

Gengas Limited

Unaudited annual report and financial statements
Registered number 03033261
Year ended 31 March 2023

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Directors' report

The directors (the "Directors") present their report and the financial statements for Gengas Limited (the "Company") for the year ended 31 March 2023.

The Company is a member of the Infinis Group which is headed by Infinis Energy Group Holdings Limited, the head of the largest group for which consolidated financial statements are prepared. The consolidated financial statements of Infinis Energy Group Holdings Limited are available on the website www.infinis.com or may be obtained from the Company Secretary, First Floor, 500 Pavilion Drive, Northampton Business Park, Northampton, NN4 7YJ.

The Company has adopted the exemptions available in Sections 414(B) and 416(3) of the Companies Act 2006 with regard to the Small Companies Regime. Accordingly, the Company has elected not to prepare a strategic report.

Share capital

The Company is limited by shares.

Principal activities

The principal activity of the Company is the generation and sale of low carbon electricity in the UK.

Captured methane electricity generation

The Company captures methane from third party landfill sites (CLM). Capturing methane prevents environmental emissions while also utilising the fuel to generate renewable electricity.

Future developments

No change in activities is anticipated in the future.

Dividends

The Directors do not recommend the payment of a dividend (2022: nil).

Directors

The Directors of the Company during the year and up to the date of signing the financial statements were as follows:

S S Pickering
J H Milne
K A Reid

Section 172 (s172) of the Companies Act

Disclosures relating to s172 of the Companies Act require the Directors to identify the issues, factors and stakeholders they consider relevant to comply with their duty to have regard to stakeholders.

The Directors consider the effect of s172 in all of their decisions and the impact on any of the specified groups. The Directors consider the interests of all stakeholders, including the impact of the Company's activities on the community, environment and Company's reputation, when making decisions. The Directors, acting fairly between members, and acting in good faith, consider what is most likely to promote the success of the Company for its shareholders in the long-term.

The Company follows the s172 processes and policies of the Infinis Group. Further information in relation to the specific considerations of the Directors, including the Company's approach to sustainability, is set out in the Annual report and financial statements 2023 of Infinis Energy Group Holdings Limited, and are available on the website www.infinis.com or from the Company Secretary, First Floor, 500 Pavilion Drive, Northampton Business Park, Northampton, NN4 7YJ.

Directors' report (continued)

Directors' indemnity and insurance

At the time of approval of the Directors' report and during the financial year an associated company has agreed to indemnify past and present Directors, in accordance with and subject to the terms set out in the Corporate Governance Policy for the group headed by Infinis Energy Group Holdings Limited, against liability and all expenses reasonably incurred or paid by them in connection with any claim, action, suit or proceeding in which they become involved in the performance of their duties as a director and against amounts paid or incurred by them. These are qualifying third party indemnity provisions for the purposes of Section 234 of the Companies Act 2006 and are in place at the date of approval of the Directors' report.

An associated company has also arranged directors' and officers' liability insurance.

Going Concern

The Directors have reviewed the Company's current position and cash flow projections for the next 12 months from the date of approval of these financial statements. A series of more pessimistic trading scenarios, that were deemed severe but plausible, were also reviewed. These included consideration of lower pricing and exported power. The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. The Company therefore continues to adopt the going concern basis in preparing the financial statements.

For the year ended 31 March 2023, the Company was entitled to exemption from audit under section 479(A) of the Companies Act 2006 (the "Companies Act"). In doing so, pursuant to section 479C of the Companies Act, a parent guarantee is provided by Infinis Energy Management Limited dated 15 December 2023.

Financial risk management

The Company finances its operations through cash generated from operations and cash resources. Where additional investment is required this is provided short term by intercompany trading accounts and longer term through intercompany loans.

Other financial assets and liabilities, such as trade receivables and trade payables, arise directly out of the Company's operating activities. The main risks associated with the Company's financial assets and liabilities are set out below.

Credit risk

Credit risk arises principally from the Company's receivables from their customers who are blue-chip UK Energy Offtakers of high credit standing. The Infinis Group only extends credit to recognised creditworthy third parties and uses third party credit management software to monitor their credit standing.

Credit risk also arises from cash and cash equivalents deposited with banks and financial institutions. The Company deposits its surplus funds only with banks and financial institutions with a high credit rating. The maximum credit risk exposure relating to financial assets is represented by the carrying value at the date of the statement of financial position.

Price risk

A significant proportion of revenues are dependent on wholesale power prices. The Company manages this risk through the documented Infinis Group trading strategy which considers forward contracting and index-linked agreements among other pricing strategies.

Directors' report (continued)

Principal risks and uncertainties

The Company adheres to the risk management policy of the Infinis Group which is headed by Infinis Energy Group Holdings Limited, details of which are set out in the consolidated annual report and financial statements of that company.

The Infinis Group's approach to risk management is continuous, collaborative and designed to eliminate or manage the risk of failure to achieve the Infinis Group's objectives. The Group Board exercises oversight of the risk management process at Board and Audit Committee meetings.

The Infinis Group has a well-established risk management process that is embedded in management processes, responsibilities and culture. It is proactive and designed to instil the principles of the risk management policy at functional level through a process of self-assessment and certification.

The Infinis Group's risk management process, and the principal risks and uncertainties as at the date of this report are largely consistent with those set out in the Annual report and accounts for the year ended 31 March 2023 of Infinis Energy Group Holdings Limited.

Directors' report (continued)

Directors' responsibility statement in respect of the annual report and the financial statements

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

For the year ended 31 March 2023, the Company was entitled to exemption from audit under section 479(A) of the Companies Act 2006 (the "Companies Act"). The members have not required the Company to obtain an audit of its accounts for the year in question in accordance with section 476 of the Companies Act.

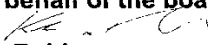
Company law requires the Directors to prepare financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the United Kingdom. Under company law, the directors must not approve the financial statements unless they are satisfied that they give a true and fair 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 IFRSs as adopted by the United Kingdom have been followed for the Company financial statements, 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 a going concern basis unless it is inappropriate to presume that the Company will continue in business.

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.

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 and the directors' report comply with the Companies Act 2006.

On behalf of the board


K A Reid
Director
15 December 2023

Registered Office; First Floor,
500 Pavilion Drive,
Northampton Business Park, Northampton, NN4 7YJ

Income statement

for the year ended 31 March 2023

	Note	2023 £'000	2022 £'000
Revenue	4	8,103	7,196
Cost of sales		(5,864)	(5,202)
Gross profit		2,239	1,994
Administrative expenses		(597)	(429)
Operating profit	5	1,642	1,565
Finance income	7	2	-
Finance costs	8	(461)	(833)
Profit before income tax		1,183	732
Income tax expense	9	(205)	(331)
Profit for the financial year		978	401

The Company has no other comprehensive income or expense items and therefore total comprehensive income for the year is £978,000 (2022: income £401,000).

The notes on pages 9 to 23 are an integral part of these financial statements.

Balance sheet

as at 31 March 2023

	Note	2023 £'000	2022 £'000
Fixed assets			
Property, plant and equipment	10	2,081	2,190
Current assets			
Inventories	11	53	45
Trade and other receivables	12	2,057	3,508
Cash and cash equivalents		583	451
		<u>2,693</u>	<u>4,004</u>
Creditors: amounts falling due within one year	14	<u>(1,352)</u>	<u>(1,051)</u>
Net current assets		<u>1,341</u>	<u>2,953</u>
Total assets less current liabilities		<u>3,422</u>	<u>5,143</u>
Creditors: amounts falling due after more than one year	15	<u>(7,150)</u>	<u>(9,900)</u>
Provisions for liabilities			
Provisions	16	<u>(223)</u>	<u>(172)</u>
Net liabilities		<u><u>(3,951)</u></u>	<u><u>(4,929)</u></u>
Equity			
Called up share capital	17	-	-
Share premium account		2	2
Other reserves		1,903	1,903
Profit and loss account		<u>(5,856)</u>	<u>(6,834)</u>
Total shareholders' deficit		<u><u>(3,951)</u></u>	<u><u>(4,929)</u></u>

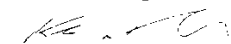
For the year ending 31 March 2023, the Company was entitled to exemption from audit under section 479(A) of the Companies Act 2006 (the "Companies Act").

The members have not required the Company to obtain an audit of its accounts for the year in question in accordance with section 476 of the Companies Act.

The Directors acknowledge their responsibilities for complying with the requirements of the Companies Act with respect to accounting records and the preparation of accounts.

The notes on pages 9 to 23 are an integral part of these financial statements.

The financial statements on pages 6 to 23 were authorised for issue by the Board of Directors on 15 December 2023 and were signed on its behalf by:



K A Reid

Director

Company registration no. 03033261

Statement of changes in equity

for the year ended 31 March 2023

	Called up share capital £'000	Share premium account £'000	Other reserves £'000	Profit and loss account £'000	Total shareholders' funds £'000
Balance at 1 April 2021	-	2	1,903	(7,235)	(5,330)
Total comprehensive income for the year					
Profit for the financial year	-	-	-	401	401
Balance at 31 March 2022	-	2	1,903	(6,834)	(4,929)
Total comprehensive income for the year					
Profit for the financial year	-	-	-	978	978
Balance at 31 March 2023	-	2	1,903	(5,856)	(3,951)

Notes (forming part of the financial statements)

1 General information

Gengas Limited (the "Company") is a private limited company incorporated, domiciled and registered in England, in the UK. The registered number is 03033261 and the registered address is First Floor, 500 Pavilion Drive, Northampton Business Park, Northampton, NN4 7YJ.

The Company's principal activity is set out in the Directors' report.

2 Significant accounting policies

2.1 Basis of preparation

These financial statements were prepared in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS 101). The financial statements have been prepared in accordance with the Companies Act 2006 as applicable to companies using FRS 101.

The preparation of financial statements in conformity with FRS 101 require the use of certain accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

The principal accounting policies set out below have been applied consistently throughout the current and prior financial years. The financial statements are prepared on the historical cost basis except for certain financial instruments which are stated at their fair value.

The following exemptions from the requirements of IFRS have been applied in the preparation of these financial statements, in accordance with FRS 101:

- IFRS 7 'Financial Instruments: Disclosures'.
- Paragraphs 91 to 99 of IFRS 13, 'Fair value measurement' (disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities).
- Paragraph 38 of IAS 1, 'Presentation of financial statements' – comparative information requirements in respect of:
 - Paragraph 79(a)(iv) of IAS 1.
 - Paragraph 73(e) of IAS 16, 'Property, plant and equipment' (reconciliations between the carrying amount at the beginning and end of the period).
 - Paragraph 118(e) of IAS 38, 'Intangible assets' (reconciliations between the carrying amount at the beginning and end of the period).
- The following paragraphs of IAS 1, 'Presentation of financial statements':
 - 'Presentation of financial statements':10(d) (statement of cash flows);
 - 16 (statement of compliance with all IFRS);
 - 38A (requirement for minimum of two primary statements, including cash flow statements);
 - 38B–D (additional comparative information);
 - 111 (statement of cash flows information); and
 - 134–136 (capital management disclosures).
- IAS 7, 'Statement of cash flows'.
- Paragraphs 30 and 31 of IAS 8, 'Accounting policies, changes in accounting estimates and errors' (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective).
- Paragraph 17 of IAS 24, 'Related party disclosures' (key management compensation).
- The requirements in IAS 24, 'Related party disclosures', to disclose related party transactions entered into between two or more members of a group.

Notes (forming part of the financial statements)

2 Significant accounting policies (continued)

2.1.1 Going concern

The financial statements have been prepared on the going concern basis, on the basis outlined in the Directors' Report.

2.1.2 New Standards, amendments and IFRS IC interpretations

There are a number of amendments to standards which will be effective in the following year's financial statements, however none of these are expected to have a material impact on the financial reporting of the Company.

2.2 Accounting policies

Revenue from contracts with offtakers

The Company's revenue streams are set out below:

- **Traded power**

Revenue relating to the sale of electricity produced by baseload power is recognised at the point in time that electricity is exported, i.e. when the offtakers obtain control. Revenue is recognised at this point provided that the revenue and costs can be measured reliably, the recovery of the consideration is probable and there is no continuing management involvement with the supply.

- **Renewable Obligation Certificates ("ROCs")**

ROCs are a product related to Government initiatives to encourage investment in renewable energy sources. ROCs are certificates issued where electricity has been sourced from renewable energy sources. Revenue arises from two elements:

- the 'Buy Out' price - the sale of the certificate itself (almost always to the customer purchasing the electricity); and
- the 'Recycle' price - a share of a central fund comprising aggregate penalty payments Ofgem receives from electricity suppliers who did not meet their obligations to obtain supply from renewable sources.

Revenue from ROC Buy Out certificates is recognised as exported. The customer does not receive the certificate until confirmation is received from Ofgem but control relating to the certificates passes from the Company at export and the customer is contractually obliged to accept it.

Where ROC Recycle revenue is recognised, it is in line with exported power. ROC recycle revenue is estimated as outlined in note 3 and is accrued each year end and then invoiced when the final ROC recycle figure is announced in October following the year end. Revenue is accrued based on the ROC recycle amount for the current year less the amount to be paid by mutualisation which is accounted for on a cash basis when received due to its less certain nature.

Notes (forming part of the financial statements)

2 Significant accounting policies (continued)

2.2 Accounting policies (continued)

- **Other revenue**

Other revenue includes embedded benefits such as Triad, Generator Distribution Use of Systems (GDUoS) and other income including the disposal of generating infrastructure.

- Triad periods are the three 30-minute time periods with the highest energy demand across the grid between the start of November and the end of February each year. National Grid incentivises high power production during these periods. Prices for the year are announced by National Grid in March and attract an income premium. Triad income is recognised once the Triad periods and the associated prices are announced.
- GDUoS income is received for generating in the local network and revenue is recognised in line with exported power.
- The sale of site infrastructure may occur when exiting a site. Revenue received in relation to the sale of this is recognised at the point in time that the asset is transferred.

Royalty payments

Royalty payments to landowners are recognised in the income statement as they accrue, based on the level of electricity generation at each site and according to specific site agreements.

Finance income and costs

Finance income arises on cash deposits and funds invested and is recognised in the income statement as it accrues, using the effective interest method.

Finance costs are recognised in the income statement as they accrue, using the effective interest method.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the instrument to the gross carrying amount of the financial asset or the amortised cost of the financial liability.

Finance costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial time to get ready for their intended use, are added to the cost of those assets, until such time as the assets are ready for use. Where instruments have been taken out to hedge against interest rate risk, capitalised borrowing costs will reflect the interest rate after taking into account the effect of the hedging instrument. Costs incurred in raising finance are capitalised and amortised over the length of the borrowing. Additional costs incurred due to the redemption of a facility are charged to the income statement in the year in which they are incurred.

Notes (forming part of the financial statements)

2 Significant accounting policies (continued)

2.2 Accounting policies (continued)

Income Tax

Income tax expense comprises current and deferred tax. Tax is recognised in the income statement except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable on the taxable income for the year and any adjustment to the tax payable or receivable in previous years. It is measured using tax rates enacted or substantively enacted at the year end.

The UK Government released draft legislation for the Electricity Generator Levy in January 2023 (which received royal assent in July 2023). This tax is payable to the extent that qualifying revenue (excluding revenues arising from natural gas or which receive revenue from UK Contracts for Difference) exceeds the threshold after deducting specific allowances. Any tax payable is recognised in accordance with current tax but disclosed separately to the extent payable.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination; and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future.

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the year end.

Deferred tax assets are recognised for unused tax losses and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the assets and liabilities relate to income taxes levied by the same tax authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Property, plant and equipment (PP&E)

PP&E is stated at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and attributable borrowing costs during its construction. During the construction phase these assets are held separately with depreciation commencing once the asset is commissioned and ready for use.

Depreciation is charged to the income statement on a straight-line basis, assuming assets have no residual value, over the estimated useful life of the asset.

The cost of replacing an item of PP&E is recognised if it is probable that the future economic benefits will flow to the Company. The carrying amount of the asset replaced is then de-recognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in the income statement as incurred.

PP&E includes plant, equipment and gas assets used in running the operating sites. The cost of decommissioning the sites is included within plant and equipment. Engines are subject to overhauls and are depreciated over the period between each overhaul.

Notes (forming part of the financial statements)

2 Significant accounting policies (continued)

2.2 Accounting policies (continued)

Depreciation is charged to the income statement on a straight-line basis, with no residual value, over the estimated useful life of the asset, as follows:

- | | |
|--|--|
| <ul style="list-style-type: none"> • Plant and machinery • Engine overhauls • Decommissioning | <p>Over the shorter of the minimum lease term of each operating site and the expected life of the asset, being 2-20 years</p> <p>2 - 4 years</p> <p>Over the expected life of the operating site</p> |
|--|--|

Depreciation methods, useful lives and residual values are reviewed at each balance sheet date.

Inventories

Inventory is measured at the lower of cost and net realisable value. Cost is based on average costs and includes expenditure in acquiring the stocks and bringing them to their existing location and condition.

Provisions

Provisions are determined by discounting the future expected cash flows at a pre-tax rate that reflects the time value of money. The unwinding of the discount is recognised as a finance cost.

Provisions for the decommissioning of assets and site restoration are recognised where a legal or contractual obligation exists. An equivalent amount of the provision is captured within property, plant and equipment.

Where the entity has concluded that a contract will be loss making, the estimated impact of the loss is included in full when it is considered probable that the loss will arise.

Impairment

The carrying amounts of the Group's non-current non-financial assets, other than goodwill and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment, based on judgment techniques explained in note 3. Where an indication of impairment exists on such assets, testing for impairment is undertaken. Any impairment loss is expensed immediately to the income statement. Further details regarding impairment testing can be found in note 10.

Investments and other financial assets - impairment

Financial assets are assessed for impairment using the expected credit loss model which requires expected credit losses and changes to expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. Financial assets measured at amortised cost or fair value to other comprehensive income ('FVOCI') will be subject to the impairment provisions of IFRS 9. The Company applies the simplified model to recognise lifetime expected credit losses for its trade receivables and other receivables by making an accounting policy election.

Financial Instruments

Non-derivative financial instruments

The Company's non-derivative financial instruments are set out below. They are recognised initially at fair value, subsequent to initial recognition they are measured as described below:

- Trade and other receivables are carried at original invoice amount less any allowance for uncollectable amounts. An estimate for doubtful debts is made under the expected credit loss model which assesses the expected loss rates based on historical credit losses experienced. Bad debts are written-off in the income statement when identified.

Notes (forming part of the financial statements)

2 Significant accounting policies (continued)

2.2 Accounting policies (continued)

- Cash and cash equivalents comprise cash balances and call deposits. Cash and cash equivalents may include restricted cash balances, which principally relate to the debt service requirements of certain borrowings undertaken by the Company.
- Trade and other payables are carried at cost. Due to their short-term nature, their carrying value approximates their fair value.

3 Critical accounting estimates and judgments

Key judgments and sources of estimation uncertainty

In the process of applying the Company's accounting policies, management makes judgments and estimates that have a significant impact on the values recognised in the financial statements. Changes in the assumptions underlying these judgments and estimates could result in a significant impact to the financial statements. The most critical of these accounting judgments and estimates are explained below.

Accounting estimates

Impairment

In assessing impairment, judgment is required to establish whether there have been indicators of impairment either internal or external for all amortising and depreciating non-current assets.

Where there is a need to determine the recoverable value of an asset, this requires judgments and assumptions on the expected future cashflows of the company. Where applicable, further details regarding impairment testing and the applied assumptions can be found in the intangibles and property, plant and equipment notes.

ROC recycle revenue

ROC Recycle is separately identified as a component of revenue and is intrinsically linked to the generation of power and is therefore recognised as it accrues. The pricing is variable, therefore ROC Recycle revenue is recognised to the extent that it is highly probable there will be no significant subsequent reversal in the cumulative amount of revenue recognised. The Company considers that ROC Recycle revenue can be estimated reliably using a standard methodology including key market information.

ROC mutualisation, which is a component of ROC Recycle and covers suppliers who have ceased trading in the current year is paid over a 12-month period commencing from the November, 18 months following the year end to the extent it is collectable by Ofgem and consequently is recognised on receipt.

Provision for decommissioning costs

The Company recognises provisions for decommissioning assets and restoring sites at the end of their expected useful life. These provisions are the discounted estimated costs of the work required at the expected date of decommissioning. Significant judgments and estimates are required about both the costs and the expected dates. The Company's estimates are based on limited actual experience of decommissioning to date.

Accounting judgments

There are no material judgments in the financial statements.

Notes (forming part of the financial statements)

4 Revenue

A description of the principal revenue streams is set out in the accounting policies. All revenue is generated in the UK. The company recognises all revenue from the transfer of goods and services at a point in time in the following revenue types:

	2023	2022
	£'000	£'000
Traded power	3,697	3,022
Renewable Obligation Certificates	3,955	3,723
Triads	12	21
GDUoS	379	380
Other revenue	60	50
	8,103	7,196

Total Renewable Obligation Certificates (ROC) revenue was £3,955,000 (2022: £3,723,000) split ROC buy-out £3,355,000 (2022: £3,323,000) and Recycled ROC £600,000 (2022: £400,000). The basis for Recycled ROC income is outlined in note 2 and relies on a series of estimates and judgments which are not confirmed by Ofgem until the following October.

5 Operating profit

	2023	2022
	£'000	£'000
Operating profit is stated after charging:		
Depreciation of plant and equipment	961	950
Payments to landlords for rent and royalties	3,047	2,940

6 Directors' emoluments and employees

None of the Directors received any remuneration or benefits from the Company during the current year or prior year, nor are they employees of the Company. The Company had no employees during the current year or prior year. All services provided by employees of the Infinis Group were re-charged to the Company.

Notes (forming part of the financial statements)

7 Finance income

	2023 £'000	2022 £'000
Bank interest receivable and similar income	2	-

8 Finance costs

	2023 £'000	2022 £'000
Interest payable to group undertakings	458	831
Provisions: unwinding of discount	3	2
	<u>461</u>	<u>833</u>

9 Income tax

Income tax recognised in the income statement

	2023 £'000	2022 £'000
<i>Current tax:</i>		
UK corporation tax charge in the year	(123)	(133)
Adjustment in respect of prior years	44	(226)
Total current tax charge	<u>(79)</u>	<u>(359)</u>
<i>Deferred tax:</i>		
Origination and reversal of temporary differences	(82)	(1)
Adjustment in respect of prior years	(44)	(9)
Impact of change in tax rate	-	38
Total deferred tax (charge)/credit	<u>(126)</u>	<u>28</u>
Tax charge on profit	<u>(205)</u>	<u>(331)</u>

Notes (forming part of the financial statements)

9 Income tax (continued)

The difference between the income tax for the year and the standard rate of corporation tax in the UK is explained below:

	2023	2022
	£'000	£'000
Profit before income tax	1,183	732
Profit before income tax multiplied by the standard rate of UK corporation tax of 19% (2022: 19%)	(225)	(139)
Effects of:		
Non-deductible expenses	3	-
Increase in tax rate on deferred tax balances	-	38
Adjustment in respect of prior years	-	(235)
Other	17	5
Total tax charge	(205)	(331)

A change to the main UK corporation tax rate to 25% from April 2023 was announced in the Budget 2021 on 3 March 2021, was substantively enacted on 24 May 2021. Consequently the Company has accounted for its deferred tax at 25% in the year to 31 March 2022 and 31 March 2023.

Notes (forming part of the financial statements)

10 Property, plant and equipment

	Plant and equipment £'000	Assets under construction £'000	Total £'000
Cost			
At 1 April 2022	22,354	27	22,381
Additions	48	735	783
Transfers	69	-	69
Intragroup transfers	356	(356)	-
At 31 March 2023	22,827	406	23,233
Accumulated depreciation			
At 1 April 2022	20,191	-	20,191
Charge for the year	961	-	961
At 31 March 2023	21,152	-	21,152
Net book value			
At 31 March 2023	1,675	406	2,081
At 31 March 2022	2,163	27	2,190

Impairment

A value in use model is used to determine the recoverable amount of assets subject to impairment testing in accordance with note 3 to the financial statements. The discounted estimated future operating cash flows are compared to the net carrying value of the assets.

Property, plant and equipment are separately tested at an individual asset level when there is an impairment trigger.

In the years ended 31 March 2023 and 31 March 2022 no impairment charge was recognised .

Notes (forming part of the financial statements)

10 Property, plant and equipment (continued)

Impairment testing

Impairment testing is performed at a Group level based on four cash generating units (CGUs) which are the Group's operating segments, as reported internally to management. Future cash flows are calculated at operational site level for each segment. This allocation is applied for each subsidiary as relevant.

The Company forecasts CGU cash flow to the earlier of the CGU's useful economic life, or 40 years. Future cash flows are calculated at operational site level for each segment. The calculation of future cash flows varies subject to the status of each site:

- Existing operational sites: are project based on the projected gross margin over their operational life;

The future cash flows are discounted by the post-tax discount rate of each CGU which equates to CLM 6.0% (2022: 5.0%).

This discount rate reflects Infinis' estimated weighted average cost of capital with a specific risk premium applied to each CGU to reflect the specific risk profile.

An impairment loss is recognised if the carrying amount of a single CGU exceeds its recoverable amount, which is equal to the value of the future discounted cash flows. Any impairment losses are recognised in the income statement should they arise. An impairment loss is only reversed to the extent that it does not exceed the carrying value at the balance sheet date of the CGUs assets, net of depreciation or amortisation, were no impairment loss to have been recognised.

The impairment test is based on the approved FY24 Budget for the initial twelve months, with outer years reflecting the latest Long-Term Plan projections, which reflects the following key assumptions:

- Methane volumes are based on existing site by site performance, reflecting known or projected changes for the next twelve months and independently assessed projections for the medium and longer term
- Revenue for CLM is based on contracted pricing per MWh (for all trades completed to the Balance Sheet date) and then the latest Baringa projection for the medium to long term
- When CLM ROC subsidy ends, it is assumed these assets will be eligible for the Capacity Market and secure contracts in the T-4.
- CLM royalties are calculated based on existing royalty agreements, specific to each site. The royalty percentage applied to revenue reduces in the period post the end of CLM ROC subsidy reflecting the provisions within existing agreements for all sites which allow for agreements to be exited/renewed when site economics materially alter
- Operational costs (excluding royalties) are specific to each division. The FY24 budget cost is calculated for each key operational cost line as a cost per MWh for each CGU and then projected forward, adjusted for the specific inflationary factors noted below
- Overheads are projected based on the expected future business requirements
- Maintenance CAPEX is based on the forecast profile based on projected exported MWh, based on the current cost per MWh adjusted for CPI. When CLM ROC subsidy ends, a revised maintenance schedule is implemented with a reduced annual cost per MWh

Notes (forming part of the financial statements)

10 Property, plant and equipment (continued)

Uncontracted revenue within CLM is uplifted by CPI. Contracted revenue is not adjusted for CPI unless the contracts contain express provisions for indexation based on RPI or CPI. ROC buy-out; GDUoS, and Capacity Market revenue all contain inflationary uplift. CPI assumptions for the next 3 years are 6%, 4% and 3% held flat for all future years. RPI is assumed to be 8%, 6% and 3% held flat for all future years – RPI is only applicable to ROC revenue which is projected to end subject to the ROC agreement on each CLM engine, the majority of which end at March 2027. Overall, the business indexed linked revenues notably exceed the cost and maintenance CAPEX base meaning that a high inflation economy represents an upside to projected earnings.

CPI inflation applies to specific costs such as labour, maintenance spend and CAPEX and overheads. Specific market driven assumptions are applied to site import power (based on the same uncontracted power pricing as revenue) and oil.

Management has an in-depth knowledge of the composition of each landfill site and the associated methane reserves an annual volumes which are extracted. These forecasts are updated on a regular basis. Imbalance risk on PPAs is managed by allocating contracted volume on any one PPA, across multiple sites. Flexible PPAs with all Offtakers have lower end volume tolerance should site outages or other external factors limit generation, with the ability to refix additional volume should performance be projected to exceed the reference volume.

11 Inventories

	2023	2022
	£'000	£'000
Lubricants	53	45

12 Trade and other receivables

	2023	2022
	£'000	£'000
Accrued income	1,646	1,501
Amounts owed by group undertakings	358	1,793
Other receivables	-	26
Deferred tax assets	28	154
Prepayments	25	34
	<u>2,057</u>	<u>3,508</u>
Due within one year	2,029	3,354
Due after more than one year	28	154

Intercompany trading balances within the Infinis Group, which provide short-term working capital funding, are repayable on demand. They bear no interest.

Notes (forming part of the financial statements)

13 Deferred tax assets

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	2023	2022
	£'000	£'000
Property, plant and equipment	28	154

Movement in deferred tax during the current year

	1 April 2022	Recognised in income	31 March 2023
	£'000	£'000	£'000
Property, plant and equipment	154	(126)	28

Movement in deferred tax during the prior year

	1 April 2021	Recognised in income	31 March 2022
	£'000	£'000	£'000
Property, plant and equipment	126	28	154

A change to the main UK corporation tax rate to 25% from April 2023 was announced in the Budget 2021 on 3 March 2021, was substantively enacted on 24 May 2021. Consequently the Company has accounted for its deferred tax at 25% in the year to 31 March 2022 and 31 March 2023.

14 Creditors: amounts falling due within one year

	2023	2022
	£'000	£'000
Trade payables	45	58
Amounts owed to group undertakings	826	557
Taxation	239	250
Other creditors	15	-
Accruals and deferred income	227	186
	1,352	1,051

Intercompany trading balances within the Infinis Group, which provide short-term working capital funding, are repayable on demand. They bear no interest.

Notes (forming part of the financial statements)

15 Creditors: amounts falling due after more than one year

	2023	2022
	£'000	£'000
Amounts owed to group undertakings	7,150	9,900

At 31 March 2023 intercompany loans due after more than one year have a repayment date of 13 December 2029. Intercompany loans are unsecured. Interest is charged on intercompany loans at a rate of 5% (2022: 8%).

16 Provisions

	Decommissioning provision £'000
At 1 April 2021	190
Movements in amounts charged to plant and equipment	(15)
Unwinding of discount	2
Other movements	(5)
	<u>172</u>
At 31 March 2022 and 1 April 2022	<u>172</u>
	<u>48</u>
Movements in amounts charged to plant and equipment	3
Unwinding of discount	<u>223</u>
At 31 March 2023	<u>223</u>

Decommissioning provisions relate to the restoration of the Company's operating sites. As explained in note 2 Significant accounting policies, provisions are calculated based on the projected value on a site by site basis increased by CPI through to the earlier of the projected end of operational life or 40 years from the balance sheet date. The provision is discounted back to present value at the Balance Sheet date from the indexed projected gross liability using 3.75% (2022:1.50%) which is the rate of a 25-year UK GILT. Timing of resulting outflows of economic benefits vary by site.

17 Called up Share Capital

	2023	2022	2023	2022
	Number	Number	£'000	£'000
Allotted, called up and fully paid				
Ordinary 1p each	4,002	4,002	-	-

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

Notes (forming part of the financial statements)

18 Contingent liabilities

The Company is a member of a group VAT registration and as such has contingent liabilities for VAT in respect of other members of the VAT group. The Infinis Group VAT liability at 31 March 2023 was nil (2022: £1,390,000).

19 Commitments

During the year the Company entered into various contracts relating to the purchase of capital equipment. Capital commitments contracted but not provided for at 31 March 2023 were £48,927 (2022: £22,455).

20 Related parties

The Company is a wholly owned subsidiary of the Infinis Group. The head of the Infinis Group, Infinis Energy Group Holdings Limited, has the ability to exercise a controlling influence over the Company and other subsidiary undertakings within the Infinis Group, and consequently the Directors also consider these subsidiary undertakings to be related parties.

3i Infrastructure plc ("3iN"), a company incorporated in Jersey, is the ultimate parent company of Infinis Energy Group Holdings Limited. 3iN therefore has the ability to exercise a controlling influence through its shareholding in each of the wholly owned subsidiaries (the "3iN Holding Companies") through which it owns the entire issued share capital of the Company. The Directors therefore consider 3iN and the entities it controls, including each of the 3iN Holding Companies, to be related parties.

There were no direct transactions between the Company and either 3iN or any of the 3iN Holding Companies during the year (2022: £nil). There were no balances outstanding between the Company and either 3iN or any of the 3iN Holding Companies at the end of the year (2022: £nil).

21 Ultimate parent company and ultimate controlling entity

The Company is a member of the Infinis Group which is headed by Infinis Energy Group Holdings Limited. 3i Green Gas Limited (formerly 3i LFG Topco Limited), a company registered in Jersey, is the immediate parent and sole shareholder of Infinis Energy Group Holdings Limited. The ultimate controlling entity is 3i Infrastructure plc, a company registered in Jersey.

Novera Energy Operating Services Limited is the Company's immediate parent company.

The head of the smallest group for which consolidated financial statements are prepared and of which the Company is a member is Infinis Energy Management Limited. The consolidated financial statements of this group are available to the public and may be obtained from the Company Secretary, First Floor, 500 Pavilion Drive, Northampton Business Park, Northampton, NN4 7YJ.

The head of the largest group for which consolidated financial statements are prepared and of which the Company is a member is Infinis Energy Group Holdings Limited. The consolidated financial statements of this group are available to the public and may be obtained from the Company Secretary, First Floor, 500 Pavilion Drive, Northampton Business Park, Northampton, NN4 7YJ.

22 Events after the end of the reporting period

There were no subsequent events.