

Registered number
09778578

Gravel Pit Biogas Limited

Financial statements

for the year ended 30 September 2021

Pages for filing with the Registrar

Gravel Pit Biogas Limited**Registered number:** 09778578**Statement of financial position
as at 30 September 2021**

	Notes	2021	2020
		£	£
Fixed assets			
Tangible assets	5	9,842,370	10,316,298
Current assets			
Stocks		162,811	171,073
Debtors	6	850,652	728,879
Cash at bank and in hand		160,697	186,208
		<u>1,174,160</u>	<u>1,086,160</u>
Creditors: amounts falling due within one year	7	(1,493,545)	(1,400,480)
Net current liabilities		<u>(319,385)</u>	<u>(314,320)</u>
Total assets less current liabilities		<u>9,522,985</u>	<u>10,001,978</u>
Creditors: amounts falling due after more than one year	8	(21,890,441)	(19,426,271)
Net liabilities		<u>(12,367,456)</u>	<u>(9,424,293)</u>
Capital and reserves			
Called up share capital		200	200
Share premium		49,820	49,820
Profit and loss account		(12,417,476)	(9,474,313)
Shareholders' funds		<u>(12,367,456)</u>	<u>(9,424,293)</u>

These financial statements 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 of directors and authorised for issue and are signed on its behalf by:

Graham Mackenzie

Director

Approved by the board on 31 March 2022

Gravel Pit Biogas Limited
Notes to the accounts
for the year ended 30 September 2021

1 Accounting policies

Accounting convention

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

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

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

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.

The shareholders have stated that they will not seek early repayment of the loan where this would be detrimental to the going concern status of the company. On this basis, the directors consider it appropriate to prepare the financial statements on a going concern basis.

Turnover

Turnover represents amounts receivable from the generation of gas (biomethane) and electricity through anaerobic digestion, net of VAT. Turnover from the sale of biomethane is recognised when gas is exported to the grid, that being the point at which the significant risks and rewards of ownership have passed to the buyer.

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.

Tangible fixed assets other than freehold land are stated at cost less depreciation. Where a substantial period of time is required to bring an asset into use, attributable finance costs are capitalised and included in the cost of the relevant asset. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows:

Land & buildings	5 - 20% straight line
Plant & machinery	20 - 50% straight line

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

Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to 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.

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.

Cash at bank and in hand

Cash at bank and in hand 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.

Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments. Financial instruments are recognised in the company's statement of financial position when the company becomes party to the contractual provisions of the instrument. Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets

Basic financial assets, which include debtors, 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.

Basic financial liabilities

Basic financial liabilities, including creditors and loan notes, 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.

Equity instruments

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

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 income statement for the period.

Leases

Rentals payable under operating leases are charged against income on a straight line basis over the lease term.

2 Critical accounting judgements and key sources of estimation uncertainty

The preparation of the financial statements requires the directors to make judgements, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about the carrying value of assets and liabilities that are not readily apparent from other sources.

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 estimates is revised if the revision affects only that period of the revision and future periods if the revision affects both current and future periods. The following are the critical judgements and estimates.

Impairment of Fixed Assets

At each reporting period end, the company reviews the carrying amounts of its tangible assets to determine whether there is any indication of impairment. If there is any such indication, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). There are inherent uncertainties in any fair value estimation, particularly in relation to valuations determined using discounted cash flows of up to 20 years. Due to inherent uncertainties in any valuation technique, especially under volatile economic, political and environmental conditions (including the Covid-19 outbreak), the eventual realised recoverable amount could materially differ from the estimated recoverable amount. The most critical estimate is considered to be the discount rate which is based on historical experience and industry custom.

3 Operating loss

	2021	2020
	£	£
Operating loss for the year is stated after charging:		
Fees payable to the company's auditor for the audit of the company's financial statements	5,500	5,080

4 Employees

	2021	2020
Average number of persons employed by the company	-	-

5 Tangible fixed assets

	Land and buildings	Plant and machinery etc	Total
	£	£	£
Cost			
At 1 October 2020	12,195,133	25,814	12,220,947
Additions	107,632	50,701	158,333
At 30 September 2021	12,302,765	76,515	12,379,280
Depreciation			
At 1 October 2020	1,898,626	6,023	1,904,649

Charge for the year	621,779	10,482	632,261
At 30 September 2021	<u>2,520,405</u>	<u>16,505</u>	<u>2,536,910</u>
Net book value			
At 30 September 2021	<u>9,782,360</u>	<u>60,010</u>	<u>9,842,370</u>
At 30 September 2020	<u>10,296,507</u>	<u>19,791</u>	<u>10,316,298</u>

Included within the carrying amount of land and buildings is loan interest totalling £1,594,853 (2020: £1,695,580).

6 Debtors	2021	2020
	£	£
Trade debtors	79,855	21,182
Other debtors	770,797	707,697
	<u>850,652</u>	<u>728,879</u>

7 Creditors: amounts falling due within one year	2021	2020
	£	£
Trade creditors	847,829	1,257,922
Other creditors	645,716	142,558
	<u>1,493,545</u>	<u>1,400,480</u>

Included within other creditors is £324,130 (2020: £Nil) due within the next year for repayments of long term loan notes detailed in Note 8.

Iona Environmental Infrastructure Holdco Limited has fixed charges over certain assets of the company as well as a floating charge over the entire property and undertaking of the company.

8 Creditors: amounts falling due after one year	2021	2020
	£	£
Payable by instalments 1 - 5 years	3,525,262	2,265,758
Payable by instalments after 5 years	18,365,179	17,160,513
	<u>21,890,441</u>	<u>19,426,271</u>

Interest of 12.5% per annum is payable on loans of £21,964,571 (2020: £19,176,271). During the year, £2,529,255 (2020: £2,216,706) was charged through profit and loss. In April 2020, all loan note instruments and associated interest were consolidated into fixed rate secured loan notes 2036.

Interest of 4% per annum is payable on loans of £250,000 (2020: 250,000). During the year, £10,000 (2020: £10,027) was charged through profit and loss.

Deferred Taxation

The directors have considered future profit projections and have recognised tax losses to the extent that they will be recovered against future taxable profits.

	2021	2020
	£	£
At 1 October 2020	-	-
Movement for the year	-	-
At 30 September 2021	-	-

9 Called up share capital	2021	2020
	£	£
Ordinary share capital issued and fully paid		
200 Ordinary shares of £1 each	200	200

10 Operating lease commitments

Lessee

The company has entered into an agreement for the lease of land until 25 September 2040, with a break option on the 20th anniversary of the project's commercial operations date.

Future minimum lease payments under non-cancellable operating leases are as follows:

	2021	2020
	£	£
Not later than one year	50,000	50,000
Later than 1 year and not later than 5 years	200,000	200,000
Later than five years	700,000	750,000
	<u>950,000</u>	<u>1,000,000</u>

11 Events after the reporting date

None noted.

12 Contingent liabilities

The company is exposed to contingent liabilities amounting to a maximum potential payment of £183,305. The contingent liability relates to a historic disputed balance with a company which is a related party by virtue of common directorship.

Such contingencies were classified by the directors as less than probable but not remote. The directors consider that the ultimate resolution of the matter will not have a material effect on its financial position or result of operations.

13 Related party transactions

On 28 May 2020, the company's ultimate parent, Iona Environmental Infrastructure LP (the "fund"), transferred its loans and shares held in the company to Iona Environmental Infrastructure Holdco Limited ("Holdco"), an intermediate subsidiary of the fund.

During the year, loans totalling £260,000 (2020: £450,000) were advanced by Holdco. As at the year end, the company owed Holdco £21,964,571 (2020: £19,176,271). This balance is included within notes 7 and 8. Interest of £2,528,300 (2020: £2,216,706) was charged on these loans during the year all of which was capitalised into the balance of the loan.

Interest of £7,522 (2020: £6,567) has been accrued on the loan from holdco and is included within note 7 under "other creditors".

Iona Capital Limited charged directors fees of £17,069 (2020: £16,947) and management charges of £28,510 (2020: £28,034) in the year with an outstanding trade creditor balance at the year end of £ 7 , 9 7 0 (2 0 2 0 : £ 2 6 , 2 6 8) .

Iona Capital Limited is a member of Iona EI (General Partner) LLP, which is the General Partner of Iona Environmental Infrastructure LP, the company's ultimate parent company.

Two directors of the company, Christopher Jones and David Jones, are partners in D & J A Jones. As at the year end, the company owed loans to D & J A Jones of £250,000 (2020: 250,000), this balance is included within note 8. Interest of £10,000 (2020: £10,054) was charged on these loans during the year. As at the year end, interest of £26,575 (2020: £16,575) was accrued on these loans and is included within note 7 under "other creditors".

Purchases of £800,398 (2020: £845,465) were made between the company and D & J A Jones with an outstanding trade creditor balance at the year end of £377,187 (2020: £291,012).

14 COVID-19

The company, like many others throughout the UK, has been affected by the COVID-19 pandemic. At the date of approval of the financial statements, the company have prepared and approved up-to-date management accounts, budgets and cash flow projections which include key revenue and cost assumptions that the directors consider reasonable and prudent. Additionally, the shareholders have stated that they will not recall the loans to the company whilst it would damage the interests of external creditors.

Having considered the matters above, the company is of the view that it will have sufficient resources to continue to operate and meet debts as they fall due for the foreseeable future. The financial statements have therefore been prepared on a going concern basis.

15 Parent Company

In the opinion of the directors, the immediate controlling party is Iona Environmental Infrastructure Holdco Limited due to their majority shareholding in the company.

16 Other information

Gravel Pit Biogas Limited is a private company limited by shares and incorporated in England. Its registered office is:

123 Pall Mall
London
SW1Y 5EA

17 Audit report information

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

The auditor's report was unqualified.

The senior statutory auditor was Kenneth McDowell.

The auditor was Saffery Champness LLP.

The audit report was signed on 31/03/2022

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