

**RDS ELEMENT POWER LIMITED**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017**



**COMPANY NUMBER: 07473022**

**RDS ELEMENT POWER LIMITED**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017**

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## **RDS ELEMENT POWER LIMITED**

### **DIRECTORS' REPORT**

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The Directors present their Annual Report on the affairs of RDS Element Power Limited (the "Company"), together with the financial statements and auditor's report for the year ended 31 December 2017.

#### **SMALL COMPANIES EXEMPTION**

This Directors' Report has been prepared in accordance with the provisions applicable to companies entitled to the small companies' exemption and it is also exempt from preparing a strategic report.

#### **PRINCIPAL ACTIVITY**

The principal activity of the Company is to identify potential land sites for utility-scale wind power generation facilities, within the United Kingdom. The company does not undertake development of sites itself, any potential sites are developed by related group companies.

#### **RESULTS**

The Company's loss for the year amounted to £195k (2016: loss of £244k).

#### **PRINCIPAL RISKS AND UNCERTAINTIES**

The Directors consider the principal risks and uncertainties facing the Company relate to the unpredictability of the local planning process necessary to build-out wind farm sites and the uncertainty associated with potential changes to national renewable energy incentive schemes. These risks impact the viability of any potential land sites for development. Risks are monitored by the Board on a regular basis and the Company seeks to mitigate these risks wherever possible.

#### **DIRECTORS**

The Directors who served throughout the year were:

Douglas Hendry (resigned 28 July 2017)  
Nicholas Hexter  
Michael O'Neill  
Sean Maguire (appointed 01 December 2016)  
Steven Pottinger (resigned 28 July 2017)  
Thomas Pottinger (resigned 28 July 2017)

#### **DIRECTORS' INDEMNITIES**

The Company has made qualifying third party indemnity provisions for the benefit of its Directors, which were made during the year and remain in force at the date of this report.

#### **SUBSTANTIAL SHAREHOLDING**

Until 28 July 2017, 50% of the share capital was owned by Element Power Northern Europe Developments Limited and 50% by Renewable Developments Scotland Limited (25% owned by Douglas Hendry, 12.5% owned by Steve Pottinger, and 12.5% owned by Thomas Pottinger). As of that date, 100% of the share capital is owned by Element Power Northern Europe Developments Limited.

**RDS ELEMENT POWER LIMITED**

**DIRECTORS' REPORT**

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**DIVIDENDS**

The Directors have not proposed a dividend for the current year (2016: £nil).

**GOING CONCERN**

The Company has made a loss for the year and is in a net liabilities position. As highlighted in note 3 to the financial statements, the Company anticipates receiving continuing support from Element Power Investments Sarl., who have confirmed support for the Company, and consequently the Directors have adopted the going concern basis in preparing the financial statements.

**AUDITOR**

Deloitte Ireland LLP were appointed during the year and have expressed their willingness to continue in office as auditor and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

Each of the persons who is a Director at the date of approval of this Annual Report confirms that:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware of; and
- the Director has taken all the steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

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

On behalf of the Board



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Nicholas Hexter  
Director

Date: 05/12/2018

Meridien House, 42 Upper Berkeley Street, London W1H 5QJ, United Kingdom

## **RDS ELEMENT POWER LIMITED**

### **DIRECTORS' RESPONSIBILITIES STATEMENT**

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The Directors are responsible for preparing the Annual 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 International Financial Reporting Standards (IFRSs) as adopted by the European Union. 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 these financial statements, International Accounting Standard 1 requires that Directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with specific requirements in IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Company's ability to continue as a going concern.

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.

On Behalf of the Board



Nicholas Hexter  
Director

Date: 5/12/2018

**RDS ELEMENT POWER LIMITED**  
**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF**  
**RDS ELEMENT POWER LIMITED**

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**Independent auditor's report to the members of RDS Element Power Limited**

**Report on the audit of the financial statements**

**Opinion**

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2017 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including International Financial Reporting Standards (IFRS) as adopted by the European Union ("the relevant financial reporting framework");
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of RDS Element Power Limited (the 'company') which comprise:

- the statement of comprehensive income;
- the balance sheet;
- the statement of changes in equity;
- the statement of cash flows; and
- the related notes 1 to 15.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including International Financial Reporting Standards (IFRS) as adopted by the European Union ("the relevant financial reporting framework").

**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.

**Conclusions relating to going concern**

We are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in 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.

We have nothing to report in respect of these matters.

**Other information**

The directors are responsible for the other information. The other information comprises the information included in the reports and financial statements, 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.

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**RDS ELEMENT POWER LIMITED**

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF  
RDS ELEMENT POWER LIMITED**

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**Other information - continued**

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 respect of these matters.

**Responsibilities of directors**

As explained more fully in the directors' responsibilities statement, 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.

**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.

As part of an audit in accordance with ISAs (UK), we exercise professional judgment and maintain professional scepticism throughout the audit. The auditor also:

- Identifies and assesses the risks of material misstatement of the entity's financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence that is sufficient and appropriate to provide a basis for the auditor's opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtains an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If the auditor concludes that a material uncertainty exists, the auditor is required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. The auditor's conclusions are based on the audit evidence obtained up to the date of the auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.

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**RDS ELEMENT POWER LIMITED**

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF  
RDS ELEMENT POWER LIMITED**

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**Auditor's responsibilities for the audit of the financial statements - continued**

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

The auditor communicates with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that the auditor identifies during the audit.

**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.

**Report on other legal and regulatory requirements**

**Opinions on other matters prescribed by the Companies Act 2006**

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

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

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the directors' report.

**Matters on which we are required to report by exception**

Under the Companies Act 2006 we are required to report in respect of the following matters 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; or
- the directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemptions in preparing the directors' report and from the requirement to prepare a strategic report.

We have nothing to report in respect of these matters.

Kevin Butler FCA (Senior Statutory Auditor)  
for and on behalf of Deloitte Ireland LLP  
Statutory Auditor  
Cork, Ireland  
Date:



**RDS ELEMENT POWER LIMITED**

**STATEMENT OF COMPREHENSIVE INCOME  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017**

	Notes	Year ended 31 December 2017 £'000	Year ended 31 December 2016 £'000
Revenue		-	-
Cost of sales		<u>5</u>	<u>-</u>
<b>Gross profit</b>		5	-
Administration expenses		(10)	(13)
<b>Operating loss</b>	5	(5)	(13)
Finance costs	6	(190)	(231)
<b>Loss before tax</b>		(195)	(244)
Tax	7	<u>-</u>	<u>-</u>
<b>Total comprehensive loss for the year</b>		(195)	(244)
Attributable to the equity holders of the Company		(195)	(244)

All gains and losses result from continuing operations.

**RDS ELEMENT POWER LIMITED**

**BALANCE SHEET AS AT 31 DECEMBER 2017**

	Notes	31 December 2017 £'000	31 December 2016 £'000
<b>ASSETS</b>			
<b>Current assets</b>			
Trade and other receivables	8	1	-
Cash and cash equivalents	9	4	9
<b>TOTAL ASSETS</b>		<u>5</u>	<u>9</u>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	10	(6)	(288)
<b>Non - Current liabilities</b>			
Borrowings	10	(2,348)	(1,875)
<b>TOTAL LIABILITIES</b>		(2,354)	(2,163)
<b>NET LIABILITIES</b>		(2,349)	(2,154)
<b>EQUITY</b>			
Share capital	11	-	-
Retained losses		(2,349)	(2,154)
<b>TOTAL DEFICIT</b>		(2,349)	(2,154)

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

The financial statements of RDS Element Power Limited (registered number: 07473022) were approved by the Board of Directors and authorised for issue on \_\_\_\_\_. They were signed on its behalf by:



Nicholas Hexter  
Director

Date: 5/12/2018

**RDS ELEMENT POWER LIMITED**

**STATEMENT OF CHANGES IN EQUITY  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017**

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	<b>Share capital</b>	<b>Retained losses</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Balance at 1 January 2016	-	(1,910)	(1,910)
Total comprehensive loss for the year	<u>-</u>	<u>(244)</u>	<u>(244)</u>
Balance at 31 December 2016	-	(2,154)	(2,154)
Total comprehensive loss for the year	<u>-</u>	<u>(195)</u>	<u>(195)</u>
Balance at 31 December 2017	<u>-</u>	<u>(2,349)</u>	<u>(2,349)</u>

**RDS ELEMENT POWER LIMITED**

**CASH FLOW STATEMENT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017**

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	<b>Notes</b>	<b>Year ended 31 December 2017 £'000</b>	<b>Year ended 31 December 2016 £'000</b>
<b>Cash flows from operating activities</b>			
Operating (loss) for the year		(195)	(244)
Movement in working capital:			
(Increase)/decrease in trade and other receivables	8	(1)	1
Increase in trade and other payables	10	<u>1</u>	<u>15</u>
<b>Net cash (used in)/from operating activities</b>		<u>(195)</u>	<u>3</u>
<b>Cash flows from financing activities</b>			
Funding received from associated companies	10	<u>190</u>	-
<b>Net cash from financing activities</b>		<u>190</u>	-
<b>Net (decrease)/increase in cash and cash equivalents</b>		<u>(5)</u>	<u>3</u>
Cash and cash equivalents at the beginning of the financial year		<u>9</u>	<u>6</u>
<b>Cash and cash equivalents at the end of the financial year</b>	9	<u><u>4</u></u>	<u><u>9</u></u>

## **RDS ELEMENT POWER LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017**

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#### **1. GENERAL INFORMATION**

RDS Element Power Limited is a private limited liability company incorporated in the United Kingdom under the Companies Act. The address of its registered office and principal place of business is 2nd Floor, Meridien House, 42 Upper Berkeley Street, London W1H 5QJ. The principal activity of the Company is to develop, acquire, build and operate utility-scale wind power generation facilities, within the United Kingdom.

The Company was incorporated on 17 December 2010. These financial statements reflect the results for the year ended 31 December 2017.

#### **2. NEW STANDARDS AND INTERPRETATIONS**

##### **New and amended standards adopted in the financial year**

The under noted standards have become effective during 2017. The adoption of these standards did not have a material impact on the financial statements.

<b>IAS/IFRS Standard</b>	<b>Subject</b>	<b>Effective Date</b>
Amendments to IAS 12	Recognition of deferred tax assets for unrealised losses	1 January 2017
Amendments to IAS 7	Disclosure initiative	1 January 2017
Annual Improvements 2014-2016 Cycle	Annual Improvements to IFRSs: 2014-16	1 January 2017

##### **New and amended standards in issue but not yet effective**

<b>IAS/IFRS Standard</b>	<b>Subject</b>	<b>Effective Date</b>
IFRS 9 Financial Instruments (2014)	Accounting requirements for financial instruments, replacing IAS 39 Financial Instruments: Recognition and Measurement	1 January 2018
IFRS 15 Revenue from Contracts with Customers	Single, principles based five-step model to be applied to all contracts with customers.	1 January 2018
IFRS 16 Leases	Recognition, measurement, presentation and disclosure of leases	1 January 2019
IFRS 17 Insurance Contracts	Requirements for measurement and presentation of insurance contracts	1 January 2021
Amendments to IFRS 15	Clarification of identification of performance obligations, whether a company is a principal or agent and licensing	1 January 2018

**RDS ELEMENT POWER LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017**

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**2. NEW STANDARDS AND INTERPRETATIONS - continued**

**New and amended standards in issue but not yet effective – continued**

<b>IAS/IFRS Standard</b>	<b>Subject</b>	<b>Effective Date</b>
Amendments to IFRS 2	Classification and measurement of share-based payment transactions	1 January 2018
Amendments to IFRS 4	Applying IFRS 9 'Financial Instruments' with IFRS 4 'Insurance Contracts'	1 January 2018
Annual Improvements 2015– 2017 Cycle	Annual Improvements to IFRS: 2015-17	1 January 2019
Amendments to IAS 40	Transfers of Investment Property	1 January 2018
Amendments to IAS 28	Long Term Interests in Associates	1 January 2019
Amendments to IFRS 9	Prepayment Features with Negative Compensation	1 January 2019

In the opinion of the directors, the adoption of the above standards will not materially impact the amounts reported in these financial statements

**3. SIGNIFICANT ACCOUNTING POLICIES**

**STATEMENT OF COMPLIANCE**

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRSs). The financial statements have also been prepared in accordance with IFRSs adopted by the European Union.

**BASIS OF PREPARATION**

The financial statements of the Company have been prepared in Pounds Sterling which is the functional currency of the Company.

The financial statements have been prepared on the historical cost basis. The principal accounting policies are set out below.

## **RDS ELEMENT POWER LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017**

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#### **3. SIGNIFICANT ACCOUNTING POLICIES - continued**

##### **GOING CONCERN**

The Company's business activities and performance, its principal financial risks and uncertainties and its financial position are set out in the Directors' Report on page 2.

The funding for the Company has come from shareholders Element Power Northern Europe Developments Limited and Renewable Developments Scotland Limited. Element Power Investment Sarl have confirmed that it will provide necessary financial support to ensure the Company remains a going concern for at least 12 months from the date of signing these financial statements. Considering all relevant factors, including review of the relationship with its ultimate owners, the Directors have reasonable expectation that the Company will have access to adequate resources to continue in existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

##### **CASH AND CASH EQUIVALENTS**

Cash and cash equivalents comprise cash in hand, cash at bank and other short term liquid investments with a maturity of three months or less. The carrying amounts of cash in hand and cash at bank approximate their fair value.

##### **OPERATING RESULT**

Operating result is stated before investment income and finance costs.

##### **FOREIGN CURRENCIES**

In preparing the financial statements of the Company, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing at the date of the transaction. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the balance sheet date. These exchange differences are recognised in profit or loss in the period in which they arise.

##### **TAXATION**

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items credited or debited directly to equity, in which case the tax is also recognised directly in equity.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet 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.

**RDS ELEMENT POWER LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017**

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**3. SIGNIFICANT ACCOUNTING POLICIES - continued**

**FINANCIAL INSTRUMENTS**

Financial assets and financial liabilities are recognised in the group's balance sheet when the group becomes a party to the contractual provisions of the instrument.

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when recognition of interest would be immaterial.

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognized on an effective yield basis.

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

**CAPITAL RISK MANAGEMENT**

The Company manages its capital to ensure that it is able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance.

**4. AREAS OF JUDGEMENT IN APPLYING ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY**

**CRITICAL ACCOUNTING JUDGEMENTS**

In the application of the Company's accounting policies, which are described in note 3, 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.

The Company has made a loss for the year and is in a position of net liabilities. As highlighted in the Directors' report and note 3, the Company anticipates receiving continuing support from the Group; consequently the Directors have adopted the going concern basis in preparing the financial statements.



**RDS ELEMENT POWER LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017**

**4. AREAS OF JUDGEMENT IN APPLYING ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY - continued**

**KEY SOURCES OF ESTIMATION UNCERTAINTY**

There are no key assumptions or any other sources of estimation uncertainty at the end of the reporting year that have a significant risk of causing a material adjustment to the carrying value of assets and liabilities within this financial year.

**5. OPERATING LOSS**

<b>Year ended 31 December 2017 £'000</b>	<b>Year ended 31 December 2016 £'000</b>
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This has been arrived at after charging:

Auditor's remuneration:

For the audit of the statutory financial statements of the Company

<u>6</u>	<u>13</u>
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There were no non-audit fees for the year (2016: £nil).

None of the Directors received any remuneration during the year in respect of their services to the Company. The Company had no employees during the year.

**6. FINANCE COSTS**

<b>Year ended 31 December 2017 £'000</b>	<b>Year ended 31 December 2016 £'000</b>
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Interest on loan from Element Power Northern Europe  
Developments Limited

214	209
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Interest on loan from Renewable Developments Scotland Limited

<u>(24)</u>	<u>22</u>
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<u>190</u>	<u>231</u>
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**7. TAX ON LOSS ON ORDINARY ACTIVITIES**

<b>Year ended 31 December 2017 £'000</b>	<b>Year ended 31 December 2016 £'000</b>
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Loss before tax

<u>(195)</u>	<u>(244)</u>
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Tax credit at the UK corporation tax rate of 20% (2016: 20%)

39	49
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Tax expense for the year:

Effect of tax losses not utilised

<u>(39)</u>	<u>(49)</u>
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Tax expense for the year

<u>—</u>	<u>—</u>
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A deferred tax asset of £536k (2016: £497k) is not recognised as there is insufficient evidence of future profitability to utilise the carried forward tax losses.

**RDS ELEMENT POWER LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017**

8. TRADE AND OTHER RECEIVABLES	Year ended 31 December 2017 £'000	Year ended 31 December 2016 £'000
VAT receivable	<u>1</u>	<u>-</u>
	<u>1</u>	<u>-</u>

The carrying value of receivables is approximately equal to their fair value.

**9. CASH AND CASH EQUIVALENTS**

For the purpose of the cash flow statement, cash and cash equivalents include cash on hand and cash deposited with banks, net of outstanding bank overdrafts. Cash and cash equivalents at the end of the financial year as shown in the cash flow statement:

	31 December 2017 £'000	31 December 2016 £'000
Cash and cash equivalents	<u>4</u>	<u>9</u>

10. TRADE AND OTHER PAYABLES	31 December 2017 £'000	31 December 2016 £'000
<i>Financial liabilities measured at amortised cost</i>		
Trade creditors and accruals	6	288
Amounts due to related parties (see note 13)	<u>2,348</u>	<u>1,875</u>
	<u>2,354</u>	<u>2,163</u>

The carrying value of trade payables is approximately equal to their fair value. Trade creditors are contractually required to be paid under standard 30 day terms.

£2065k (2016: £1,875k) of the amount due to related parties relates to the principals of one loan facility agreement. The loan facility agreement with Element Power Northern Europe Developments Limited (EPNED), for £2,065k (2016: £1,680k), which is repayable on demand no later than 1 January 2021 and charges interest at 12% above the Bank of England base rate.

A fair value assessment has been carried out using a market-oriented interest rate of 4.55% based on the stage development risk of the Company.

**RDS ELEMENT POWER LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017**

**11. SHARE CAPITAL**

<b>31 December 2017 £'000</b>	<b>31 December 2016 £'000</b>
---------------------------------------	---------------------------------------

**Issued but not fully paid:**

Class 'A' Ordinary Shares – 50 shares of £1

- -

Class 'B' Ordinary Shares – 50 shares of £1

- -

Consideration of £100 is outstanding for the issued shares.

The Company has two classes of ordinary shares which carry full voting, dividend and capital distribution (including on winding up) rights; they do not confer any rights of redemption, and have one voting right each.

At the balance sheet date the share capital was fully owned by Element Power Northern Europe Developments Limited, whose financial statements will be filed in the United Kingdom.

**12. FINANCIAL INSTRUMENTS**

The Company is exposed to risks that arise from its use of financial instruments. This note describes the objectives, policies and process of the Company in managing those risks and the methods used to measure them.

**Categories of financial instruments**

<b>2017 Carrying Value £'000</b>	<b>2016 Carrying Value £'000</b>
--	--

**Financial assets**

Cash, restricted cash and bank balances

4 9

4 9

<b>2017 Carrying Value £'000</b>	<b>2016 Carrying Value £'000</b>
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**Other financial liabilities**

Trade creditors and accruals

6 288

Amounts due to related parties (see note 13)

2,348 1,875

2,354 2,163

**Trade and other payables comprise trade and other payables excluding VAT payable.**

**Credit risk management**

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company's principal financial assets are cash balances and other receivables. The credit risk from bank balances is considered small as it is the Company policy to transact with counterparties with good credit ratings. The Company has limited risk from receivables.

**RDS ELEMENT POWER LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
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**12. FINANCIAL INSTRUMENTS - continued**

**Liquidity risk management**

Liquidity risk is the risk that the Company will encounter difficulty meeting its financial obligations as they fall due. Ultimate responsibility for liquidity risk management rests with the Board of Directors. The Board manages liquidity risk by regularly reviewing the Company's cash flow projections, which is funded by the group.

**Interest rate risk**

The Company's borrowings are charged with interest rates at 12% above the Bank of England base rate. For a sensitivity analysis of + / - 0.5% the increase / decrease in interest payable would be £11k respectively (2016: £10k).

**13. RELATED PARTY TRANSACTIONS**

The following related party balances are included in trade and other payables and receivables.

	<b>31 December 2017 £'000</b>	<b>31 December 2016 £'000</b>
<b>Amounts payable to related parties:</b>		
Element Power Northern Europe Developments Limited	(2,319)	(1,929)
Renewable Developments Scotland Limited	-	(195)
Element Power Limited	<u>(29)</u>	<u>(36)</u>
	<u><b>(2,348)</b></u>	<u><b>(2,160)</b></u>

In addition to interest expense on loans due to related parties detailed in note 6, the income statement also includes the following management and head office recharges from the Company's shareholders.

	<b>2017 £'000</b>	<b>2016 £'000</b>
Element Power Northern Europe Developments Limited	<u>-</u>	<u>-</u>
	<u><b>-</b></u>	<u><b>-</b></u>

**14. EVENTS AFTER THE BALANCE SHEET DATE**

There were no events after the balance sheet date which requires adjustment to, or disclosure in, these financial statements.

**15. GROUP CONSOLIDATED FINANCIAL STATEMENTS**

The ultimate parent of RDS Element Power Limited is Element Power Holdings L.P, a company incorporated in the U.K. The General Partner, Hudson Element Power GP LLC, is the ultimate controlling party who prepares the group consolidated financial statements. These Group consolidated accounts are filed with the Registre de Commerce et des Sociétés - RCS in Luxembourg.

Hudson Element Power GP LLC is the smallest and largest group that the Company is consolidated into.