Company Registration No. 09623354 (England and Wales)

CRAMLINGTON RENEWABLE ENERGY DEVELOPMENTS HOLD CO LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

CRAMLINGTON RENEWABLE ENERGY DEVELOPMENTS HOLD CO LIMITED

COMPANY INFORMATION

Directors	D R Bradbury	
	D A Whitehurst	
	P J Ireland	(Appointed 21 September 2018)
	M Aitken	(Appointed 23 October 2018)
	E D Archer	(Appointed 11 April 2019)
Secretary	HCP Management Services Limited	
Company number	09623354	
Registered office	8 White Oak Square London Road Swanley Kent BR8 7AG	
Auditor	Deloitte LLP Statutory Auditor London United Kingdom	
Bankers	Barclays Bank Plc Level 28 1 Churchill Place London E14 5HP	

CRAMLINGTON RENEWABLE ENERGY DEVELOPMENTS HOLD CO LIMITED

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CRAMLINGTON RENEWABLE ENERGY DEVELOPMENTS HOLD CO LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2018

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

Business review
The principal activity of the Group is the design, build, finance and operation of a CHP Biomass Plant in Cramlington, England.

Financial Close (signing of all contractual relations at the start of the project) took place on 17 September 2015.

The biomass CHP plant in Cramlington, within the Windmill Industrial Estate, generates renewable energy and heat. Take-over of the plant took place on the 30th June 2018 and the operating period is 20 years.

The Group loss after taxation for the year is £4,134,000 (2017: £688,000 loss) and the net liabilities of the Company are £9,999,000 (2017: £7,284,000).

Principal risks and uncertainties
The Group's activities expose it to a number of financial risks including liquidity risk, interest rate risk, credit risk, foreign currency risk and exposure to market prices. These risks are further explained in the Directors' Report.

Development and performance
The Directors are not aware, at the date of this report, of any major changes in the Group's activities in the next year.

Key perfomance indicators
The key performance indicators for the Group are levels of heat (MWh) and electricity (MWh) produced compared to target. For the year ended 31 December 2018 the Group became operational on the 1st July 2018, hence the targeted electric generation from the 1st of July 2018 to the 31 December 2018 was 102,948MWh whilst the Group actually generated 90,034MWH. For the same period, the targeted heat generation was 14,300MWh whilst the Group actually generated 6,145MWH. In both cases the actual generation has been below target due to issues with plant availability and efficiency.

On behalf of the board of directors

D R Bradbury
Director
29 August 2019

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2018

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

Principal activities
The principal activity of the Group is the design, build, finance and operation of a CHP Biomass Plant in Cramlington, England.

Financial Close (signing of all contractual relations at the start of the project) took place on 17 September 2015.

The new biomass CHP plant in Cramlington, within the Windmill Industrial Estate, will generate renewable energy and heat. Take-over of the plant took place on the 30th June 2018 and the operating period is 20 years.

Directors
The Directors who held office during the year and up to the date of signature of the financial statements were as follows:

D R Bradbury	
J M Isherwood	(Resigned 21 September 2018)
R M Whately	(Resigned 23 October 2018)
D A Whitehurst	
M Porter	(Resigned 21 September 2018)
P J Ireland	(Appointed 21 September 2018)
M Aitken	(Appointed 23 October 2018)
B M Cashin	(Appointed 21 September 2018 and resigned 8 April 2019)
E D Archer	(Appointed 11 April 2019)

Going concern
The Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis in preparing the annual financial statements. Further details regarding the adoption of the going concern basis can be found in the accounting policies in the notes to the financial statements.

Results
The results for the year are set out on page 8.

Qualifying third party indemnity provisions
The Group has made qualifying third party indemnity provisions for the benefit of its directors during the year. These provisions remain in force at the reporting date.

Financial risk management objectives and policies

Liquidity risk
The Group manages its cash and borrowing requirements in order to maximise interest income and minimise interest expense, whilst ensuring the Group has sufficient liquid resources to meet the operating needs of the business. At the start of the project, the Group negotiated debt facilities with an external party to ensure that the Group has sufficient funds over the life of the project.

Interest rate risk
The Group's borrowings expose it to cash flow risk primarily due to the financial risks of changes in interest rates. The Group uses interest rate derivatives to manage the risk and reduce its exposure to changes in interest rates.

Foreign currency risk

The Group's principal foreign currency exposures arise from trading with an overseas company for the period of construction. The Group manages its exposure by having entered into foreign exchange forward contracts in order to fix the cost in sterling.

Credit risk

The Group's principal financial assets are cash, financial assets and trade and other receivables. The Group monitors the financial standing of that counterparty in order to manage its credit risk.

Exposure to market prices

The Group is exposed to long term electricity market prices. The Group currently monitors the electricity market and a 12 year Purchase Power Agreement has been entered into, effective from the start of commercial operations.

The Group also buys a proportion of its fuel on the spot market and is therefore subject to fluctuations in fuel costs. The Group mitigates this risk through entering into short term fixed priced contracts and through purchasing fuel in the summer when the cost is generally lower.

We continue to monitor both of these markets closely.

Liquidated Damages

The Company has an outstanding claim under the EPC contract for Liquidated Damages due to delay in takeover amounting to £5.9m which it can seek to recover via an on-demand bond. No asset has been recognised for the purpose of these accounts.

Future developments

The Directors are not aware, at the date of this report, of any major changes in the Group's activities in the next year.

Auditor

The auditor, Deloitte LLP, is deemed to be reappointed under section 487(2) of the Companies Act 2006.

Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the auditor of the company is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the auditor of the company is aware of that information.

On behalf of the board

D R Bradbury
Director
29 August 2019

CRAMLINGTON RENEWABLE ENERGY DEVELOPMENTS HOLD CO LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2018

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". 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 Group and Company, and of the profit or loss of the Group for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and 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 Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF CRAMLINGTON RENEWABLE ENERGY DEVELOPMENTS HOLD CO LIMITED

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Cramlington Renewable Energy Developments Hold Co Limited (the 'parent company') and its subsidiaries (the 'group') :

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2018 and of the group's loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the Group statement of comprehensive income;
- the Group balance sheet;
- the Company balance sheet;
- the Group statement of changes in equity;
- the Company statement of changes in equity;
- the Group statement of cash flows; and
- the related notes on pages 14 - 33.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

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 group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's ('FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

- the Directors' use of the going concern basis of accounting in 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 group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

Other information

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

Responsibilities of directors

As explained more fully in the Directors' responsibilities statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the group's and the parent 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 group or the parent 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 on the FRC's website at: http://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF CRAMLINGTON RENEWABLE ENERGY DEVELOPMENTS HOLD CO LIMITED

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006
In our opinion, based on the work undertaken in the course of the audit:
- the information given in the strategic report and the Directors' report for the financial year for for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

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

Matters on which we are required to report by exception
Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:
- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company 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.

We have nothing to report in respect of these matters.

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.

D. Winstone

Daryl Winstone (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Statutory Auditor
London
United Kingdom
29 August 2019

CRAMLINGTON RENEWABLE ENERGY DEVELOPMENTS HOLD CO LIMITED

GROUP STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	2018 £'000	2017 £'000
Turnover	3	20,879	1,775
Cost of sales		(16,782)	(2,599)
Gross profit/(loss)		4,097	(824)
Administrative expenses		(2,913)	(28)
Operating profit/(loss)		1,184	(852)
Interest receivable and similar income	7	1	-
Interest payable and similar expenses	8	(6,324)	-
Loss before taxation		(5,139)	(852)
Tax on loss	9	1,005	164
Loss for the financial year		(4,134)	(688)
Other comprehensive income			
Fair value gain arising on the cash flow hedge in the year	16	1,710	1,310
Deferred tax relating to other comprehensive income	19	(291)	291
Total comprehensive (loss)/income for the year		(2,715)	913

The statement of comprehensive income has been prepared on the basis that all operations are continuing operations.

CRAMLINGTON RENEWABLE ENERGY DEVELOPMENTS HOLD CO LIMITED

GROUP BALANCE SHEET

AS AT 31 DECEMBER 2018

	Notes	2018		2017	
		£'000	£'000	£'000	£'000
Fixed assets					
Tangible assets	10		129,437		119,709
Current assets					
Stocks	13	658		235	
Debtors falling due after more than one year	14	2,232		1,518	
Debtors falling due within one year	14	6,899		1,031	
Cash at bank and in hand		10,015		5,228	
		19,804		8,012	
Creditors: amounts falling due within one year	15	(14,437)		(4,577)	
Net current assets/ (liabilities)			5,367		3,435
Total assets less current liabilities			134,804		123,144
Creditors: amounts falling due after more than one year	16		(144,803)		(130,428)
Net liabilities			(9,999)		(7,284)
Capital and reserves					
Called up share capital	20		5		5
Hedging reserve			(5,128)		(6,547)
Profit and loss reserves			(4,876)		(742)
Total shareholders deficit			(9,999)		(7,284)

The financial statements were approved by the board of directors and authorised for issue on 29 August 2019 and are signed on its behalf by:

D R Bradbury
Director

CRAMLINGTON RENEWABLE ENERGY DEVELOPMENTS HOLD CO LIMITED

COMPANY BALANCE SHEET

AS AT 31 DECEMBER 2018

	Notes	2018 £'000	2018 £'000	2017 £'000	2017 £'000
Fixed assets					
Investments	**11**		5		5
Current assets					
Debtors falling due after more than one year	**14**	54,218		48,302	
Debtors falling due within one year	**14**	2,050		337	
		56,268		48,639	
Creditors: amounts falling due within one year	**15**	(2,050)		(337)	
Net current assets			54,218		48,302
Total assets less current liabilities			54,223		48,307
Creditors: amounts falling due after more than one year	**16**		(54,218)		(48,302)
Net assets			5		5
Capital and reserves					
Called up share capital	**20**		5		5
Total equity			5		5

As permitted by s408 Companies Act 2006, the Company has not presented its own profit and loss account and related notes. The Company's profit for the period was £nil (2017: £nil).

The financial statements were approved by the board of directors and authorised for issue on 29 August 2019 and are signed on its behalf by:

D R Bradbury
Director

Company Registration No. 09623354

CRAMLINGTON RENEWABLE ENERGY DEVELOPMENTS HOLD CO LIMITED

GROUP STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2018

	Called up Share capital £'000	Hedging reserve £'000	Profit and loss reserves £'000	Total £'000
Balance at 1 January 2017	5	(5,125)	(54)	(5,174)
Year ended 31 December 2017:				
Financial Loss for the year	-	-	(688)	(688)
Other comprehensive income:				
Fair value gain arising on cash flow hedges in the year	-	1,310	-	1,310
Deferred tax relating to other comprehensive income	-	291	-	291
Total comprehensive income for the year	-	1,601	(688)	913
Recycled to tangible fixed assets	-	(3,023)	-	(3,023)
Balance at 31 December 2017	5	(6,547)	(742)	(7,284)
Year ended 31 December 2018:				
Financial Loss for the year	-	-	(4,134)	(4,134)
Other comprehensive income:				
Fair value gain arising on cash flow hedges in the year	-	1,710	-	1,710
Deferred tax relating to other comprehensive income	-	(291)	-	(291)
Total comprehensive loss for the year	-	1,419	(4,134)	(2,715)
Balance at 31 December 2018	5	(5,128)	(4,876)	(9,999)

CRAMLINGTON RENEWABLE ENERGY DEVELOPMENTS HOLD CO LIMITED

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2018

	Called up share capital £'000	Profit and loss reserves £'000	Total £'000
Balance at 1 January 2017	5	-	5
Year ended 31 December 2017:			
Profit and total comprehensive income for the year	-	-	-
Balance at 31 December 2017	5	-	5
Year ended 31 December 2018:			
Profit and total comprehensive income for the year	-	-	-
Balance at 31 December 2018	5	-	5

CRAMLINGTON RENEWABLE ENERGY DEVELOPMENTS HOLD CO LIMITED

GROUP STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	2018 £'000	2018 £'000	2017 £'000	2017 £'000
Cash flows from operating activities					
Cash generated from/(absorbed by) operations	23		5,925		(1,096)
Investing activities					
Purchase of tangible fixed assets		(7,094)		(50,030)	
Interest received		-		1	
Net cash used in investing activities			(7,094)		(50,029)
Financing activities					
Interest paid		(2,566)		(4,370)	
Proceeds of new loans		11,391		96,536	
Repayment of bank loans		(2,869)		(48,302)	
Net cash generated from financing activities			5,956		43,864
Net increase/(decrease) in cash and cash equivalents			4,787		(7,261)
Cash and cash equivalents at beginning of year			5,228		12,489
Cash and cash equivalents at end of year			10,015		5,228

1 Accounting policies

Company information

Cramlington Renewable Energy Developments Hold Co Limited is a private company limited by shares, domiciled and incorporated in the United Kingdom and registered in England and Wales. The registered office is 8 White Oak Square, London Road, Swanley, BR8 7AG

1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

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

The financial statements have been prepared on the historical cost convention, modified to include certain financial instruments at fair value, and in accordance with FRS 102. The principal accounting policies adopted are set out below.

The Company meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions available to it in respect of its parent financial statements. The Company is consolidated in these financial statements. Exemptions have been taken in these parent company financial statements in relation to presentation of a company statement of cashflows.

1.2 Basis of consolidation

The Group financial statements consolidate the financial statements of the Company and its subsidiary undertaking drawn up to 31 December each year. The subsidiary has a year ended of 31 December 2018.

1.3 Going concern

At the time of approving the financial statements, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus the Directors continue to adopt the going concern basis of accounting in preparing the financial statements.

1.4 Turnover

Turnover is recognised at the fair value of the consideration received or receivable for goods and services provided in the normal course of business, and is shown net of VAT and other sales related taxes. The fair value of consideration takes into account trade discounts, settlement discounts and volume rebates.

Pre commissioning revenue reflects pass-through of costs relating to CCTV and utility costs.

Revenue is entirely derived in the United Kingdom through the sales of brown power generated to the National Grid through the PPA agreement and additionally brown power and brown heat to relevant private wire agreements, with government incentives in the means of ROC and RHI.

1.5 Tangible fixed assets

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

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

Plant and equipment	20 years straight line

1 Accounting policies **(Continued)**

Freehold land is not depreciated.

Residual value represents the estimated amount which would currently be obtained from disposal of an asset, after deducting estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life.

Development costs are capitalised in the year as part of the tangible fixed asset. This includes all costs relating to the build, financing of the debt and grid connection fees.

1.6 Fixed asset investments

Borrowing costs related to fixed assets

Finance costs which are directly attributable to the construction of tangible fixed assets are capitalised as part of the cost of those assets. The commencement of capitalisation begins when both finance costs and expenditures for the asset are being incurred and activities that are necessary to get the asset ready for use are in progress. Capitalisation ceases when substantially all the activities that are necessary to get the asset ready for use are complete.

1.7 Impairment of fixed assets

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

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

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

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

1.8 Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the stocks to their present location and condition.

Stocks held for distribution at no or nominal consideration are measured at the lower of replacement cost and cost, adjusted where applicable for any loss of service potential.

1 Accounting policies **(Continued)**

At each reporting date, an assessment is made for impairment. Any excess of the carrying amount of stocks over its estimated selling price less costs to complete and sell is recognised as an impairment loss in profit or loss. Reversals of impairment losses are also recognised in profit or loss.

1.9 Cash and cash equivalents

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

1.10 Financial instruments

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

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

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

Basic financial assets

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

Loans and receivables

Trade debtors, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment.

Interest is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial. The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating the interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the debt instrument to the net carrying amount on initial recognition.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

1 Accounting policies **(Continued)**

Derecognition of financial assets
Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the Group transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

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

Basic financial liabilities
Basic financial liabilities, including creditors, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

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

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

Other financial liabilities
Derivatives, including interest rate swaps, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or finance income as appropriate, unless hedge accounting is applied and the hedge is a cash flow hedge.

Debt instruments that do not meet the conditions in FRS 102 paragraph 11.9 are subsequently measured at fair value through profit or loss. Debt instruments may be designated as being measured at fair value through profit or loss to eliminate or reduce an accounting mismatch or if the instruments are measured and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

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

Derecognition of financial liabilities
Financial liabilities are derecognised when the group's contractual obligations expire or are discharged or cancelled.

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

1 Accounting policies **(Continued)**

1.12 Derivatives

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to fair value at each reporting end date. The resulting gain or loss is recognised in profit or loss immediately 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.

A derivative with a positive fair value is recognised as a financial asset, whereas a derivative with a negative fair value is recognised as a financial liability.

The Group does not hold or issue derivative financial instruments for speculative purposes.

Hedge accounting

The Group designates certain hedging instruments, including derivatives, embedded derivatives and non-derivatives, as either fair value hedges or cash flow hedges.

At the inception of the hedge relationship, the Group documents the relationship between the hedging instrument and the hedged item along with risk management objectives and strategy for undertaking various hedge transactions. At the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is highly effective in offsetting changes in fair values or cash flows of the hedged item.

Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income.

The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, and is included in the 'other gains and losses' line in this item.

Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item is recognised in the profit or loss in the same line as the recognised hedged item. However when the forecast transaction that is hedged results in the recognition of a non-financial asset or liability, the gains and losses previously accumulated in equity are transferred from equity and included in the initial measurement of the cost of the asset or liability concerned.

1.13 Taxation

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

Current tax

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

1 Accounting policies **(Continued)**

Deferred tax

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

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

Where items recognised in other comprehensive income or equity are chargeable to or deductible for tax purposes, the resulting current or deferred tax expense or income is presented in the same component of comprehensive income or equity as the transaction or other event that resulted in the tax expense or income.

1.14 Foreign exchange

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation are included in the profit and loss account for the period. Foreign exchange gains/losses are not capitalised.

2 Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, the Directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

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

Hedge accounting
The Directors consider the Group to have met the criteria for hedge accounting and the Group has therefore recognised fair value movements on derivatives in effective hedging relationships through other comprehensive income as well as the deferred tax thereon.

Power Purchase Agreement
The Directors have considered whether the Power Purchase Agreement entered into by the Company meets the definition of a derivative under FRS 102 in the context of characteristics of derivative contracts set out within the definition. The Power Purchase Agreement was entered into and continues to be held for the purpose of the Company delivering electrical output to be received by the offtaker in accordance with the requirements set out in the contract, and therefore is not considered to be a financial instrument.

Capitalisation of borrowing costs
As disclosed in Note 1, the Group capitalises borrowing costs directly attributable to the acquisition, construction or production of qualifying assets. Borrowing costs are capitalised to the cost of the fixed asset up to the point that the asset is brought into its intended use. This date is deemed to be the date of take-over of the biomass CHP plant.

2 Critical accounting judgements and key sources of estimation uncertainty (Continued)

Key sources of estimation uncertainty

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

Recoverability of tangible fixed assets

During the year, management has considered the recoverability of the tangible fixed assets included in the balance sheet of £129,437,000 (2017: £119,709,000) Management is confident that the carrying amount of the tangible fixed assets will be recovered in full through use. This situation will be closely monitored, and adjustments made in future periods if future market activity indicates that adjustments are appropriate.

Valuation of derivative financial instruments

The Directors use their judgement in selecting a suitable valuation technique for derivative financial instruments. All derivative financial instruments are valued at the mark to market valuation provided by the derivative counterparty. In these cases, the Company uses valuation techniques to assess the reasonableness of the valuation provided by the derivative counterparty. These techniques use a discounted cash flow analysis based on market observable inputs derived from similar instruments in similar and active markets. The fair value of derivative financial instruments at the balance sheet date was a liability of £6,178,000 (2017: £7,899,000 net liability). The Directors do not consider the impact of own credit risk to be material.

3 Turnover and other revenue

An analysis of the Group's turnover is as follows:

	2018	2017
	£'000	£'000
Turnover analysed by class of business		
Passthrough income	-	13
Power purchase agreement income	14,919	1,760
Other income	5,960	2
	20,879	1,775

	2018	2017
	£'000	£'000
Other significant revenue		
Interest income	1	-

	2018	2017
	£'000	£'000
Turnover analysed by geographical market		
United Kingdom	20,879	1,775

4 Auditor's remuneration

	2018	2017
Fees payable to the Company's auditor and associates:	£'000	£'000
For audit services		
Audit of the financial statements of the Group and Company	16	16

5 Employees

The Group had no employees during the period. The Company is managed under a General Management Services Agreement by Estover Energy Limited and Financial Management Services Agreement by HCP Management Services Limited.

6 Directors' remuneration

No directors received any remuneration for services to the Company during the current or prior year.

7 Interest receivable and similar income

	2018 £'000	2017 £'000
Interest income		
Interest on bank deposits	1	-

8 Interest payable and similar expenses

	2018 £'000	2017 £'000
Interest on financial liabilities measured at amortised cost:		
Interest on bank overdrafts and loans	6,208	-
Other finance costs:		
Other interest	116	-
Total finance costs	6,324	-

9 Taxation

	2018 £'000	2017 £'000
Current tax		
UK corporation tax on losses for the current period	(3,649)	-
Deferred tax		
Origination and reversal of timing differences	2,879	-
Adjustment in respect of prior periods	(235)	-
Tax losses carried forward	-	(164)
Total deferred tax	2,644	(164)
Total tax credit for the year	(1,005)	(164)

9 Taxation **(Continued)**

The actual charge for the year can be reconciled to the expected charge based on the profit or loss and the standard rate of tax as follows:

	2018 £'000	2017 £'000
Loss before taxation	(5,139)	(852)
Expected tax credit based on the standard rate of corporation tax in the UK of 19.00% (2017: 19.25%)	(976)	(164)
Tax effect of expenses that are not deductible in determining taxable profit	115	-
Adjustments in respect of prior years	(235)	-
Effect of change in corporation tax rate	91	-
Taxation credit for the year	(1,005)	(164)

In addition to the amount charged to the profit and loss account, the following amounts relating to tax have been recognised directly in other comprehensive income:

	2018 £'000	2017 £'000
Deferred tax arising on:		
Revaluation of financial instruments treated as cash flow hedges	291	(291)

For the year ended 31 December 2018, the UK rate of 19% is applied.

The Finance (No 2) Act 2015, which provides for reductions in the main rate of corporation tax from 20% to 19% effective 1 April 2017 and to 18% effective 1 April 2020, was substantively enacted on 26 October 2015. Subsequently, the Finance Act 2016, which provided a further reduction in the main rate of corporation tax to 17% effective 1 April 2020, was substantively enacted on 6 September 2016. These rate reductions have been reflected in the calculation of deferred tax at the balance sheet date.

10 Tangible fixed assets

Group	Assets under construction	Plant and equipment	Total
	£'000	£'000	£'000
Cost			
At 1 January 2018	119,708	-	119,708
Additions	-	13,011	13,011
Transfer to plant and equipment	(119,708)	119,708	-
At 31 December 2018	-	132,719	132,719
Depreciation and impairment			
At 1 January 2018	-	-	-
Depreciation charged in the year	-	3,282	3,282
At 31 December 2018	-	3,282	3,282
Carrying amount			
At 31 December 2018	-	129,437	129,437
At 31 December 2017	119,709	-	119,709

The carrying value of land included in assets under construction comprises:

	Group 2018	2017	Company 2018	2017
	£'000	£'000	£'000	£'000
Freehold	2,074	2,074	-	-

11 Fixed asset investments

	Notes	Group 2018	2017	Company 2018	2017
		£'000	£'000	£'000	£'000
Investments in subsidiaries	12	-	-	5	5

The investment in subsidiaries is an equity instrument measured at cost less impairment.

11 Fixed asset investments **(Continued)**

Movements in fixed asset investments
Company

	Shares in group undertakings £'000
Cost or valuation	
At 1 January 2018 and 31 December 2018	5
Carrying amount	
At 31 December 2018	5
At 31 December 2017	5

12 Subsidiaries

Details of the Company's subsidiaries at 31 December 2018 are as follows:

Name of undertaking	Registered office	Nature of business	Class of shares held	% Held Direct
Cramlington Renewable Energy Development Limited	8 White Oak Square, London Road, Swanley, BR8 7AG, United Kingdom	Design,build, finance and operate a Combined Heat and Power plant (CHP)	Ordinary shares	100.00

13 Stocks

	Group 2018 £'000	2017 £'000	Company 2018 £'000	2017 £'000
Raw materials and consumables	658	235	-	-

14 Debtors

	Notes	Group 2018 £'000	2017 £'000	Company 2018 £'000	2017 £'000
Amounts falling due within one year:					
Trade debtors		177	-	-	-
Amounts due from subsidiary undertakings		-	-	2,050	337
Other debtors		1,146	398	-	-
Prepayments and accrued income		5,576	633	-	-
		6,899	1,031	2,050	337
Amounts falling due after more than one year:					
Amounts due from subsidiary undertakings		-	-	54,218	48,302
Deferred tax asset	19	2,232	1,518	-	-
		2,232	1,518	54,218	48,302
Total debtors		9,131	2,549	56,268	48,639

At the year end, the Company was owed £54,218,000 (2017: £48,320,000) in subordianted debt loans and £2,050,000 (2017: £337,000) in accrued interest from its subsidiary, Cramlington Renewable Energy Developments Ltd. The subordinated debt is unsecured and is subject to interest at 15%. The debt is repayable in instalments from surplus funds to 2042.

15 Creditors: amounts falling due within one year

	Notes	Group 2018 £'000	2017 £'000	Company 2018 £'000	2017 £'000
Bank loans and overdrafts	18	1,018	2,549	-	-
Trade creditors		8,606	1,354	-	-
Amounts owed to parent undertakings	18	2,050	337	2,050	337
Bank loan accrued interest		1,153	-	-	-
Accruals and deferred income		1,610	337	-	-
		14,437	4,577	2,050	337

16 Creditors: amounts falling due after more than one year

	Notes	Group 2018 £'000	2017 £'000	Company 2018 £'000	2017 £'000
Bank loans and overdrafts	18	84,407	74,237	-	-
Amounts due to parent undertaking	18	54,218	48,302	54,218	48,302
Derivative financial instruments measured at fair value through profit or loss	17	6,178	7,889	-	-
		144,803	130,428	54,218	48,302

17 Financial instruments

	Group 2018 £'000	2017 £'000	Company 2018 £'000	2017 £'000
Carrying amount of financial liabilities				
Measured at fair value through profit or loss				
- Other financial liabilities	6,178	7,889	-	-

As permitted by the reduced disclosure framework within FRS 102, the company has taken advantage of the exemption from disclosing the carrying amount of certain classes of financial instruments, denoted by 'n/a' above.

Derivative financial instruments

In accordance with the terms of its credit agreement and as part of its interest rate management strategy, the Company entered into an interest rate swap maturing in September 2029. Under the interest rate swap, the Company receives interest on a variable basis and pays interest at a fixed rate of 4.2%.

The fair value of the derivative financial instrument comprises the fair value of the interest rate swap designated in an effective hedging relationship. The interest rate swap contract was designated as a cash flow hedge of variable interest rate risk of the Company's floating rate borrowings. The hedged cash flows are expected to occur and to affect profit or loss over the period to maturity of the interest rate swap. The hedge was highly effective in the current period and 100% of the change in fair value of the interest rate swap of £1,710,185 gain (2017: £1,310,174 gain) was recognised in other comprehensive income in the period.

18 Loans and overdrafts

	Group 2018 £'000	2017 £'000	Company 2018 £'000	2017 £'000
Bank loans	85,425	76,786	-	-
Loans due to parent undertakings	54,218	48,302	54,218	48,302
	139,643	125,088	54,218	48,302
Payable within one year	1,018	2,549	-	-
Payable after one year	138,625	122,539	54,218	48,302
	139,643	125,088	54,218	48,302

The loans are secured by a fixed and floating charge over all the assets of the Group and a charge over the shares of the Group.

The amounts included within the loans which fall due after 5 years reflects the amount of debt arrangement fee incurred at Financial Close which is outstanding over 5 years. The Company began to draw down on the loans in 2016 and these will continue to be drawn upon in 2017.

Bank loans

The Group has facilities provided by Barclays Bank Plc in order to finance the construction of the project. The VAT facility is drawn upon to match VAT payments in month. It is repaid in instalments to match the repayment value from HMRC. The final date for repayment of the total VAT facility is December 2018. The Equity Bridge facility was drawn upon based on costs incurred each month and was repaid in full in December 2017. The Senior Term Loan is drawn upon and based on costs incurred as per the Equity Bridge Loan. The Senior Term facility is repayable in instalments by 2035 based on an agreed percentage amount of the total facilities per annum.

19 Deferred taxation

Deferred tax assets and liabilities are offset where the group or company has a legally enforceable right to do so. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

Group	**Assets 2018 £'000**	**Assets 2017 £'000**
Tax losses	1,182	177
Derivative financial instruments	1,050	1,341
	2,232	1,518

Movements in the year:	**Group 2018 £'000**	**Company 2018 £'000**
Liability/(asset) at 1 January 2018	(1,518)	-
Credit to profit or loss	(1,005)	-
Charge to other comprehensive income	291	-
Liability/(asset) at 31 December 2018	(2,232)	-

The deferred tax asset in relation to the interest rate swap liability is expected to affect profit or loss over the period to maturity of the interest rate swap.

During the year beginning 1 January 2019, the net reversal of deferred tax assets and liabilities is expected to be £82,000. The net reversal of the deferred tax asset will have no impact on the corporation tax charge for next year.

20 Called up share capital

	Group and company	
	2018	2017
Ordinary share capital	£'000	£'000
Issued and fully paid		
5,000 Ordinary Shares of £1 each	5	5

Other Reserves
The Group's other reserves are as follows:

The profit and loss reserve represents cumulative profits or losses.

The hedging reserve represents the cumulative portion of gains and losses on hedging instruments deemed effective in hedging variable interest rate risk of recognised financial instruments. Amounts accumulated in this reserve are reclassified to profit or loss in the periods in which the hedged item affects profit or loss or when the hedging relationship ends.

21 Related party transactions

Transactions with related parties

During the year the Group entered into the following transactions with related parties:

	2018 £'000	2017 £'000
Group		
John Laing Investments Limited: Letters of credit	-	775
Estover Energy Limited: Management fees	934	546
UK Green Investment Group: Subordinated Debt	2,415	21,451
John Laing Investments Limited: Subordinated Debt	4,264	27,189
Equitix Limited: Subordinated Debt	24,861	-
	32,474	49,961

The following amounts were outstanding at the reporting end date:

	2018 £'000	2017 £'000
Group		
Equitix Limited: Subordinated Debt	24,815	-
John Laing Investments Limited: Subordinated Debt	31,453	27,189
Laing Investments Management Services Limited:Management fees	-	12
UK Green Investment Group: Subordinated Debt	-	21,451
	56,268	48,652

No guarantees have been given or received.

22 Controlling party

The Company is a joint venture between John Laing Investments Limited (44.72%), Equitix Limited (35.28%) and Estover Energy Limited (20%); all incorporated and registered in England and Wales. The Directors consider there to be no ultimate controlling entity. The smallest and largest group in which the company's results are consolidated is Cramlington Renewable Energy Developments Hold Co Limited.

23 Cash generated from group operations

	2018 £'000	2017 £'000
Loss for the year after tax	(4,134)	(688)
Adjustments for:		
Taxation credited	(1,005)	(164)
Finance costs	5,549	-
Investment income	(1)	-
Depreciation and impairment of tangible fixed assets	3,282	-
Movements in working capital:		
(Increase) in stocks	(423)	(238)
(Increase) in debtors	(11,963)	-
Increase/(decrease) in creditors	14,620	(6)
Cash generated from/(absorbed by) operations	5,925	(1,096)