss account by recording turnover and related costs as contract activity progresses. Where appropriate, attributable profits and anticipated losses are recognised.

2.16 Debtors

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

2.17 Cash

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours.

2.18 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including amounts owed to group undertakings, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

YLEM ENERGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020

2. Accounting policies (continued)

2.19 Provisions for liabilities

Provisions are made where an event has taken place that gives the Company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to profit or loss in the year that the Company becomes aware of the obligation, and are measured at the best estimate at the Balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance sheet.

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

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

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

Critical judgements in applying the accounting policies

The following are the critical judgements that the directors have made in the process of applying the company's accounting policies and that the most significant effect on the amounts recognised in the financial statements.

Useful lives of tangible fixed assets

The company reviews the estimated useful lives of tangible fixed assets at the end of each reporting period. During the current year, the directors determined that the lives are still appropriate.

Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the probable outflow of resources, and a reliable estimate can be made of the amount of the obligation.

YLEM ENERGY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020**

4. Turnover

The Company's turnover relates to its principal activities, which are undertaken in the UK.

Analysis of turnover by country of destination:

| | 2020 | 2019 |
|----------------|---------------|---------------|
| | £000 | £000 |
| United Kingdom | 13,671 | 13,862 |

5. Operating profit

The operating profit is stated after charging:

| | 2020 | 2019 |
|------------------------------------|--------------|--------------|
| | £000 | £000 |
| Depreciation and impairment charge | 1,888 | 1,893 |
| Exchange differences | 5 | 2 |
| Other operating lease rentals | 180 | 175 |

6. Auditor's remuneration

Fees payable to the Company's auditor and its associates in respect of:

| | | |
|---|-----------|-----------|
| Audit of the company's financial statements | 16 | 16 |
| Other services relating to taxation | 3 | 3 |
| Other services | 1 | 1 |
| | 20 | 20 |

YLEM ENERGY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020**

7. Employees

Staff costs were as follows:

| | 2020 | 2019 |
|-------------------------------------|--------------|--------------|
| | £000 | £000 |
| Wages and salaries | 2,201 | 1,855 |
| Social security costs | 254 | 206 |
| Cost of defined contribution scheme | 143 | 102 |
| | <u>2,598</u> | <u>2,163</u> |

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

| | 2020 | 2019 |
|-------------------------|-------------|-------------|
| | No. | No. |
| Office and management | 21 | 15 |
| Service and maintenance | 26 | 26 |
| | <u>47</u> | <u>41</u> |

8. Directors' remuneration

| | 2020 | 2019 |
|---|-------------|-------------|
| | £000 | £000 |
| Directors' emoluments | 437 | 455 |
| Company contributions to defined contribution pension schemes | 22 | 40 |
| | <u>459</u> | <u>495</u> |

The highest paid director received remuneration of £174,288 (2019: £153,596).

The value of the Company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £8,601 (2019: £7,409).

YLEM ENERGY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020**

9. Interest receivable

| | 2020 | 2019 |
|---------------------------------------|------------------|-------------------|
| | £000 | £000 |
| Interest receivable on group balances | 58 | 67 |
| Interest receivable on over payments | - | 1 |
| Exchange losses on group balances | (85) | (78) |
| Interest receivable on bank deposits | 117 | 113 |
| | <u>90</u> | <u>103</u> |

10. Interest payable and similar expenses

| | 2020 | 2019 |
|---------------------------------|-----------------|------------------|
| | £000 | £000 |
| Interest payable on group loans | 4 | 39 |
| Other interest payable | 1 | - |
| | <u>5</u> | <u>39</u> |

YLEM ENERGY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020**

11. Taxation

| | 2020 | 2019 |
|--|----------------|----------------|
| | £000 | £000 |
| Corporation tax | | |
| Current tax on profits for the year | - | 52 |
| Adjustments in respect of previous periods | (35) | 2 |
| | <u>(35)</u> | <u>54</u> |
| Group taxation relief | 519 | 322 |
| | <u>484</u> | <u>376</u> |
| Total current tax | <u>484</u> | <u>376</u> |
| Deferred tax | | |
| Origination and reversal of timing differences | (177) | (66) |
| Adjustments in respect of previous periods | 23 | (93) |
| | <u>(154)</u> | <u>(159)</u> |
| Taxation on profit on ordinary activities | <u>330</u> | <u>217</u> |

YLEM ENERGY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020**

11. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2019 - *higher than*) the standard rate of corporation tax in the UK of 19% (2019 - 19%). The differences are explained below:

| | 2020 | 2019 |
|---|--------------|--------------|
| | £000 | £000 |
| Profit on ordinary activities before tax | 1,349 | 1,447 |
| Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2019: 19%) | 256 | 275 |
| Effects of: | | |
| Fixed asset differences | - | 11 |
| Adjustments to tax charge in respect of prior periods | (35) | 2 |
| Non-taxable expenses | 6 | 14 |
| Remeasurement of deferred tax for changes in tax rates | 80 | (85) |
| Prior period adjustments - deferred tax | 23 | - |
| Total tax charge for the year | 330 | 217 |

Factors that may affect future tax charges

There were no factors that may affect future tax charges.

YLEM ENERGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2020

12. Tangible fixed assets

| | Assets under con- struction £000 | Plant and machinery £000 | Fixtures and fittings £000 | Computer equipment £000 | Site assets £000 | Total £000 |
|-------------------------------------|---|--------------------------------|----------------------------------|-------------------------------|---------------------|---------------|
| Cost or valuation | | | | | | |
| At 1 April 2019 | 576 | 240 | 39 | 473 | 19,277 | 20,605 |
| Additions | 75 | 9 | 1 | 71 | 327 | 483 |
| Disposals | - | - | - | (6) | (1,606) | (1,612) |
| Transfers between classes | (649) | - | - | - | 649 | - |
| At 31 March 2020 | 2 | 249 | 40 | 538 | 18,647 | 19,476 |
| Depreciation | | | | | | |
| At 1 April 2019 | - | 239 | 38 | 321 | 9,214 | 9,812 |
| Charge for the year on owned assets | - | 2 | 1 | 91 | 1,795 | 1,889 |
| Disposals | - | - | - | (4) | (280) | (284) |
| At 31 March 2020 | - | 241 | 39 | 408 | 10,729 | 11,417 |
| Net book value | | | | | | |
| At 31 March 2020 | 2 | 8 | 1 | 130 | 7,918 | 8,059 |
| At 31 March 2019 | 576 | 1 | 2 | 152 | 10,063 | 10,794 |

YLEM ENERGY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020**

13. Fixed asset investments

| | Investments in associates £000 |
|--------------------------|---|
| Cost or valuation | |
| At 1 April 2019 | 5 |
| At 31 March 2020 | <u>5</u> |

Associates

The following were associates of the Company:

| Name | Registered office | Class of shares | Holding |
|---------------------------------|-------------------|--------------------|---------|
| High Power SRL | Romania | Ordinary | 2% |
| Ylem Energy SA de CV | Mexico | Ordinary | 0.002% |
| Natural Power Services SA de CV | Mexico | Ordinary | 0.002% |

14. Stocks

| | 2020 £000 | 2019 £000 |
|-------------------------------|--------------|--------------|
| Raw materials and consumables | 273 | 285 |
| Work in progress | 127 | 551 |
| | <u>400</u> | <u>836</u> |

15. Debtors

| | 2020 £000 | 2019 £000 |
|------------------------------------|--------------|--------------|
| Trade debtors | 843 | 1,105 |
| Amounts owed by group undertakings | 3,494 | 711 |
| Other debtors | 17 | 19 |
| Prepayments and accrued income | 1,978 | 2,387 |
| Tax recoverable | 253 | 242 |
| | <u>6,585</u> | <u>4,464</u> |

YLEM ENERGY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020**

16. Cash

| | 2020 £000 | 2019 £000 |
|--------------------------|--------------|--------------|
| Cash at bank and in hand | 6,674 | 4,659 |

17. Creditors: Amounts falling due within one year

| | 2020 £000 | 2019 £000 |
|------------------------------------|--------------|--------------|
| Trade creditors | 1,727 | 1,706 |
| Amounts owed to group undertakings | 842 | 322 |
| Other taxation and social security | 610 | 364 |
| Other creditors | 170 | 138 |
| Accruals and deferred income | 2,555 | 2,585 |
| | <u>5,904</u> | <u>5,115</u> |

Amounts owing to other group undertakings includes £842,000 (2019: £322,000) for group relief claimed.

18. Creditors: Amounts falling due after more than one year

| | 2020 £000 | 2019 £000 |
|------------------------------------|--------------|--------------|
| Amounts owed to group undertakings | - | 716 |
| | <u>-</u> | <u>716</u> |

Amounts owed to group were fully repaid during the year.

19. Deferred taxation

| | 2020 £000 | 2019 £000 |
|----------------------------|--------------|--------------|
| At beginning of year | (653) | (811) |
| Utilised in profit or loss | 154 | 159 |
| At end of year | <u>(499)</u> | <u>(652)</u> |

YLEM ENERGY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020**

19. Deferred taxation (continued)

The provision for deferred taxation is made up as follows:

| | 2020 | 2019 |
|--------------------------------|----------------------------|----------------------------|
| | £000 | £000 |
| Accelerated capital allowances | (499) | (653) |
| | <u>(499)</u> | <u>(653)</u> |
| | <u><u>(499)</u></u> | <u><u>(653)</u></u> |

20. Provisions

| | Other provision £000 |
|------------------------------------|-------------------------------------|
| At 1 April 2019 | 451 |
| Charged to the statement of income | 26 |
| At 31 March 2020 | <u><u>477</u></u> |

YLEM ENERGY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020**

21. Share capital

| | 2020 | 2019 |
|---|--------------|--------------|
| | £000 | £000 |
| Allotted, called up and fully paid | | |
| 1,900,020 (2019 - 1,900,020) Ordinary shares of £1 each | 1,900 | 1,900 |
| | <u>1,900</u> | <u>1,900</u> |

There is a single class of ordinary shares. There are no restrictions on dividends and the repayment of capital.

22. Reserves

Profit and loss account

Includes all current and prior period retained profits and losses.

23. Contingent liabilities

Under Ylem Group Limited banking arrangements, each participating group company jointly and severally cross-guarantees the liabilities of all other participating group companies. The Company is a participating member under the banking arrangements.

At the balance sheet date, the maximum potential liability cross guarantee was £Nil (2019: £Nil).

24. Pension commitments

The Company operates a defined contribution pension scheme for eligible employees. The charge for the year is detailed in note 7. Amounts payable under the defined contribution scheme at the year end were £Nil (2019: £Nil).

25. Commitments under operating leases

At 31 March 2020 the Company had future minimum lease payments due under non-cancellable operating leases for each of the following periods:

| | 2020 | 2019 |
|--|-------------|-------------|
| | £000 | £000 |
| Not later than 1 year | 83 | 58 |
| Later than 1 year and not later than 5 years | 97 | 45 |
| | <u>180</u> | <u>103</u> |

YLEM ENERGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020

26. Ultimate parent undertaking and controlling party

The immediate and ultimate holding company is Ylem Group Limited; a company incorporated in the United Kingdom, whose registered address is the same as the Company's as disclosed on the Company Information page. Ylem Group Limited is the parent of the smallest and largest group of companies, of which the Company is a member, that produces consolidated accounts.

Ylem Group Limited is ultimately owned by a family trust of Mr Tim Scott, which is considered to be the ultimate controlling party.

Group financial statements for Ylem Group Limited are available from Companies House, Crown Way, Cardiff, CF4 3UZ.