

Company Registration No. 07251939 (England and Wales)

EARNSIDE ENERGY LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

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EARNSIDE ENERGY LIMITED

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EARNSTIDE ENERGY LIMITED

BALANCE SHEET

AS AT 31 DECEMBER 2019

	Notes	2019 £000	2018 £000
Fixed assets			
Intangible assets	4	8	-
Tangible assets	5	7,994	8,038
		<u>8,002</u>	<u>8,038</u>
Current assets			
Stocks		80	90
Debtors falling due after more than one year	6	-	733
Debtors falling due within one year	6	936	931
Cash at bank and in hand		458	539
		<u>1,474</u>	<u>2,293</u>
Creditors: amounts falling due within one year	7	<u>(740)</u>	<u>(1,343)</u>
Net current assets		<u>734</u>	<u>950</u>
Total assets less current liabilities		<u>8,736</u>	<u>8,988</u>
Creditors: amounts falling due after more than one year	8	(12,328)	(10,380)
Deferred income	9	<u>(327)</u>	<u>(373)</u>
Net liabilities		<u>(3,919)</u>	<u>(1,765)</u>
Capital and reserves			
Called up share capital	10	36	36
Share premium account		1,825	1,823
Revaluation reserve		216	242
Profit and loss reserves		<u>(5,996)</u>	<u>(3,866)</u>
Total equity		<u>(3,919)</u>	<u>(1,765)</u>

The directors of the company have elected not to include a copy of the profit and loss account within the financial statements.

These financial statements have been prepared and delivered in accordance with the provisions applicable to companies subject to the small companies regime.

EARNSIDE ENERGY LIMITED

BALANCE SHEET (CONTINUED)

AS AT 31 DECEMBER 2019

The financial statements were approved by the board of directors and authorised for issue on 22 December 2020 and are signed on its behalf by:

Mr P E Gill
Director

Company Registration No. 07251939

EARNSIDE ENERGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

1 Accounting policies

Company information

Earnside Energy Limited is a private company limited by shares incorporated in England and Wales. The registered office is 3rd Floor South Building, 200 Aldersgate Street, London, EC1A 4HD. The company's place of business is Glenfarg, Perthshire, PH2 9PX.

1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006 as applicable to companies subject to the small companies regime. The disclosure requirements of section 1A of FRS 102 have been applied other than where additional disclosure is required to show a true and fair view.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £000.

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of the composting facility included within plant and machinery and the leasehold improvements relating to this site, subsequently held at deemed cost. The principal accounting policies adopted are set out below.

1.2 Going concern

As with most businesses, at the date of approval of the financial statements, the company has been affected by the Covid-19 pandemic. However the sector in which the company operates has been assessed as "critical" by the government, with the directors responding by facilitating appropriate social distancing safety measures onsite. The government lockdown did not result in the closure of the plant, with normal operations remaining largely unaffected.

At the balance sheet date, the company had net liabilities of £3.9m and deficit profit and loss reserves of £6.0m. As the company's loan stock does not fall due within twelve months of the balance sheet date, the company is reporting net current assets of £734k at 31 December 2019.

The directors have prepared forecasts for the twelve month period following approval of the accounts. The forecasts show a projected positive EBITDA in 2021, and that cash balances are expected to remain positive throughout the period to December 2021.

Furthermore, the directors have received a letter of support from the ultimate parent company confirming they will continue to provide support to the company for a period of at least twelve months following approval of the accounts.

Therefore at the time of approving the financial statements, the directors have a reasonable expectation that the company has adequate resources and support from its ultimate parent company to continue in operational existence for the foreseeable future and to pay its debts as they fall due. Thus the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

1.3 Turnover

Turnover represents amounts receivable for goods and services net of VAT and trade discounts.

Revenue is recognised when it is probable that the economic benefits associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

EARNside ENERGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

1 Accounting policies

(Continued)

1.4 Intangible fixed assets other than goodwill

Intangible assets are recognised at cost and are subsequently measured at cost less accumulated amortisation and accumulated impairment losses.

Amortisation is recognised so as to write off the cost of assets less their residual values over their useful lives on the following bases:

Software	3 years straight line
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1.5 Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost or deemed cost, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or deemed cost of assets less their residual values over their useful lives on the following bases:

Leasehold alterations composting facility	3 to 15 years straight line
Leasehold alterations AD facility	3 to 15 years straight line
Plant and machinery AD facility	7% - 33% reducing balance
Plant and machinery composting facility	7% - 33% reducing balance

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to profit or loss.

The composting facility included within plant and machinery and the leasehold improvements relating to this site were held at fair value at 31 December 2016. A reliable measure of the fair value of this facility in isolation is no longer available and from 31 December 2017, the previous fair value has been treated as the new deemed cost, which is being depreciated over its remaining useful life.

Revaluation gains and losses are recognised in other comprehensive income and accumulated in equity, except to the extent that a revaluation gain reverses a revaluation loss previously recognised in profit or loss or a revaluation loss exceeds the accumulated revaluation gains recognised in equity; such gains and losses are recognised in profit and loss.

The part of the annual depreciation charge on revalued assets which relates to the revaluation surplus is transferred from the revaluation reserve to the profit and loss reserve.

1.6 Impairment of fixed assets

At each reporting period end date, the company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

EARNSIDE ENERGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

1 Accounting policies

(Continued)

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

1.7 Stocks

Stocks relate to spare parts and consumables which are held at cost less any adjustments for impairment.

1.8 Cash at bank and in hand

Cash and cash equivalents are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less.

1.9 Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the company's balance sheet when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets

Basic financial assets, which include trade and other debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

Classification of financial liabilities

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

EARNside ENERGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

1 Accounting policies

(Continued)

Basic financial liabilities

Basic financial liabilities, including trade and other creditors, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Other financial liabilities

The company does not have any non basic financial liabilities.

1.10 Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of transaction costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

1.11 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

Deferred tax

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

EARNSIDE ENERGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

1 Accounting policies

(Continued)

1.12 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

1.13 Retirement benefits

In 2015 the company established its own defined contribution pension fund. Contributions payable are charged to the profit and loss account in the year they are payable.

1.14 Leases

Rentals payable under operating leases, including any lease incentives received, are charged to profit or loss on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the leases asset are consumed.

1.15 Government grants

Government grants are recognised at the fair value of the asset received or receivable when there is reasonable assurance that the grant conditions will be met and the grants will be received.

Government grants relating to an asset are released to the profit and loss account systematically over the asset's expected useful life. If part of such a grant is deferred it is recognised as deferred income rather than being deducted from the asset's carrying amount.

2 Judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount 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 where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

Critical judgements

The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements.

Deferred tax asset

The directors are required to assess the probability of whether unrelieved tax losses will be recovered against the reversal of future taxable profits arising in either the company or re-charged across the wider group. As there is doubt over the timing of when the tax losses will be utilised, the directors have adopted a prudent approach and have not recognised the deferred tax asset.

EARNSIDE ENERGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

2 Judgements and key sources of estimation uncertainty

(Continued)

Key sources of estimation uncertainty

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are as follows.

Tangible fixed assets

The annual depreciation charge for tangible fixed assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and expected residual values of tangible fixed assets are assessed at the point of purchase. These are reviewed at the end of each reporting period, to determine whether the estimates are still appropriate based on technological advancement, future investments, economic utilisation and the physical condition of the assets.

3 Employees

The average monthly number of persons (including directors) employed by the company during the year was 7 (2018 - 9).

4 Intangible fixed assets

Software
£000

Cost

At 1 January 2019

-

Additions

9

At 31 December 2019

9

Amortisation and impairment

At 1 January 2019

-

Amortisation charged for the year

1

At 31 December 2019

1

Carrying amount

At 31 December 2019

8

At 31 December 2018

-

EARNSIDE ENERGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

5 Tangible fixed assets

	Leasehold alterations composting facility £000	Leasehold alterations AD facility £000	Plant and machinery AD facility £000	Plant and machinery composting facility £000	Total £000
Cost or valuation					
At 1 January 2019	617	54	9,135	800	10,606
Additions	419	30	138	-	587
	<u>1,036</u>	<u>84</u>	<u>9,273</u>	<u>800</u>	<u>11,193</u>
Depreciation and impairment					
At 1 January 2019	153	28	2,060	327	2,568
Depreciation charged in the year	80	6	477	68	631
	<u>233</u>	<u>34</u>	<u>2,537</u>	<u>395</u>	<u>3,199</u>
Carrying amount					
At 31 December 2019	803	50	6,736	405	7,994
	<u>464</u>	<u>26</u>	<u>7,075</u>	<u>473</u>	<u>8,038</u>

If revalued assets were stated on an historical cost basis rather than a fair value basis, the total amounts included would have been as follows:

	2019 £000	2018 £000
Cost	10,838	10,250
Accumulated depreciation	<u>(3,059)</u>	<u>(2,454)</u>
Carrying value	<u>7,779</u>	<u>7,796</u>

EARNside ENERGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

6 Debtors

	2019	2018
	£000	£000
Amounts falling due within one year:		
Trade debtors	171	162
Amounts due from fellow group undertakings	27	-
Prepayments and accrued income	738	769
	<u>936</u>	<u>931</u>
Amounts falling due after more than one year:		
Deferred tax asset	-	733
	<u>-</u>	<u>733</u>
Total debtors	<u>936</u>	<u>1,664</u>

7 Creditors: amounts falling due within one year

	2019	2018
	£000	£000
Trade creditors	348	443
Taxation and social security	45	16
Other creditors	347	884
	<u>740</u>	<u>1,343</u>

8 Creditors: amounts falling due after more than one year

	2019	2018
	£000	£000
Notes		
Loan stock	-	7,300
Amounts owed to group undertakings	12,328	-
Accruals and deferred income	-	3,080
	<u>12,328</u>	<u>10,380</u>

Included within creditors falling due after more than one year is accrued interest of £910,531 which legally falls due for repayment prior to 31 December 2020 in accordance with the original loan note agreement. However the lender has provided confirmation to the directors that repayment has been deferred and they have no intention of recalling the accrued interest prior to 31 December 2020 without alternative finance being available. As such, the balance has been presented within non current liabilities to reflect the substance of the arrangement, as the directors believe this presents a true and fair view.

Amounts included above which fall due after five years are as follows:

EARNside ENERGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

8 Creditors: amounts falling due after more than one year (Continued)

Payable other than by instalments	11,418	7,300
	<u> </u>	<u> </u>

9 Government grants

		£000
Balance brought forward		373
Amortisation charge		(46)
		<u> </u>
		327
		<u> </u>

10 Called up share capital

	2019	2018
	£000	£000
Ordinary share capital		
Issued and fully paid		
3,600,000 Ordinary shares of £0.01 each	36	36
	<u> </u>	<u> </u>

11 Audit report information

As the income statement has been omitted from the filing copy of the financial statements, the following information in relation to the audit report on the statutory financial statements is provided in accordance with s444(5B) of the Companies Act 2006:

The auditor's report was unqualified.

The senior statutory auditor was Tracey Johnson.
The auditor was MHA Moore and Smalley.

12 Operating lease commitments

Lessee

At the reporting end date the company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, as follows:

2019	2018
£000	£000
1,705	1,560
<u> </u>	<u> </u>

EARNSIDE ENERGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

13 Capital commitments

Amounts contracted for but not provided in the financial statements:

	2019	2018
	£000	£000
Acquisition of tangible fixed assets	-	353
	<u> </u>	<u> </u>

14 Related party transactions

The company has taken advantage of the exemption permitted under paragraph 1AC.35 of FRS 102 from disclosing related party transactions which were concluded under normal market conditions.

15 Parent company

The company's ultimate holding company is Bio Capital Limited.

This document was delivered using electronic communications and authenticated in accordance with the registrar's rules relating to electronic form, authentication and manner of delivery under section 1072 of the Companies Act 2006.