

Energy Works (Hull) Limited

Annual report and audited financial statements

For the year ended 31 December 2018

Company Registered Number 07829330

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Energy Works (Hull) Limited

Annual report and audited financial statements for the year ended 31 December 2018

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Energy Works (Hull) Limited

Annual report and audited financial statements for the year ended 31 December 2018

Company information

Directors

Pinchas Cohen
Ran Shaul Shelach
Glenn Smith
Charles Spencer
R H McPherson
B Wright

Registered office

Abbey House
1650 Arlington Business Park
Theale
Reading
RG7 4SA

Independent auditor

BDO LLP
55 Baker Street
London
W1U 7EU

Company registered number

07829330

Energy Works (Hull) Limited

Strategic Report

The Directors present their strategic report for the year ended 31 December 2018.

Business review and principal activities

The principal activities of Energy Works (Hull) Limited ("the Company") comprise the development, construction and ownership of an energy from waste power plant ("the plant") in Hull, East Yorkshire.

It is the intention that the principal activities of the Company will incorporate operation of the plant in future. The construction of the plant was completed in 2018 and commissioning is currently ongoing. The Company is incorporated and domiciled in England.

The amounts expensed in the period £802k (2017: £378k) relate to administrative expenses incurred in the period which do not qualify for capitalisation as part of the assets under construction.

Future outlook

On 4th March 2019, the company terminated MW High Tech Projects UK Limited's engineering, procurement and construction ("EPC") contract at the plant. This was a decision that was taken with great reluctance and comes after, amongst other things, significant delay to the works and guarantees the future of the plant. Following termination, EWH continue to be in discussions with M+W regarding a potential settlement, although there is a likelihood of formal dispute resolution. A new service contract has been entered into with another provider for continued commissioning of the plant.

Principal risks and uncertainties

The management of the business and the execution of the Company's strategy are subject to a number of risks. The key business risks and uncertainties affecting the Company are considered to relate to those that impact upon the development and construction of the plant.

Development and construction of the plant

The primary risk to the Company relates to ensuring that the programme is in place for the continued commissioning and operation of the plant. The Directors are actively involved in monitoring the development of the plant and the appointment of reputable contractors, and structuring of associated contracts, to deliver the required works ensuring any risks are mitigated as far as possible.

Liquidity risk

In order to maintain liquidity to ensure that sufficient funds are available for ongoing operations and future developments, the company uses a mixture of equity and debt finance.

Cashflow risk

The Directors actively monitor the cash flow demands associated with the project to ensure that the development programme can be delivered. The Directors believe that sufficient funding has been secured under existing facilities to meet all future cash flow requirements during the development of the plant.

Regulatory environment

Given the nature of the Company's activities, the health and safety of all employees, contractors and the public is of paramount importance. The Company encourages a 'safety first' culture and operates its processes and procedures in all business areas in such a way as to ensure a safe working environment, and to comply with all relevant legal, environmental and regulatory requirements.

Energy Works (Hull) Limited

Strategic Report *(continued)*

Key performance indicators

The key performance indicators for the Company during the period were as follows;

	2018 £'000s	2017 £'000s	Movement £'000s
Assets under construction	220,317	173,427	46,890
Borrowings (gross of facility fees)	(204,556)	(179,705)	(24,851)

Assets under construction have increased in line with the project programme with the increase reflecting the costs incurred as a result of the activities to develop and construct the plant. The movement in borrowings reflects the finance raised and drawdown during the period. The difference in the movements reflecting timing of transactions and interest accrued in the period.

On behalf of the Board



B Wright
Director

10 May 2019

Energy Works (Hull) Limited

Directors' Report

The Directors present the annual report and the audited financial statements for the year ended 31 December 2018.

Principal activities and future developments

The principal activities of the Company and the details of future developments are set out in the Strategic Report on page 2.

Post balance sheet events

Events after the balance sheet date are set out in note 17.

Research and development

The Company incurred no research and development costs during the year (2017: £nil).

Financial risk management

The key financial risks impacting upon the Company are detailed within the Strategic Report on page 2. The Company does not make use of derivative or other complex financial instruments in order to management these risks.

Dividends

No dividends were paid during the year (2017: £nil). The Directors recommend no dividend be paid in respect of the year ended 31 December 2018.

Directors

Michael James Atkinson (resigned 19 December 2018)
Pinchas Cohen
Minal Patel (resigned 19 December 2018)
James Peter Samworth (resigned 19 December 2018)
Ran Shaul Shelach
Glenn Smith
Charles Spencer
R H McPherson (appointed 18 December 2018)
B Wright (appointed 18 December 2018)

Going concern

As set out in note 2, the Directors are of the opinion that the Company has adequate resources to continue in operational existence for the foreseeable future. There are no material uncertainties relating to events or conditions that may cast significant doubt over the ability of the Company to continue as a going concern.

Although the Company is not expected to generate significant income until the year ending 31 December 2019, the Directors are of the opinion that sufficient financing and appropriate facilities are in place to support continued activities.

The financial statements have, therefore, been prepared on the going concern basis.

Donations

No political or charitable donations were made during the year ended 31 December 2018 (2017: £nil).

Disabled employees

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the Company continues, and that appropriate training is arranged. It is the policy of the Company that the training, career development and promotion of disabled persons should, so far as possible, be identical to that of other employees.

Energy Works (Hull) Limited

Directors' Report *(continued)*

Statement on disclosure of information to the independent auditor

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; and
- the Director has taken all the steps that he/she ought to have taken as a Director in order to make himself/herself 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.

Independent auditor

BDO LLP were appointed as auditors on 11th September 2018. BDO LLP have expressed their willingness to continue in office as auditor and a resolution to re-appoint them as independent auditor will be proposed at the Annual General Meeting.

Cautionary statement

Certain statements contained in this report, including those under the "Future outlook" heading constitute forward-looking statements. Such forward-looking statements involve risks, uncertainties and other factors, which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by such statements.

Approved by the Board of Directors and signed on behalf of the Board by:



B Wright
Director

10 May 2019

Energy Works (Hull) Limited

Directors' Responsibility Statement

The Directors are responsible for preparing the Annual Report including the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial period. Under that law the Directors have elected to prepare the financial statements in accordance with Financial Reporting Standard 101 ('FRS 101'). 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:

- *select suitable accounting policies and apply them consistently;*
- make judgements and accounting estimates that are reasonable and prudent;
- state whether FRS101 has been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. 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.

Energy Works (Hull) Limited

Independent Auditor's report to the members of Energy Works (Hull) Limited

Opinion

We have audited the financial statements of Energy Works (Hull) Limited ("the Company") for the year ended 31 December 2018 which comprise Statement of Comprehensive Income, Statement of Financial Position and Statement of Changes in Equity, and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2018 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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

the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or

the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the Directors report 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.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Energy Works (Hull) Limited

Independent Auditor's report to the members of Energy Works (Hull) Limited *(continued)*

Matters on which we are required to report by exception

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

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

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

Responsibilities of Directors

As explained more fully in the Statement of Directors Responsibilities, 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.

A further description of our responsibilities for the audit of the financial statements is located at the Financial Reporting Council's website at:

<https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

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



Marc Reinecke (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
London, UK

10 May 2019

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Energy Works (Hull) Limited

Statement of Comprehensive Income For the year ended 31 December 2018

		Year ended 31 December 2018. £'000	Year ended 31 December 2017 £'000
	Note		
Revenue	4	452	-
Direct costs		(452)	-
Gross profit		-	-
Operating expenses		(802)	(378)
Operating loss	5	(802)	(378)
Finance cost	7	-	-
Loss before tax		(802)	(378)
Tax charge	8	-	-
Loss for the year		(802)	(378)

The accompanying notes to the financial statements presented on pages 12 to 19 form part of the audited financial statements.

All activities relate to continuing operations.

There is no other comprehensive income for the financial period (2017: £nil). Accordingly, no statement of comprehensive income is presented.

Energy Works (Hull) Limited

Statement of Financial Position As at 31 December 2018

	Note	2018 £'000	2017 £'000
Non-current assets			
Tangible fixed assets	10	224,171	177,281
		<hr/> 224,171	<hr/> 177,281
Current assets			
Trade and other receivables	11	810	56
Cash and cash equivalents		6,694	17,716
		<hr/> 7,504	<hr/> 17,772
Current liabilities			
Trade and other payables	13	(20,830)	(9,643)
Net current (liabilities) / assets		<hr/> (13,326)	<hr/> 8,129
Non-current liabilities			
Borrowings	13	(192,519)	(166,282)
Deferred capital grant income	12	(19,904)	(19,904)
		<hr/> (212,423)	<hr/> (186,186)
Net liabilities		<hr/> (1,578)	<hr/> (776)
Share capital	14	-	-
Profit and loss account		(1,578)	(776)
Shareholders' deficit		<hr/> (1,578)	<hr/> (776)

The accompanying notes to the financial statements presented on pages 12 to 19 form part of the audited financial statements.

The financial statements were approved by the Board of Directors and authorised for issue on 10 May 2019 and signed on its behalf by:



B Wright

Director

Company registration number 07829330

Energy Works (Hull) Limited

Statement of Changes in Equity For the year ended 31 December 2018

	Share capital £'000	Profit and loss account £'000	Total £'000
Balance at 1 January 2017	-	(398)	(398)
Total comprehensive loss for the year	-	(378)	(378)
Balance at 31 December 2017	-	(776)	(776)
Total comprehensive loss for the year	-	(802)	(802)
Balance at 31 December 2018	-	(1,578)	(1,578)

The accompanying notes to the financial statements presented on pages 12 to 19 form part of the audited financial statements.

Energy Works (Hull) Limited

Notes to the Financial Statements For the year ended 31 December 2018

1. General Information

Energy Works (Hull) Limited ("the Company") is a company limited by shares registered in England and Wales. The address of the registered office is given on page 1. The principal activities and the nature of its operations are set out in the strategic report on page 2.

These financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the Company operates. The Company has no foreign operations or transactions in foreign currencies. Amounts are rounded to the nearest thousand, unless otherwise stated.

These financial statements are separate financial statements. The Company is exempt from the preparation of consolidated financial statements, because it is included in the group accounts of EWH HoldCo Limited. The group accounts of EWH HoldCo Limited are available to the public and can be obtained as set out in note 16.

2. Significant accounting policies

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

Basis of accounting

The Company meets the definition of a qualifying entity under FRS 101 (Financial Reporting Standard 101) issued by the Financial Reporting Council. The financial statements have therefore been prepared in accordance with FRS 101 (Financial Reporting Standard 101) 'Reduced Disclosure Framework' as issued by the Financial Reporting Council.

The financial statements have been prepared on the historical cost basis as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

In the prior year, an error has been corrected by reclassifying an amount of £118,656,000 in respect a loan from the Company's parent from current liabilities to non-current liabilities as this loan is not repayable until 2042. This amendment results in the previously stated net current liabilities of £110,527,000 changing to net current assets of £8,129,000, with no impact on net liabilities.

Application of disclosure exemptions

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to the presentation of a cashflow statement and disclosures in respect of financial instruments, related party transactions and upcoming accounting standards which have been issued but are not yet effective.

Going concern

The Company receives funding from its immediate parent EWH FinCo Limited which has a total base loan facility in place of £159.3 million, at the financial year end a total of £155.8 million had been used, leaving a remaining facility of £3.5 million, this is in addition to cash on hand of £18.1 million in both the Company and its parent. The Company draws down funds from EWH FinCo Limited as required.

In the final quarter of 2018, a long term business model was prepared that showed this facility to be adequate to cover future construction costs to acceptance date of the power station and sufficient cash flows to be available for the business over the going concern period. The directors are also satisfied that additional loan facilities will be available should they be required.

The directors review and monitor cash flows monthly, along with regular construction reports.

The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Energy Works (Hull) Limited

Notes to the Financial Statements *(continued)* For the year ended 31 December 2018

2. Significant accounting policies *(continued)*

Revenue

Revenue represents amounts receivable for goods or services provided to customers in the normal course of business, net of trade discounts, VAT and other sales-related taxes and excluding transactions between Group companies.

Revenues from the sale of electricity are measured based upon metered output delivered at rates specified under contract terms or prevailing market rates as applicable.

The Company is party to a Contract for Difference (CfD) with the Low Carbon Contracts Company (LCCC), a Government-owned entity responsible for delivering elements of the Government's Electricity Market Reform Programme. Under the contract, the Group makes or receives payments in respect of electricity dispatched.

When market prices at the point of generation are above or below the strike price, the Company makes or receives an additional payment to or from LCCC equivalent to the difference between the market power price at the point of dispatch and the strike price. Such payments are in addition to amounts received from the sale of the power in the wholesale market.

Revenue from gate fees on receipt of refuse derived fuel (RDF) are recognised on receipt of RDF at the plant.

Revenue generated from power, CfD and gate fees during construction, prior to the asset being able to operate in the manner intended by management, are recognised at no margin in the profit and loss account.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

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 balance sheet date.

Deferred tax

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.

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 based on tax laws and rates that have been enacted or substantively enacted at the balance sheet date.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Energy Works (Hull) Limited

Notes to the Financial Statements *(continued)* For the year ended 31 December 2018

2. Significant accounting policies *(continued)*

Tax *(continued)*

Current tax and deferred tax for the year

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

Government grants

Government grants are not recognised until there is reasonable assurance that the Company will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Company recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Company should purchase, construct or otherwise acquire non-current assets are recognised as deferred capital grant income in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Property, plant and equipment

Land and buildings held for use in the production or supply of goods or services, or for administrative purposes, are stated in the balance sheet at historic cost less accumulated depreciation and subsequent accumulated impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets (other than freehold land and properties under construction) less their residual values over their useful lives, using the straight-line method. Depreciation will be recognised from the date the assets are ready for use, expected to during the period ending 31 December 2019.

Freehold land is not depreciated. Assets under construction are not depreciated.

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. The gain or loss arising on the disposal or scrapping of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in income.

Financial instruments

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

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

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 recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Energy Works (Hull) Limited

Notes to the Financial Statements *(continued)* For the year ended 31 December 2018

3 Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, which are described in note 2, 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.

Accounting for borrowing costs

Borrowing costs are accounted for at amortised cost using an effective interest rates. Given the nature of the financing agreements in place the estimation of an effective interest rate requires judgements to be made in respect of estimating future repayment profiles and allocation of associated transaction costs. Judgements have been made based on the future expected project programme and drawdown of funds under the facilities as at the reporting date.

Capitalisation of assets under construction

Amounts capitalised as assets under construction require a level of judgement in identifying costs which directly relate to the construction of the plant. As a result of the nature of the contracts under which the costs are incurred a level of judgement has been applied to identify costs which appropriate for capitalisation and those which should be recognised as an expense in the period in which they are incurred.

4 Revenue

Revenue earned in the year was £452,000 (2017: £nil) primarily from gate fees received during plant testing.

5 Operating loss

Operating loss for the period has been arrived at after charging/ (crediting):

	2018 £'000	2017 £'000
Fees payable to the Company's auditor for:		
- audit of the Company's annual financial statements	13	23
- other non-audit services	-	12
	<u>13</u>	<u>35</u>

6 Staff costs

The Company employed no staff during the period. All activities were completed under a management services agreement in place with a related party. Costs incurred during this period were £220k (2017: £211k). Costs under this contract have been capitalised as part of assets under construction or expensed based on the nature of the costs incurred.

The remuneration of all Directors of the Company were borne by other parties in the period.

Energy Works (Hull) Limited

Notes to the Financial Statements *(continued)* For the year ended 31 December 2018

7 Finance costs

	2018 £'000	2017 £'000
Interest on amounts owed to group undertakings	23,775	16,922
Total interest expense	23,775	16,922
Less: amounts included in the cost of qualifying assets	(23,775)	(16,922)
Total finance cost	-	-

8 Tax

Analysis of tax charge arising in the period

	2018 £'000	2017 £'000
Current tax	-	-
Deferred tax	-	-
Tax on loss on ordinary activities	-	-

Factors affecting the current tax charge for the period

The tax charge for the period is in line with the standard rate of corporation tax in the UK when applied to reported profit. The differences are explained below:

	2018 £'000	2017 £'000
Loss before tax	(802)	(378)
Loss before tax multiplied by the standard rate of tax in the UK of 19% (2017: 19.25%)	(152)	(72)
Unrecognised deferred tax asset	152	72
Total tax charge	-	-

Factors that might affect the future tax charge

A reduction in the UK corporation tax rate from 20% to 19% (effective from 1 April 2017) was enacted on 26 October 2015. A further reduction to 18% (effective from 1 April 2020) was substantively enacted on 26 October 2015 and an additional reduction to 17% (effective from 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the company's future current tax charge and provisions accordingly.

No deferred tax asset has been recognised in respect of losses due to the uncertainty associated with the timing of taxable income. The amount of unrecognised deferred tax was £304k (2017: £152k).

9 Dividends

No dividends have been paid during the year (2017: £nil).

Energy Works (Hull) Limited

Notes to the Financial Statements *(continued)* For the year ended 31 December 2018

10 Tangible fixed assets

	Freehold land £'000	Plant and equipment £'000	Total £'000
Cost			
At 1 January 2018	3,854	173,427	177,281
Additions	-	46,890	46,890
At 31 December 2018	3,854	220,317	224,171
Accumulated depreciation			
At 1 January 2018 and 31 December 2018	-	-	-
Net book value			
At 31 December 2017	3,854	173,427	177,281
At 31 December 2018	3,854	220,317	224,171

Borrowing costs amounting to £23,775,000 (2017: £11,830,000) have been included in the cost of tangible fixed assets.

11 Trade and other receivables

	2018 £'000	2017 £'000
Amounts falling due within one year		
Trade receivables	381	1
Other debtors	429	55
	810	56

12 Deferred capital grant income

	2018 £'000	2017 £'000
Arising from government grants received	19,904	19,904

The deferred capital grant income arises as a result of the benefit received from an interest-free government grant fully received as at 23 February 2016. The grant relates to the construction of the plant and will be offset against future depreciation charges in the future. The Company has complied with all conditions associated with the grant and all amounts due have been received as at 31 December 2018.

Energy Works (Hull) Limited

Notes to the Financial Statements *(continued)* For the year ended 31 December 2018

13 Trade and other payables

	2018 £'000	2017 £'000
Amounts falling due within one year		
Trade payables	1,224	69
Accruals and deferred income	10,032	-
Amounts owed to group undertakings	9,574	9,574
	<u>20,830</u>	<u>9,643</u>
Amounts falling due after more than one year		
Accruals and deferred income (note 12)	19,904	19,904
Amounts owed to group undertakings	192,519	166,282
	<u>212,423</u>	<u>186,186</u>
Borrowings		
Loan facility from parent company	194,992	170,131
Less: debt issue costs capitalised	(2,473)	(3,849)
	<u>192,519</u>	<u>166,282</u>

Borrowings relate to a loan facility from the Company's parent, attracting interest at 12.6 to 13% per annum (2017: 12.6%). Interest is capitalised each quarter until the commissioning of the plant is completed. The loan principal and capitalised interest have a maturity date of 31 March 2042.

14 Called up share capital

	2018 £	2017 £
Authorised issued and fully paid: 100 Ordinary shares of £1 each	<u>100</u>	<u>100</u>

15 Financial Commitments

At the end of the year the Company was contracted to make the following payments for which no provision has been recognised:

	2018 £	2017 £
Capital commitments under EPC contract	<u>5,932</u>	<u>21,445</u>

Energy Works (Hull) Limited

Notes to the Financial Statements *(continued)* **For the year ended 31 December 2018**

16 Ultimate holding company

The ultimate parent undertaking is Prudential plc, a company registered in England & Wales.

Prudential plc is the parent undertaking of the largest group, and EWH HoldCo Limited the parent undertaking of the smallest group, for which consolidated financial statements are prepared.

The Company is a wholly-owned subsidiary of EWH FinCo Limited.

The results of the Company and its subsidiary undertakings are included in the consolidated financial statements of EWH Holdco Limited, and therefore the Company has taken the exemption provided by Section 400 of the Companies Act 2006 from preparing consolidated financial statements.

Energy Works (Hull) Limited

Notes to the Financial Statements *(continued)* **For the year ended 31 December 2018**

17 Events after the balance sheet date

On 4th March 2019, the company terminated MW High Tech Projects UK Limited's engineering, procurement and construction ("EPC") contract at the plant. This was a decision that was taken with great reluctance and comes after, amongst other things, significant delay to the works and guarantees the future of the plant. Following termination, EWH continue to be in discussions with M+W regarding a potential settlement, although there is a likelihood of formal dispute resolution. A new service contract has been entered into with another provider for continued commissioning of the plant.