

Port Clarence Energy Limited

Directors' Report and Financial Statements

For the year ended 31 December 2019



Company Registered No. 08790013

Company Information

Directors

J Bergsma

P Dickson

Secretary

Everssecretary Limited (resigned 01 February 2021)

Independent Auditors

Ernst & Young LLP

Bedford House

16 Bedford Street

Belfast

BT2 7DT

Bankers

Deutsche Bank AG

1 Great Winchester Street

London

EC2N 2DB

Solicitors

Eversheds Sutherland LLP

1 Wood Street

London

EC2V 7WS

Registered Office

Eversheds House

70 Great Bridgewater Street

Manchester

United Kingdom

M1 5ES

Directors' report

Registered No. 08790013

The directors present their annual report and audited financial statements for the year ended 31 December 2019.

Results and dividends

The company made a loss after taxation in the year of £6,061,042 (2018 – £4,960,122 loss). The directors do not recommend a final dividend (2018 – £nil).

Principal activity and business review

The principal activity of the company continued to be that of constructing an energy plant. The company did not trade in either the current or the prior year and the plant entered preservation status from 01 July 2020.

Future developments

The company is in a sale process initiated by its shareholder however regardless of the outcome of this, the future of the entity will be as an energy from waste project. In the meantime the company is being funded by its shareholder and by its credit facility.

Directors

The directors who served the company during the year were as follows:

J Bergsma
P Dickson

Principal risks and uncertainties

The principal risks and uncertainties facing the company are set out in note 13.

Going concern

In preparing the Company's financial statements on a going concern basis, the directors have considered the financial position and circumstances of the Company. At 31 December 2019 the Company's current liabilities exceeded its current assets by £10,997,279 (2018 - £41,041,820). This is partially due to a reclassification of the Company's term loans of £6,998,313 to falling due within one year following a breach of the facilities agreement as described further below.

The company commenced a construction project to build a wood burning electricity generation plant. The construction project commenced in October 2015 and had a contracted completion date of 31 December 2017. The contractor was not able to complete the project by the contracted completion date due to a number of issues, including structural issues at the site and the insolvency and withdrawal of one of the joint venture contractor parties. The Company reached a settlement with its contractor in relation to the payment of compensation in respect of the delay in March 2019. This compensation was used to repay a substantial part of the amounts outstanding to the bank under the facility agreement.

Due to the construction delay the project did not secure ROC accreditation as a biomass plant and accordingly it is understood that the Company's shareholder has initiated a sale process. If acquired, it is understood that the Company will continue with the construction of the project to be an Energy from Waste (EfW) Project. In the meantime, the Company is being funded by its shareholder and by current credit facilities. Should the Company be sold, as a consequence of the utilisation of the settlement payment to repay part of the outstanding bank facility, the Company will continue to have a low level of debt to equity leverage. It is understood that the Company shall modify its existing planning consents rather than submit a new planning application in order to complete an EfW project.

The directors reasonably believe that a successful sale will be completed. If a sale is not completed, because of the low debt to equity leverage of the company and the fact that a new planning consent will not be required, the directors have discussed future funding with its shareholder and lenders, and have

Directors' report (continued)

Going concern (continued)

gained assurance that adequate future finance can be made available as required for an energy from waste project.

A number of breaches have occurred under the Company's banking facilities agreement including delayed repayment of remaining instalments. Port Clarence Energy Limited have received a formal letter of support from its intermediate parent, CEP Teesside Biomass Limited. The Company is reliant on CEP Teesside Biomass Limited for the cashflows required to service the remaining bank debt and for the ongoing preservation costs of the company. The directors have assessed that CEP Teesside Biomass Limited has the ability to provide this support for a period of at least 12 months from the date of this report. Accordingly, the Directors are of the view that the company will be able to continue as a going concern.

Events since the balance sheet date

In early 2020, the existence of a new coronavirus ("COVID-19") was confirmed which has since spread across a significant number of countries including the UK, leading to disruption to businesses and economic activity. The Company considers the emergence of COVID-19 to be a non-adjusting post balance sheet event. There has been limited impact on the Company aside from restrictions on site visitors and adjustments to the preservation team working practices to ensure compliance with the government social distancing requirements.

Statement of disclosure of information to the auditors

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Each director has taken all the steps that he/she is obliged to take as a director in order to make himself aware of any relevant audit information and to establish that the auditor is aware of that information.

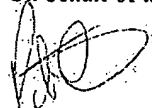
Small company provisions

This report has been prepared in accordance with the small companies' exemptions under the Companies Act 2006. The company has also taken advantage of the small companies' exemption from preparing a Strategic Report.

Auditors

In accordance with section 485 of the Companies Act 2006, a resolution for the re-appointment of Ernst & Young LLP as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

On behalf of the directors



P Dickson
Director

Date: 02 March 2021

Directors' responsibilities statement

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006. 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, the directors are required to:

- Select suitable accounting policies for the company's financial statements and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- State whether applicable International Accounting Standards in conformity with the requirements of the Companies Act 2006 have 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.

Independent auditors' report

to the members of Port Clarence Energy Limited

Opinion

We have audited the financial statements of Port Clarence Energy Limited for the year ended 31 December 2019 which comprise the Income statement, Statement of financial position, Statement of cash flows, Statement of comprehensive income, Statement of changes in equity and the related notes 1 to 22, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Accounting Standards in conformity with the requirements of the Companies Act 2006.

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 December 2019 and of its loss for the year then ended;
- have been properly prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006; 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 Auditors' responsibilities for the audit of the financial statements section of our report below. 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.

Independent auditors' report

to the members of Port Clarence Energy Limited (continued)

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this 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 the 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 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.

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 directors' 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; 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.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 4, 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.

Independent auditors' report

to the members of Port Clarence Energy Limited (continued)

Responsibilities of directors (continued)

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.

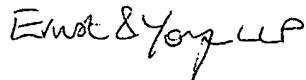
Auditors' responsibilities for the audit of the financial statements

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

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



Michael Kidd (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Belfast

Date: 3 March 2021

Income statement

for the year ended 31 December 2019

| | Notes | 2019 £ | 2018 £ |
|--|-------|--------------------|--------------------|
| Administration expenses | | (3,029,567) | (6,234) |
| Operating loss | 5 | (3,029,567) | (6,234) |
| Gain/(loss) on financial instruments | | 1,699,259 | (6,378,738) |
| Foreign exchange (loss)/gain | | (10,651) | 1,515,927 |
| Interest receivable and similar income | | – | 1,781 |
| Interest payable and similar charges | 4 | (4,812,941) | – |
| Loss before taxation | | (6,153,900) | (4,867,264) |
| Income tax expense | 6 | 92,858 | (92,858) |
| Loss for the financial year | | <u>(6,061,042)</u> | <u>(4,960,122)</u> |

The notes on pages 13 to 28 form an integral part of the financial statements.

Statement of comprehensive income

for the year ended 31 December 2019

| | 2019 | 2018 |
|--|--------------------|--------------------|
| | £ | £ |
| <i>Loss for the financial year</i> | (6,061,042) | (4,960,122) |
| <i>Other comprehensive income</i> | — | — |
| <i>Total comprehensive expense for the period net of tax</i> | <u>(6,061,042)</u> | <u>(4,960,122)</u> |

The notes on pages 13 to 28 form an integral part of the financial statements.

Statement of changes in equity

for the year ended 31 December 2019

| | <i>Issued share capital</i> £ | <i>Share premium account</i> £ | <i>Retained losses</i> £ | <i>Total debt</i> £ |
|--|--------------------------------------|---------------------------------------|-----------------------------|------------------------|
| Balance at 1 January 2018 | 50,000 | 22,450,801 | (51,853,186) | (29,352,385) |
| Total comprehensive expense for the year | – | – | (4,960,122) | (4,960,122) |
| Balance at 31 December 2018 | 50,000 | 22,450,801 | (56,813,308) | (34,312,507) |
| Total comprehensive expense for the year | – | – | (6,061,042) | (6,061,042) |
| Balance at 31 December 2019 | 50,000 | 22,450,801 | (62,874,350) | (40,373,549) |

Retained losses

Retained losses account includes all prior retained profits and losses attributable to the shareholders of the parent company.

Share premium account

The share premium account represents the difference between the par value of shares issued and the subscription or issue price.

The notes on pages 13 to 28 form an integral part of the financial statements.

Statement of financial position

for the year ended 31 December 2019

Registered No. 08790013

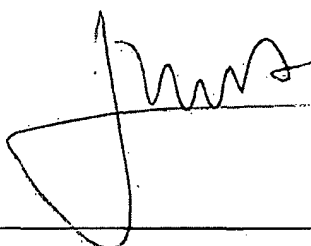
| | Notes | 2019 £ | 2018 £ |
|---|-------|---------------------|---------------------|
| Assets | | | |
| Non-current assets | | | |
| Property, plant and equipment | 7 | 53,364,888 | 94,765,846 |
| Right-of-use asset | 8 | 9,454,907 | - |
| Total non-current assets | | 62,819,795 | 94,765,846 |
| Current assets | | | |
| Trade and other receivables | 9 | 328,667 | 10,567,974 |
| Cash and short-term deposits | | 1,089,761 | 7,578,584 |
| Total current assets | | 1,418,428 | 18,146,558 |
| Total assets | | 64,238,223 | 112,912,404 |
| Equity and liabilities | | | |
| Capital and reserves | | | |
| Issued share capital | 15 | 50,000 | 50,000 |
| Share premium account | | 22,450,801 | 22,450,801 |
| Retained losses | | (62,874,350) | (56,813,308) |
| Total debt | | (40,373,549) | (34,312,507) |
| Non-current liabilities | | | |
| Other non-current financial liabilities | 12 | 17,851,333 | 13,816,534 |
| Amounts owed to group undertakings | 15 | 74,344,732 | 63,276,303 |
| Interest bearing loans and borrowings | 15 | - | 10,850,838 |
| Deferred tax liability | 6 | - | 92,858 |
| Total non-current liabilities | | 92,196,065 | 88,036,533 |
| Current liabilities | | | |
| Trade and other payables | 10 | 753,394 | 3,338,481 |
| Interest bearing loans and borrowings | 11 | 11,662,313 | 55,849,897 |
| Total current liabilities | | 12,415,707 | 59,188,378 |
| Total liabilities | | 104,611,772 | 147,224,911 |
| Total equity and liabilities | | 64,238,223 | 112,912,404 |

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

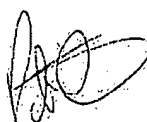
The financial statements were approved by the Board on 02 March 2021 and are signed on its behalf by:

The notes on pages 13 to 28 form an integral part of the financial statements.

J Bergsma
Director



P Dickson
Director



Statement of cash flows

for the year ended 31 December 2019

| | 2019 | 2018 |
|--|------------------------|---------------------|
| Notes | £ | £ |
| Cash flows from operating activities | | |
| Loss for the financial year | (6,061,042) | (4,960,122) |
| <i>Non-cash adjustments to reconcile loss before taxation to net cash flows from operating activities:</i> | | |
| Tax (credit)/charge | (92,858) | 92,858 |
| Fair value (gain)/loss on financial instruments | (1,699,259) | 6,378,738 |
| Foreign exchange loss/(gain) | 10,651 | (1,515,927) |
| Unpaid interest | 3,768,154 | 5,653,073 |
| <i>Working capital adjustments:</i> | | |
| (Increase)/decrease in trade and other receivables | (306,558) | 77,296 |
| Decrease in trade and other payables | (2,917,640) | (695,482) |
| Increase in intercompany current account | 4,335,459 | - |
| Cash generated from operations | (2,963,093) | 5,030,434 |
| Income tax paid | - | - |
| Net cash flows from operating activities | <u>(2,963,093)</u> | <u>5,030,434</u> |
| Cash flows from investing activities | | |
| Payments to acquire property, plant and equipment | (1,465,940) | (6,692,898) |
| Interest payments capitalised | (1,414,257) | (4,186,361) |
| Proceeds from contract settlement | 60,000,000 | - |
| Net cash flows used in investing activities | <u>57,119,803</u> | <u>(10,879,259)</u> |
| Cash flows from financing activities | | |
| Proceeds from borrowings | - | 1,163,794 |
| Repayment of borrowings | (60,634,883) | - |
| Shareholder loan proceeds | - | 5,715,819 |
| Net cash flows used in financing activities | <u>14 (60,634,883)</u> | <u>6,879,613</u> |
| Net decrease in cash and cash equivalents | (6,478,173) | 1,030,788 |
| Cash and cash equivalents at 1 January | 7,578,585 | 5,031,870 |
| Foreign exchange movement | (10,651) | 1,515,927 |
| Cash and cash equivalents at 31 December | <u>1,089,761</u> | <u>7,578,585</u> |

Notes to the financial statements

for the year ended 31 December 2019

1. Corporate information

Port Clarence Energy Limited ("the Company") is a private company with limited liability incorporated and domiciled in England and Wales. The company financial statements are presented in sterling which is the functional currency of the company and rounded to the nearest £1 unless otherwise stated.

2. Accounting policies

Compliance with accounting standards

The Financial Statements have been prepared in compliance with International Accounting Standards in conformity with the requirements of the Companies Act 2006.

Basis of preparation

In preparing the Company's financial statements on a going concern basis, the directors have considered the financial position and circumstances of the Company. At 31 December 2019 the Company's current liabilities exceeded its current assets by £10,997,279 (2018 - £41,041,820). This is partially due to a reclassification of the Company's term loans of £6,998,313 to falling due within one year following a breach of the facilities agreement as described further below.

The company commenced a construction project to build a wood burning electricity generation plant. The construction project commenced in October 2015 and had a contracted completion date of 31 December 2017. The contractor was not able to complete the project by the contracted completion date due to a number of issues, including structural issues at the site and the insolvency and withdrawal of one of the joint venture contractor parties. The Company reached a settlement with its contractor in relation to the payment of compensation in respect of the delay in March 2019. This compensation was used to repay a substantial part of the amounts outstanding to the bank under the facility agreement.

Due to the construction delay the project did not secure ROC accreditation as a biomass plant and accordingly it is understood that the Company's shareholder has initiated a sale process. If acquired, it is understood that the Company will continue with the construction of the project to be an Energy from Waste (EfW) Project. In the meantime, the Company is being funded by its shareholder and by current credit facilities. Should the Company be sold, as a consequence of the utilisation of the settlement payment to repay part of the outstanding bank facility, the Company will continue to have a low level of debt to equity leverage. It is understood that the Company shall modify its existing planning consents rather than submit a new planning application in order to complete an EfW project.

The directors reasonably believe that a successful sale will be completed. If a sale is not completed, because of the low debt to equity leverage of the company and the fact that a new planning consent will not be required, the directors have discussed future funding with its shareholder and lenders, and have gained assurance that adequate future finance can be made available as required for an energy from waste project.

A number of breaches have occurred under the Company's banking facilities agreement including delayed repayment of remaining instalments. Port Clarence Energy Limited have received a formal letter of support from its immediate parent, CEP Teesside Biomass Limited. The Company is reliant on CEP Teesside Biomass Limited for the cashflows required to service the remaining bank debt and for the ongoing preservation costs of the company. The directors have assessed that CEP Teesside Biomass Limited has the ability to provide this support for a period of at least 12 months from the date of this report. Accordingly, the Directors are of the view that the company will be able to continue as a going concern.

Foreign currencies

In preparing the financial statements transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date.

Notes to the financial statements (continued)

2. Accounting policies (continued)

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 are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they occur.

Property, Plant and Equipment and depreciation

Tangible fixed assets relate to development costs and are stated at cost less depreciation and impairment losses. No depreciation has been charged in the year as the development is not complete.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, call deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Trade and trade receivables

Trade and other receivables are recognised initially at transaction price and are subsequently stated at amortised cost using the effective interest method, less allowances for expected credit losses. The company measures the loss allowance for its trade receivables at an amount equal to the lifetime expected credit losses. The amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to its recognised amount is recognised in profit or loss, as an impairment loss or a reversal of an impairment loss. Trade and other receivables are written off (either partially or in full) when there is no reasonable expectation of recovery.

Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised at the transaction price.

Taxation

Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the countries where the Company operates and generates taxable income.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the income statement. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred taxation

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Notes to the financial statements (continued)

2. Accounting policies (continued)

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Financial instruments

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instruments.

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 (other than financial assets and financial liabilities through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

Financial assets are classified into the following specified categories: financial assets “at fair value through profit or loss” (“FVTPL”), “available-for-sale” (AFS) financial assets and “loans and receivables”. The classification depends on the nature and purpose of the financial assets is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method:

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition. Income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL.

Notes to the financial statements (continued)

2. Accounting policies (continued)

Financial assets at FVTPL:

A financial asset is classified as held for trading if it is a derivative that is not designated and effective as a hedging instrument. Financial assets at FVTPL are stated at fair value with any gains or losses arising on remeasurement recognised in profit or loss. The net gain recognised in profit or loss incorporates any dividend or interest earned on the financial assets and is included in the "other gains and losses" line item. Fair value is determined in the manner described in note 10.

Financial liabilities and equity instruments

Classification as debt or equity: Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and definitions of a financial liability and an equity instrument.

Equity instruments: An equity instrument is any contract that evidences residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by a group entity are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Financial liabilities: Financial liabilities are classified as at FVTPL when the financial liability is (i) contingent consideration that may be paid by an acquirer as part of a business combination to which IFRS 3 applies, (ii) held for trading or (iii) it is designated as FVTPL.

A financial liability is classified as held for trading if it is a derivative that is not designated and effective as a hedging instrument.

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the "other gains and losses" line items. Fair value is determined in the manner described in note 10.

Derivative financial instruments

The Company enters into interest rate swaps to manage its exposure to interest rate. Derivatives are initially recognised at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in profit or loss unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Bank borrowings

Interest-bearing bank loans are recorded at the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accrual basis in profit and loss account using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise. In circumstances where the criteria are met, such finance costs are capitalised.

Impairment

At each reporting period, 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). Recoverable amount is the higher of fair value less costs of disposal 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 is estimated to be less than its carrying amount, the carrying amount of the asset 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. When an impairment loss subsequently reverses, the carrying amount of the asset is

Notes to the financial statements (continued)

2. Accounting policies (continued)

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 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.

Changes in accounting policies and disclosures

New and amended standards and interpretations

- IFRS 16 Leases

The company adopted IFRS16 from 1 January 2019 by applying the modified retrospective approach. Under this method, the impact of the standard is calculated retrospectively, however, the cumulative effect arising from the new leasing rules is recognised in the opening balance sheet at the date of initial application. Accordingly, the comparative information presented for FY2018 has not been restated. For its lease the Company recognises the right-of-use asset at the date of initial application at its carrying amount as if the standard has been applied since the lease commencement date, but discounted using the incremental borrowing rate at the date of initial application. The difference between the lease liability and the lower right-of-use assets is posted as a reserves adjustment on transition. The Company's lease is for the land on which the biomass plant has been constructed. As prior lease charges have been capitalised as part of the construction cost under IAS 16, for consistency the opening reserves adjustment has been similarly capitalised into the fixed assets balance.

A contract contains a lease if it is enforceable and conveys the right to control the use of a specified asset for a period of time in exchange for consideration, which is assessed at inception. A right-of-use asset and lease liability are recognised at the commencement date for contracts containing a lease, with the exception of leases with a term of 12 months or less and leases where the underlying asset is of low value. The commencement date is the date at which the asset is made available for use by the Company. The lease liability is initially measured at the present value of the future minimum lease payments, discounted using the incremental borrowing rate or the interest rate implicit in the lease, if this is readily determinable, over the remaining lease term. Lease payments include fixed payments, variable payments that are dependent on a rate or index known at the commencement date, payments for an optional renewal period and purchase and termination option payments, if the Company is reasonably certain to exercise those options. The lease term is the non-cancellable period of the lease adjusted for any renewal or termination options which are reasonably certain to be exercised. Management applies judgement in determining whether it is reasonably certain that a renewal, termination or purchase option will be exercised.

After initial recognition, the lease liability is measured at amortised cost using the effective interest method. It is re-measured when there is a change in future minimum lease payments or when the company changes its assessment of whether it is reasonably certain to exercise an option within the contract. A corresponding adjustment is made to the carrying amount of the right-of-use asset.

The right-of-use asset is initially measured at cost, which comprises the lease liability adjusted for any payments made at or before the commencement date, initial direct costs incurred, lease incentives received and an estimate of the cost to dismantle or restore the underlying asset or the site on which it is located at the end of the lease term. The right-of-use asset is depreciated over the lease term or, where a purchase option is reasonably certain to be exercised, over the useful economic life of the asset in line with depreciation rates for owned property, plant and equipment. The right-of-use asset is tested periodically for impairment if any impairment indicator is considered to exist. The Company chooses whether or not to include certain non-lease components, such as maintenance costs, in the measurement of the right-of-use asset and lease liability on an underlying asset class as afforded by the practical expedients in the standard. Where the non-lease components are not included, the costs are separated from minimum lease payments and are expensed as incurred.

Notes to the financial statements (continued)

2. Accounting policies (continued)

New and amended standards and interpretations

- IFRS 16 Leases (continued)

A reconciliation of the operating lease commitment previously reported under IAS 17 to the discounted liability as at 1 January 2019 under IFRS 16 Leases is as follows:

| | <i>As at 1 January 2019</i> |
|--|---------------------------------|
| | £ |
| Operating lease commitment under IAS 17 | 6,521,458 |
| Increase of IFRS 16 liability term to include extension period | 52,934,333 |
| Less impact of discounting | <u>(48,171,707)</u> |
| Discounted lease liability under IFRS 16 | <u>11,284,084</u> |

Aside from IFRS 16, several amendments and interpretations apply for the first time in 2019, but do not have an impact on the financial statements of the company.

The Company has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

Standards issued but not yet effective

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's financial statements are disclosed below. The Company intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

- IFRS 17 Insurance Contracts

IFRS 17 is effective for reporting periods beginning on or after 1 January 2021, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17. This standard is not applicable to the Company.

- Amendments to IFRS 3: Definition of a Business

Since the amendments apply prospectively to transactions or other events that occur on or after the date of first application, the Company will not be affected by these amendments on the date of transition.

- Amendments to IAS 1 and IAS 8: Definition of Material

The amendments to the definition of material is not expected to have a significant impact on the Company's financial statements.

3. Critical accounting judgements and key sources of estimation uncertainty

The preparation of the company's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Incremental borrowing rate

The calculation of lease liabilities requires the Company to determine an incremental borrowing rate (IBR) to discount future minimum lease payments. Judgement is applied in determining the components of the IBR for each lease including the risk free rates, the Company's borrowing margin and any lease specific adjustments. The IBR used is 6.92%. See note 8 for further information.

Notes to the financial statements (continued)

3. Critical accounting judgements and key sources of estimation uncertainty (continued)

Fair value of financial instruments

When the fair value of financial assets and financial liabilities recorded in the statement of financial position cannot be measured based on quoted prices in active markets, their fair value is determined using valuation techniques including the DCF model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing estimation of fair value. The judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions relating to these factors could affect the reported fair value of financial instruments. See note 13 for further detail.

Valuation of property, plant and equipment

The valuation of property, plant and equipment is undertaken through assessment of the recoverable amount being the higher of fair value less costs of disposal 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.

4. Interest payable and similar charges

| | 2019 | 2018 |
|--|------------------|-------------|
| | £ | £ |
| On bank and intercompany loans | 9,167,397 | 9,839,434 |
| Interest on lease liabilities | 780,294 | - |
| Less: amounts capitalised on qualifying assets | (5,134,750) | (9,839,434) |
| | <u>4,812,941</u> | <u>-</u> |

Interest charged on intercompany loans amounted to £6,732,970 (2018 - £5,653,073) and bore interest at a fixed rate of 10.9%. Interest and charges on bank loans amounted to £2,434,427 (2018 - £4,186,361).

5. Operating loss

| Operating loss is stated after charging: | 2019 | 2018 |
|--|----------------|----------|
| | £ | £ |
| Auditors' remuneration | 12,000 | 6,000 |
| Depreciation (note 8) | <u>105,002</u> | <u>-</u> |

Notes to the financial statements (continued)

6. Tax

(a) Tax on loss on ordinary activities

The tax (credit)/charge is made up as follows:

| | 2019 | 2018 |
|---|-----------------|---------------|
| | £ | £ |
| Current tax | - | - |
| Deferred tax | - | - |
| Deferred tax (credit)/ charge current year | (92,858) | 92,858 |

(b) Factors affecting tax (credit)/charge for the year

The tax assessed for the year differs from the standard rate of corporation tax in the UK of 19% (2018 – 19%). The differences are explained below:

| | 2019 | 2018 |
|---|-----------------|---------------|
| | £ | £ |
| Loss before tax | (6,153,900) | (4,867,264) |
| Loss multiplied by standard rate of corporation tax in the UK of 19% (2018 – 19%) | (1,169,241) | (924,780) |
| <i>Effects of:</i> | | |
| Disallowed expenses | 473,712 | 1,490,632 |
| Group relief received for no payment | (7,238) | - |
| Chargeable gain on part disposal | 842,650 | - |
| Difference in tax rates | (14,726) | (59,568) |
| Movement in un-provided deferred tax | (218,015) | (413,426) |
| Total tax (credit)/charge | (92,858) | 92,858 |

(c) Deferred tax provision

| | £ |
|-------------------------|----------|
| At 1 December 2018 | 92,858 |
| Profit and loss account | (92,858) |
| At 31 December 2019 | - |

| | 2019 | 2018 |
|--|------|-------------|
| | £ | £ |
| <i>The provision for deferred taxation consists of the tax effect of timing differences in respect of:</i> | | |
| Capitalised interest | - | 3,142,199 |
| Losses | - | (700,530) |
| Financial instruments | - | (2,348,811) |
| | - | 92,858 |

Notes to the financial statements (continued)

6. Tax (continued)

A deferred tax asset of £1,756,007 (2018 - £1,881,165) has not been recognised as its recovery is not certain.

(d) Factors that may affect future tax charges

The March 2016 UK budget announced a further reduction in the tax rate to 17% on 1 April 2020 which was enacted in full on 15 September 2016 and this is the rate at which deferred tax has been calculated. On 17th March 2020, HM Treasury substantively enacted a budget resolution to retain the corporation tax rate at 19% from 01 April 2020. This will result in unrecognised deferred tax asset of £1,962,596.

7. Property, Plant and Equipment

| | <i>Plant and machinery</i> £ |
|--|-------------------------------------|
| Cost or valuation: | |
| At 1 January 2018 | 133,170,124 |
| Additions | <u>5,985,763</u> |
| At 31 December 2018 | <u>139,155,887</u> |
| Depreciation and impairment: | |
| At 1 January 2018 | 44,390,041 |
| Charge for the year | — |
| At 31 December 2018 | <u>44,390,041</u> |
| Net book value: | |
| At 31 December 2018 | <u>94,765,846</u> |
| At 31 December 2017 | <u>88,780,083</u> |
| Cost or valuation: | |
| At 1 January 2019 | 139,155,887 |
| Impact of adoption of IFRS 16 (note 8) | 1,623,636 |
| Additions | 6,429,541 |
| Net contract settlement | <u>(49,454,135)</u> |
| At 31 December 2019 | <u>97,754,929</u> |
| Depreciation and impairment: | |
| At 1 January 2019 | 44,390,041 |
| Charge in the year | — |
| At 31 December 2019 | <u>44,390,041</u> |
| Net book value: | |
| At 31 December 2019 | <u>53,364,888</u> |
| At 31 December 2018 | <u>94,765,846</u> |

Included within Plant and machinery is total interest capitalised of £32,222,702 (2018: £27,613,916) of which £19,647,194 (2018 - £16,308,379) in intercompany loan interest and £12,719,724 (2018 - £11,305,537) is bank interest.

No depreciation has been charged in either the current or the previous year as the plant is not yet operational.

Plant and machinery have been pledged to secure the borrowings of the company.

Notes to the financial statements (continued)

8. Right-of-use asset

The Company adopted IFRS 16 *Leases* from 1 January 2019 and has a lease contract for land. Set out below are the carrying amounts of right-of-use assets recognised and the movements during the year:

| <i>Leased right-of-use assets</i> | <i>Land</i> | <i>Total</i> |
|--|---------------------|---------------------|
| | <i>£</i> | <i>£</i> |
| At 1 January 2019, net carrying amount | 9,660,448 | 9,660,448 |
| Depreciation charge in year | (205,541) | (205,541) |
| At 31 December 2019 | 9,454,907 | 9,454,907 |
| <i>Lease liabilities</i> | | |
| At 1 January 2019, net carrying amount | (11,284,084) | (11,284,084) |
| Payments | 401,307 | 401,307 |
| Discount unwinding | (780,294) | (780,294) |
| At 31 December 2019 | (11,663,071) | (11,663,071) |
| Current liabilities | | (332,553) |
| Non-current liabilities | | (11,330,518) |
| | | (11,663,071) |

The opening adjustment at the transition date of 01 January 2019 includes an adjustment to fixed assets as the rental charge was capitalised during the construction period. The table below shows a maturity analysis of the discounted and undiscounted lease liability arising from the Company's leasing activities. The projections are based on the interest rates (discounted projections only) applicable to the lease portfolio. The weighted average incremental borrowing rate applied to lease liabilities on the Balance Sheet was 6.92% at 1 January 2019.

| | <i>As at 31 December 2019</i> | |
|----------------------------|-------------------------------|---------------------|
| | <i>Discounted</i> | <i>Undiscounted</i> |
| | <i>£</i> | <i>£</i> |
| Within one year | 332,553 | 473,949 |
| Between one and five years | 1,365,477 | 2,093,111 |
| Greater than five years | 9,965,041 | 56,759,114 |
| | 11,663,071 | 59,326,174 |

9. Trade and other receivables

| | <i>2019</i> | <i>2018</i> |
|--------------------------------|----------------|-------------------|
| | <i>£</i> | <i>£</i> |
| Other debtors – VAT receivable | 207,761 | 21,405 |
| Other debtors | – | 10,546,569 |
| Prepayments | 120,906 | – |
| | 328,667 | 10,567,974 |

There are no allowances for expected credit losses (2018- £nil).

Notes to the financial statements (continued)

10. Trade and other payables: Current

| | 2019 | 2018 |
|-------------------|----------------|------------------|
| | £ | £ |
| Trade payables | 420,841 | 200,353 |
| Other payables | – | 24 |
| Accruals | – | 3,138,104 |
| Lease liabilities | 332,553 | – |
| | <u>753,394</u> | <u>3,338,481</u> |

11. Interest bearing loans and borrowings: Current

| | 2019 | 2018 |
|------------|-------------------|-------------------|
| | £ | £ |
| Bank loans | <u>11,662,313</u> | <u>55,849,897</u> |

12. Other non-current financial liabilities

| | 2019 | 2018 |
|-----------------------------------|-------------------|-------------------|
| | £ | £ |
| Interest and inflation rate swaps | 6,520,815 | 13,816,534 |
| Lease liabilities | <u>11,330,518</u> | <u>–</u> |
| | <u>17,851,333</u> | <u>13,816,534</u> |

13. Financial instruments

| <i>Financial assets</i> | 2019 | 2018 |
|-------------------------|------|------|
| | £ | £ |

Financial assets at amortised cost:

| | | |
|-----------------------------|----------|-------------------|
| Trade and other receivables | <u>–</u> | <u>10,546,569</u> |
|-----------------------------|----------|-------------------|

Trade and other receivables are non-derivative level 2 financial assets carried at amortised cost. The carrying value may be affected by changes in the credit risk of the counterparties. Carrying value is considered to be materially in line with fair value due to the short-term maturity of these items.

Notes to the financial statements (continued)

13. Financial instruments

| <i>Financial liabilities</i> | <i>2019</i> | <i>2018</i> |
|---|-------------|-------------|
| | <i>£</i> | <i>£</i> |
| <i>Derivatives not designated as hedging instruments:</i> | | |
| Interest and inflation rate swaps | 6,520,815 | 13,816,534 |
| <i>Financial liabilities at amortised cost other than interest – bearing loans and borrowings:</i> | | |
| Trade and other payables | 420,841 | 3,338,481 |

At 31 December 2019, the company had an interest rate swap agreement in place with a notional amount of £9,640,400 whereby the company pays fixed rates of interest of 2.4395% and receives a variable rate based on LIBOR on the notional amount. The swap is being used to hedge the exposure to changes in the fair value of its fixed rate secured loans.

At 31 December 2019, the company has an inflation swap agreement in place with a notional amount of £4,493,762 whereby the company pays a variable rate based on actual RPI and pays receives an amount of up to 2.70% RPI on such notional. The swap is being used to hedge the exposure to adverse changes in the rate of inflation.

The carrying value of financial assets and liabilities is considered to equate to fair value. The fair value is based on the present value of the cash flows discounted at prevailing market rates at cash balance sheet date and are considered to fall within the level 2 techniques of IFRS 13 'Fair Value Measurement'.

Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities

Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

The changes in fair value of the interest rate swap have been recognised in the Income Statement. During the year ended 31 December 2019, a part repayment of the swaps balance was made in line with the repayment of the bank loan.

The applied valuation techniques include swap models, using present value calculations. The models incorporate various inputs including the credit quality of counterparties and interest rate curves. As at 31 December 2019, the marked-to-market value of the derivatives has been calculated, using significant variable inputs.

Disclosures in respect of interest-bearing loans and borrowings are included in note 15.

Financial instruments risk management policies and objectives

The company's principal financial liabilities comprise loans and borrowings and trade and other payables. The main purpose of these financial liabilities is to finance and support the operations. The company's principal financial assets are trade and other receivables, and cash and short-term deposits that derive directly from its operations.

The company is exposed to market risk, credit risk and liquidity risk. The company's senior management oversees the management of these risks, and the directors review and agree policies for managing each of these risks, which are summarised below.

Notes to the financial statements (continued)

13. Financial instruments (continued)

Financial instruments risk management policies and objectives (continued)

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise a number of types of risk, the following are discussed below: interest rate risk and currency risk. Financial instruments affected by market risk include: loans and borrowings and deposits.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The company's exposure to the risk of changes in market interest rates is limited, as the company's borrowings are at a fixed rate of interest through the use of an interest rate swap.

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The company does not have significant exposure in this respect.

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The company is exposed to credit risk from its operating activities (primarily for trade receivables) and from its financing activities, including deposits with banks and financial institutions, and other financial instruments. The maximum exposure to credit risk, in the event that counterparties' fail to perform their obligations as at period end (in relation to each class of recognised financial assets), is the carrying amount of those assets as indicated in the Statement of Financial Position. The shareholder loan is owed to CEP Teesside Biomass Limited is unsecured.

Liquidity risk

Liquidity risk is the risk that the company may not be able to generate sufficient cash resources to settle its obligations in full as they fall due. The Board holds regular meetings to ensure sufficient cash is available for operations.

Regulatory risk

Regulatory risk is the risk that a change in regulations and law might affect an industry or a business. Renewable energy projects are dependent for their commercial viability on a suitable regulatory regime. There is a risk that governments introduce retrospective changes to the regime that is agreed at the time the project is commenced. This however is unusual in the market and changes to the regulatory regime are more typically for future projects.

Management of capital

The primary objective of the company's management of capital is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value. The company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. No changes were made in the objectives, policies or processes during the year ended 31 December 2019.

14. Reconciliation of liabilities arising from financing activities

| | At 1 January 2019 £ | Financing cash flows £ | Other changes £ | At 31 December 2019 £ |
|-------------------------------------|---------------------------|---------------------------------|-----------------------|--------------------------------|
| Loan and debts from related parties | 63,276,303 | - | 11,068,429 | 74,344,732 |
| Non-current borrowings | 10,850,838 | - | (10,850,838) | - |
| Interest rate swap | 13,816,534 | (5,596,460) | (1,699,259) | 6,520,815 |
| Current borrowings | 55,849,897 | (55,038,423) | 10,850,839 | 11,662,313 |
| Total | 143,793,572 | (60,634,883) | 9,369,171 | 92,527,860 |

Notes to the financial statements (continued)

15. Maturity of financial liabilities

| | 2019 | 2018 |
|--|-------------------|-------------------|
| <i>Non-current loans and borrowings</i> | £ | £ |
| Bank loans | — | 10,850,838 |
| Amounts owed to group undertakings, including accrued interest | 74,344,732 | 63,276,303 |
| | <u>74,344,732</u> | <u>74,127,141</u> |

| | | |
|-------------------------------------|-------------------|--------------------|
| <i>Current loans and borrowings</i> | £ | £ |
| Bank loans | 11,662,313 | 55,849,897 |
| Total loans and borrowings | <u>86,007,045</u> | <u>129,977,038</u> |

Deutsche bank has a first mortgage on the plant, first fixed charge on the equipment, intellectual property, book debts, goodwill and key contracts (project contracts, hedging contracts and insurances) of the company and a first floating charge on all the company's assets both present and future.

The loan interest is a margin plus LIBOR, however due to the swap it is at a fixed rate of 2.4395%. The bank facility post the settlement made in early 2019, is due to be fully repaid by 30 June 2022.

The intercompany loan is subordinated in all respects to the senior bank term loan borrowings. Interest is charged at 10.9% and compounds annually for the intercompany loan.

| | On demand | Up to 3 months | 3 to 12 months | 1 to 5 years | Over 5 years | Total |
|--------------------------------------|-------------------|------------------|-------------------|-------------------|--------------------|--------------------|
| | £ | £ | £ | £ | £ | £ |
| 31 December 2018 | | | | | | |
| Loans and debts from related parties | — | — | — | — | 63,276,303 | 63,276,303 |
| Bank borrowings | — | — | 55,849,898 | 10,850,838 | — | 66,700,736 |
| Trade and other payables | — | 200,377 | — | — | — | 200,377 |
| Accrued expenses | — | 3,138,104 | — | — | — | 3,138,104 |
| Total financial liabilities | <u>—</u> | <u>3,338,481</u> | <u>55,849,898</u> | <u>10,850,838</u> | <u>63,276,303</u> | <u>133,315,520</u> |
| 31 December 2019 | | | | | | |
| Loans and debts from related parties | — | — | — | — | 74,344,732 | 74,344,732 |
| Bank borrowings | 11,662,313 | — | — | — | — | 11,662,313 |
| Trade and other payables | — | 420,841 | — | — | — | 420,841 |
| Lease liabilities | — | — | 473,949 | 2,093,111 | 56,759,114 | 59,326,174 |
| Total financial liabilities | <u>11,662,313</u> | <u>420,841</u> | <u>473,949</u> | <u>2,093,111</u> | <u>131,103,846</u> | <u>145,754,060</u> |

Notes to the financial statements (continued)

16. Issued share capital

| | 2019 | | 2018 | |
|---|------------|---------------|------------|---------------|
| <i>Allotted, called up and fully paid</i> | <i>No.</i> | <i>£</i> | <i>No.</i> | <i>£</i> |
| Ordinary shares of £1 each | 50,000 | <u>50,000</u> | 50,000 | <u>50,000</u> |
| <i>Authorised</i> | | | | |
| Ordinary shares of £1 each | 50,000 | <u>50,000</u> | 50,000 | <u>50,000</u> |

Share capital represents the nominal value of shares that have been issued.

17. Related party disclosures

As at 31 December 2019, the company had an intra-group loan payable of £44,615,819 to CEP Teesside Biomass Limited (2018: £44,615,819). During the period, the company accrued an interest charge on the loan of £6,732,970 (2018 - £5,476,549) and £23,041,349 of accrued interest remained payable at the end of the year (2018: £16,308,379). Further to the loan balance, CEP Teesside Biomass Limited has settled transactions on behalf of the company resulting in an intercompany current account debtor of £6,687,564 (2018: £2,252,105).

18. Employees

There were no employees during the year (2018- *nil*) apart from the directors. None of the directors received remuneration in respect of their services (2018- *nil*).

19. Commitments under operating leases

At 31 December 2018 the Company had future minimum rentals payable under non-cancellable operating leases as follows:

| | 2018 |
|----------------------------------|------------------|
| | £ |
| Expiring within one year | 129,619 |
| Expiring between two and 5 years | 2,012,606 |
| Expiring in more than 5 years | <u>4,379,233</u> |
| Total | <u>6,521,458</u> |

20. Ultimate controlling party

The company's immediate parent undertaking is CEP Teesside Biomass Limited, a company incorporated in the United Kingdom.

The ultimate parent undertaking and controlling party of the company was Glennmont Clean Energy Fund Europe II Cooperatief U.A., a company incorporated in the Netherlands. This is the smallest and largest group into which the results of the company are included. The financial statements of Glennmont Clean Energy Fund Europe II Cooperatief U.A. may be obtained from the registered office at Hoogoorddreef 15, 1101 BA, Amsterdam, The Netherlands.

Notes to the financial statements (continued)

21. Post balance sheet events

In early 2020, the existence of a new coronavirus ("COVID-19") was confirmed which has since spread across a significant number of countries including the UK, leading to disruption to businesses and economic activity. The Company considers the emergence of COVID-19 to be a non-adjusting post balance sheet event. There has been limited impact on the Company aside from restrictions on site visitors and adjustments to the preservation team working practices to ensure compliance with the governments social distancing requirements.

22. Contractual commitments

The company entered into outstanding contractual commitments of £251,369 as at 31 December 2019, (2018: £10,129,176) for the preservation of the plant.