

Regent Park Energy Limited

Annual report and financial statements

Registered number 04557422

Year ended 31 March 2019

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Strategic report

The directors (the "Directors") present their strategic report, directors' report and audited financial statements for Regent Park Energy Limited (the "Company") for the year ended 31 March 2019.

Review of business

The key performance indicators of the Company are the revenue and operating results of its sites. Revenue in the year ended 31 March 2019 was £7,012,000 (2018: £10,242,000) and operating loss was £1,525,000 (2018: profit £2,783,000).

During the year the Company acquired two Mirrless engines, used for generation and sale of electricity on the Short Term Operating Reserve peaking programme run by the National Grid, together with related trade and other assets from Infinis Alternative Energies Limited a fellow subsidiary in the Infinis Group.

During the year the Company reviewed the future cash flows it expects to derive from its subsidiary companies. The Company determined that a provision for impairment against the carrying value of its investment in Leven Power Limited was required and the Company has impaired investments by £1,956,000. Leven Power operates a 25MW open cycle gas turbine plant which provides reserve power services under contract to National Grid Company (NGC) under a STOR contract which has an initial term through to March 2025. Consequently, while the subsidiary company remains profitable, for the purpose of assessing the expected value of future cash flows a contract end date of March 2025 is applied.

Position of the Company and medium term outlook

The UK energy markets continue to face a number of challenges. Regulatory reviews and legal challenges have kept market mechanisms, benefits and charging structures in focus. The Company is cash positive and will continue to invest in generation assets where necessary.

No change in activities is anticipated in the future.

Results

The loss for the financial year of £1,871,000 (2018: profit for the financial year £6,095,000) will be taken to reserves.

Principal risks and uncertainties

The Directors consider the main operational risks to the Company relate to asset performance, in particular engine reliability and compliance with health, safety and environmental standards. Other risks include:

- Geological factors might influence the ability of the Company to extract methane from abandoned mines. These include, in particular, the flooding of mine workings which would prevent the desorption of methane and might also cut off unflooded areas of the mine.
- The Company does not own any of the operating sites and is dependent on lease arrangements. Failure to renew expiring leases could result in a reduction in revenues; failure to comply with existing lease terms could result in early termination resulting in a reduction in revenues.
- The Company is subject to a number of macroeconomic risks which are largely outside its control, the following being the key items:
 - Pricing risk – a significant proportion of revenues are dependent on wholesale power prices which can be volatile.
 - Brexit – may change the regulatory landscape.

Strategic report (continued)

- The Company sells its generation output and related products to a small number of UK counterparties under a variety of contractual arrangements. Failure of a counterparty to honour a contract may result in loss of revenue for power already delivered or for power not yet delivered, and a loss of future revenue where we are unable to enter into a replacement contract with another counterparty.
- Adverse events, such as weather, fire, explosion or malicious attacks, including cyber-attacks, may impact our production and operations. There are also potential reputational and financial losses from responding to any adverse business continuity events.

We manage all of these risks appropriately in the business. The Company adheres to the risk management policy of the Infinis Energy Group Holdings Limited group of companies, details of which are set out in the consolidated financial statements of that company.

On behalf of the board



K A Reid
Director
16 December 2019

Registered Office; First Floor, 500 Pavilion Drive,
Northampton Business Park,
Northampton, NN4 7YJ

Directors' report

The directors (the "Directors") present their report and audited financial statements for Regent Park Energy Limited (the "Company") for the year ended 31 March 2019.

On 11 April 2018 the Company became a member of the Infinis Energy group of companies which is headed by Infinis Energy Group Holdings Limited.

Share Capital

The Company is limited by shares.

Principal activities

The principal activities of the Company are the evaluation and extraction of methane gas from disused mines for the purpose of the generation of electricity. The Company also used pipeline gas as a fuel to operate power response facilities to generate electricity.

Future Developments

No change in activities is anticipated in the future.

Directors

The Directors of the Company during the year and up to the date of signing the financial statements were as follows:

J H Milne	(appointed 11 April 2018)
S S Pickering	(appointed 11 April 2018)
M D Holton	(appointed 11 April 2018, resigned 1 March 2019)
K A Reid	(appointed 23 April 2019)
B Jackson	(resigned 11 April 2018)
P T H Jenkinson	(resigned 11 April 2018)

Directors' indemnity and insurance

At the time of approval of the directors' report and during the financial year an associated company has agreed to indemnify past and present Directors, in accordance with and subject to the terms set out in the Corporate Governance Policy for the group headed by Infinis Energy Group Holdings Limited, against liability and all expenses reasonably incurred or paid by them in connection with any claim, action, suit or proceeding in which they become involved in the performance of their duties as a director and against amounts paid or incurred by them. These are qualifying third party indemnity provisions for the purposes of Section 234 of the Companies Act 2006 and are in place at the date of approval of the Directors' report.

An associated company has also arranged directors' and officers' liability insurance.

Dividends

The amount of dividends proposed and paid in the year was £nil (2018: £2,273,000).

Directors' report (continued)

Going Concern

The Directors have prepared the financial statements on a going concern basis, notwithstanding the reported net current liability position of £2,474,000 (2018: net current assets £3,449,000). The net current liability position arises as a result of an intra-group loan creditor of £6,160,000 (2018: £6,160,000) which is being disclosed as a current liability. Adjusting for this, the Company would have a net current asset position of £3,686,000 (2018: £2,711,000).

The presentation of intra-group liabilities as current liabilities arises due to the requirement of the accounting standards to disclose liabilities which are 'repayable on demand', to be treated as current liabilities, despite the substance of these loan balances being regarded as long term liabilities. The repayment status of the intra-group liabilities was established several years ago under a previous group debt and financing facility. The existing group debt and financing facility that was put in place in August 2018 does not require this. On 16 December 2019, all intra-group loans were amended to have a repayment date of 13 December 2029 following a review by the Directors as they consider that the intra-group loans can now be classified as long term liabilities. Voluntary prepayments can be made by the Company, or requested by another Group company, prior to this date should the Company have the required level of cash resources on hand and the Directors confirm that following the repayment the Company does not project to require any funding for a minimum period of 12 months from the repayment date. This amendment to the term of the intra-group loans is not deemed to be an adjusting event after the balance sheet, and accordingly the intra-group loans remain disclosed as a current liability for the year ended 31 March 2019 but will be disclosed as non-current in the year ending 31 March 2020 and subsequent years. The Directors have not obtained a letter of Group support from the parent, as such a letter is not required following the amendment of the repayment date of the intra-group loans as this is now a liability falling due more than 12 months from the date of signing these financial statements.

Further to the above, the Directors have reviewed the Company's current financial position and cash flow projections of the Group for the period through to March 2021. The Directors have a reasonable expectation that the Company has the adequate resources to continue in operational existence for the foreseeable future. The Company therefore continues to adopt the going concern basis in preparing the financial statements.

Financial Risk Management

The Company finances its operations through cash and cash equivalents. Other financial assets and liabilities, such as trade receivables and trade payables, arise directly out of the Company's operating activities. The main purpose of these transactions is to provide finance for the Company's operations.

The main risks associated with the Company's financial assets and liabilities are set out below.

Credit Risk

The Company extends credit to recognised creditworthy third parties. Trade receivable balances are monitored to minimise the Company's exposure to bad debts. The Company has no overdue debts at the balance sheet date. Credit risk also arises from cash and cash equivalents deposited with banks and financial institutions. The Company deposits its surplus funds only with banks and financial institutions with a high credit rating. The short term credit ratings must be a minimum of A-1 (Standard & Poors), P-1 (Moody's) or F1 (Fitch). The maximum credit risk exposure relating to financial assets is represented by the carrying value at the date of the statement of financial position.

Price risk

A significant proportion of revenues are dependent on wholesale power prices which can be volatile. The Company manages this risk through the documented Infinis Group trading strategy which considers forward contracting and index-linked agreements among other pricing strategies. A significant proportion of revenues and margins are dependent on short term wholesale power prices. The Company manages this risk through operational controls so that plant only runs when the short run marginal contribution is positive.

Directors' report (continued)

Statement of disclosure of information to auditors

The Directors who held office at the date of approval of this Directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware and each Director has taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Independent Auditors

Pursuant to section 485 of the Companies Act 2006, PricewaterhouseCoopers LLP were appointed as auditors of the Company on 12 February 2019. Pursuant to section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and PricewaterhouseCoopers LLP will therefore continue in office.

On behalf of the board



K A Reid
Director

16 December 2019

Registered Office; First Floor, Pavilion Drive,
Northampton Business Park,
Northampton, NN4 7YJ

Directors' responsibility statement in respect of the annual report and the financial statements

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law). 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 and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgments and estimates that are reasonable and prudent; 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.

The Directors are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud or other irregularities.

In the case of each director in office at the date the Directors' Report is approved:

- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Independent auditors' report to the members of Regent Park Energy Limited

Report on the audit of the financial statements

Opinion

In our opinion, Regent Park Energy Limited's financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2019 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual report and financial statements (the "Annual Report"), which comprise: the balance sheet as at 31 March 2019; the income statement, the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

ISAs (UK) require us to report to you when:

- 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.

We have nothing to report in respect of the above matters.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Company's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the Company's trade, customers, suppliers and the wider economy.

Independent auditors' report to the members of Regent Park Energy Limited (continued)

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The Directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance 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 an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of 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 based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 March 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Directors' responsibility statement in respect of the annual report and the financial statements set out on page 7, the Directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The Directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

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 auditors' 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: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Independent auditors' report to the members of Regent Park Energy Limited (continued)

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.



Andrew Lyon (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
East Midlands
17 December 2019

Statement of comprehensive income

for the year ended 31 March 2019

	Note	2019 £'000	2018 £'000
Revenue	4	7,012	10,242
Cost of sales		(5,008)	(6,861)
Gross profit		2,004	3,381
Administrative expenses		(3,529)	(767)
Other operating income/(expense)	5	-	169
Operating (loss)/profit	6	(1,525)	2,783
Finance income	9	7	2
Finance costs	10	(509)	(361)
(Loss)/profit before income tax		(2,027)	2,424
Income tax credit	11	156	539
(Loss)/profit for the financial year		(1,871)	2,963
Other comprehensive income			
Dividends received	12	-	3,132
Total comprehensive (expense)/income		(1,871)	6,095

The notes on pages 14 to 32 are an integral part of these financial statements.

Balance sheet

at 31 March 2019

	Note	2019 £'000	2018 £'000
Fixed assets			
Intangible assets	13	4	4
Property, plant and equipment	14	18,139	17,353
Investments	15	6,829	8,785
		<u>24,972</u>	<u>26,142</u>
Current assets			
Inventories	16	417	-
Trade and other receivables	17	6,174	5,654
Cash and cash equivalents		435	912
		<u>7,026</u>	<u>6,566</u>
Creditors: amounts falling due within one year	18	<u>(9,500)</u>	<u>(3,117)</u>
Net current (liabilities)/assets		<u>(2,474)</u>	<u>3,449</u>
Total assets less current liabilities		<u>22,498</u>	<u>29,591</u>
Creditors: amounts falling due after more than one year	19	-	(4,964)
Provisions for liabilities			
Deferred tax liability	20	(266)	(542)
Provisions	21	(1,017)	(999)
		<u>(1,283)</u>	<u>(1,541)</u>
Net assets		<u>21,215</u>	<u>23,086</u>
Equity			
Called up share capital	22	51	51
Share premium account		43	43
Profit and loss account		21,121	22,992
Total Shareholders' funds		<u>21,215</u>	<u>23,086</u>

The notes on pages 14 to 32 are an integral part of these financial statements.

The financial statements on pages 11 to 32 were authorised for issue by the Board of Directors on 16 December 2019 and were signed on its behalf by:


K A Reid
Director

Company registration no. 04557422

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Notes (forming part of the financial statements)

1 General information

Regent Park Energy Limited is a private limited company incorporated, domiciled and registered in England, in the UK. The registered number is 04557422 and the registered address is First Floor, Pavilion Drive, Northampton Business Park, Northampton NN4 7YJ.

2 Significant accounting policies

Basis of preparation

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101") and the Companies Act 2006.

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

The Company's ultimate parent undertaking, Infinis Energy Group Holdings Limited, includes the Company in its consolidated financial statements. The consolidated financial statements of Infinis Energy Group Holdings Limited are prepared in accordance with International Financial Reporting Standards and are available to the public and may be obtained from the Company Secretary, First Floor, 500 Pavilion Drive, Northampton Business Park, Northampton, NN4 7YJ.

In these financial statements, the Company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- A Cash Flow Statement and related notes;
- Comparative period reconciliations for share capital, property, plant and equipment and intangible assets;
- Disclosures in respect of capital management;
- Disclosures for IFRS 7 "Financial Instruments: Disclosures"
- The effects of new but not yet effective IFRSs;
- Disclosures in respect of the compensation of Key Management Personnel; and
- Disclosures in respect of related party transactions with other wholly owned members of the group headed by Infinis Energy Group Holdings Limited.

As the consolidated financial statements of Infinis Energy Group Holdings Limited, the Company's ultimate parent undertaking, include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- Certain disclosures required by IFRS 13 Fair Value Measurement and the disclosures required by IFRS 7 Financial Instrument Disclosures.

New Standards

IFRS 9 and IFRS 15 are new accounting standards that are effective for the year ended 31 March 2019 and have had no material impact on the Company. There are no other amendments to accounting standards, or IFRIC interpretations that are effective for the year ended 31 March 2019 that have had a material impact on the company.

Notes (forming part of the financial statements)

2 Significant accounting policies (continued)

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Measurement convention

The financial statements are prepared on the historical cost basis.

Going concern

The financial statements have been prepared on the going concern basis, on the basis outlined in the Directors' Report.

Group financial statements

The Company is exempt by virtue of section 400 of the Companies Act 2006 from the requirement to prepare group financial statements. These financial statements present information about the Company as an individual undertaking and not about its group.

IFRS 15 Revenue from Contracts with Customers

The Company's revenue streams can be grouped into two main categories:

- sale of electricity produced by its' baseload and peaking operations (traded power), and;
- other revenue.

Traded power

Revenue relating to the sale of electricity is recognised at the point in time that electricity is exported i.e. when the customer obtains control. Revenue is recognised at this point provided that the revenue and costs can be measured reliably, the recovery of the consideration is probable and there is no continuing management involvement with the supply.

Other Revenue

Other revenue includes embedded benefits such as Triad, Generator Distribution Use of System (GDUoS) and Balancing Services Use of System (BSUoS).

Triad periods are the three 30-minute time periods with the highest energy demand across the grid between the start of November and the end of February each year. National Grid incentivises high power production during these periods. Prices for the year are announced by National Grid in March and attract a significant income premium. Triad income is recognised once the Triad periods and the associated prices are announced.

GDUoS income is received for generating in the local network and revenue is recognised in line with exported power. BSUoS income is received for the avoidance of charges levied on electricity suppliers who use National Grid to transmit their electricity from one point in the UK to another to fund National Grid's balancing services. Revenue is recognised on delivery in line with recognition of traded power as it is contractual income with the customer.

Capacity market payments are amounts received for the provision, by the Company, of generating capacity under a government scheme designed to ensure security of energy supply. As of November 2018, the UK's Capacity Market was suspended following a ruling by the European General Court. As a result of this suspension no capacity market payments were recognised from October 2018.

Notes (forming part of the financial statements)

Interest income

Interest income arises on cash deposits and funds invested and is recognised in the income statement as it accrues, using the effective interest method.

Income from shares in group undertakings

Dividend income from investments is recognised when the shareholder's rights to receive payment have been established (provided that it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably).

Interest payable

Interest payable is recognised in the income statement as it accrues, using the effective interest method.

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that takes a substantial time to be prepared for use, are capitalised as part of the cost of that asset.

Leases

The company as lessor

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

Tax

Tax comprises current and deferred tax.

Current tax is the expected tax payable (or to be recovered) on the taxable income for the year, using tax rates enacted or substantively enacted by the year end.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (other than in a business combination); and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

Intangible assets

Intangible assets are stated at cost less accumulated amortisation.

Notes (forming part of the financial statements)

2 Significant accounting policies (continued)

Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and attributable borrowing costs during its construction. During the construction phase these assets are held separately with depreciation commencing once the asset is commissioned and ready for use.

The cost of replacing an item of property, plant and equipment is recognised if it is probable that the future economic benefits will flow to the Company. The carrying amount of the asset replaced is then de-recognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in the income statement as incurred.

Plant and equipment include plant and equipment used in running the operating sites. The cost of decommissioning the sites is included within plant and equipment. Engines are subject to overhauls and are depreciated over the period between each overhaul.

Depreciation is charged to the income statement on a straight-line basis, with no residual value, over the estimated useful life of the asset, as follows:

Plant and machinery (except engine overhauls and amounts relating to decommissioning)	Over the shorter of the minimum lease term of each specific operating site and the expected life of the asset, being 2-20 years
Decommissioning	Over the expected life of the operating site
Engine overhauls	2 - 4 years
Buildings	5 - 15 years

Depreciation methods, useful lives and residual values are reviewed at each balance sheet date.

Inventories

Stock is measured at the lower of cost and net realisable value. Cost is based on average costs and includes expenditure in acquiring the stocks and bringing them to their existing location and condition. Costs comprise materials and third party transport cost to site.

Provisions

Provisions are determined by discounting the future expected cash flows at a pre-tax rate that reflects the time value of money. The unwinding of the discount is recognised as a finance cost.

Provisions for the decommissioning of assets and site restoration are recognised where a legal or contractual obligation exists. Given recent experience the Directors consider they have sufficient information to estimate the costs required and timing for decommissioning and restoration on a reasonable basis.

Notes (forming part of the financial statements)

2 Significant accounting policies (continued)

Impairment excluding stocks and deferred tax assets

Financial assets (including trade receivables and other receivables)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. For financial instruments measured at cost less impairment an impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the Company would receive for the asset if it were to be sold at the reporting date. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Non-financial assets

The carrying amounts of the Company's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. Where an indication exists, testing for impairment is undertaken.

A value in use model is used to determine the recoverable amount of assets subject to impairment testing. The discounted estimated future operating cash flows are compared to the net carrying value of the asset or cash generating unit's (CGUs) assets. Property, plant and equipment are separately tested at an individual asset level when there is an impairment trigger.

An impairment loss is recognised if the carrying amount of the single CGU exceeds its recoverable amount, which is equal to the value of the future discounted cash flows. Any impairment losses are recognised in the income statement. An impairment loss is reversed only to the extent that the CGU's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Notes (forming part of the financial statements)

2 Significant accounting policies (continued)

Investments

Fixed asset investments, including investments in subsidiaries and joint ventures, are shown at cost less provision for impairment, except where they are classified as being held for sale when they are measured at the lower of carrying amount and fair value less costs to sell.

Financial Instruments

Non-derivative financial instruments

Non-derivative financial instruments comprise investments, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables. Non-derivative financial instruments are recognised initially at fair value. Subsequent to initial recognition they are measured as described below:

(i) Trade and other receivables

Trade and other receivables are carried at original invoice amount less any allowance for uncollectible amounts. The Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets (such as accrued income). To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Company has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

(ii) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Cash and cash equivalents include restricted cash balances, which principally relate to the debt service requirements of certain borrowings undertaken by the Group.

(iii) Trade and other payables

Trade and other payables are carried at cost.

(iv) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings on an effective interest basis.

Notes (forming part of the financial statements)

3 Accounting estimates and judgments

Key judgments and sources of estimation uncertainty

In the process of applying the Company's accounting policies, management necessarily makes judgments and estimates that have a significant impact on the values recognised in the financial statements. Changes in the assumptions underlying these judgments and estimates could result in a significant impact to the financial statements. The most critical of these accounting judgments and estimates are explained below.

Impairment

In assessing impairment, judgment is required to establish whether there have been indicators of impairment for all amortising and depreciating non-current assets.

Where there is a need to determine the recoverable amount of an asset, this requires estimates and judgments relating to assumptions for:

- gas volumes and pricing of exported output;
- operational costs,
- capital expenditure is based on historic maintenance CAPEX averaged over the MWh exported over the historical period.
- the discount rate used

The values assigned to the key assumptions represent management's assessment of future trends and are based on both external and internal sources (prospective and historical data).

The decision to capitalise costs is initially determined by formal internal sign-off in line with delegated authorities for overseeing and managing the broad goals, strategies and corporate governance of the Group. The decision is based upon expectations regarding likelihood of planning consent and estimates of financial viability which, in themselves, are areas of judgment.

Ongoing monitoring of these estimates as the project develops enables management to assess whether these assumptions remain appropriate.

Provision for decommissioning costs

The Company recognises provisions for decommissioning and restoring sites at the end of their expected useful life. These provisions are the discounted estimated costs of the work required at the expected date of decommissioning. Significant judgments and estimates are required about both the costs and the expected dates. The Company's estimates are based on limited actual experience of decommissioning to date.

Impairment of investments

The Company determines whether investments in subsidiaries are impaired at least on an annual basis. This requires an estimation of the value-in-use of the CGU to which investments in subsidiaries are allocated. Estimating a value-in-use amount requires management to make an estimation of the expected future cash flows from the CGU and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

Notes (forming part of the financial statements)

4 Revenue

Revenue comprises sales of electrical power, and associated embedded benefits, made to customers within the United Kingdom.

	2019 £'000	2018 £'000
Traded power	5,645	8,128
Other revenue	1,367	2,114
	<u>7,012</u>	<u>10,242</u>

5 Other operating income

	2019 £'000	2018 £'000
Profit on disposal of subsidiary	-	169
	<u>-</u>	<u>169</u>

6 Operating (loss)/profit

	2019 £'000	2018 £'000
Operating (loss)/profit is stated after charging:		
Depreciation of property, plant and equipment	1,868	2,539
Payments to landlords for rent and royalties	376	202
Impairment of investments in subsidiary undertakings	1,956	-
	<u>1,956</u>	<u>-</u>

7 Auditors' remuneration

	2019 £'000	2018 £'000
Audit of these financial statements	8	9
	<u>8</u>	<u>9</u>

Audit fees for the year ended 31 March 2019 were borne by another group company. Audit fees for the year ended 31 March 2018 related to the Company's previous auditors.

Notes (forming part of the financial statements)

8 Directors' emoluments and employees

None of the Directors received any remuneration or benefits from the Company during the current year or prior year, nor are they employees of the Company. The Company had no employees during the current year or prior year. All services provided by employees of the Infinis group were re-charged to the Company.

9 Finance income

	2019	2018
	£'000	£'000
Bank interest receivable and similar income	7	2

10 Finance costs

	2019	2018
	£'000	£'000
Interest payable to group undertakings	480	1
Interest payable on bank loans	11	315
Provisions: unwinding of discount	18	9
Other interest payable	-	36
	509	361

Notes (forming part of the financial statements)

11 Income tax

Recognised in the income statement

	2019 £'000	2018 £'000
Current tax:		
UK corporation tax credit/(charge) in the year	9	-
Adjustment in respect of prior year	(129)	-
Total current tax charge	(120)	-
Deferred tax		
Origination and reversal of temporary differences	(127)	539
Adjustment in respect of prior year	403	-
Total deferred tax credit	276	539
Tax credit on (loss)/profit	156	539

The difference between the income tax for the year and the standard rate of corporation tax in the UK is explained below:

	2019 £'000	2018 £'000
(Loss)/profit before income tax	(2,027)	2,424
(Loss)/profit before income tax multiplied by the standard rate of UK corporation tax of 19% (2018: 19%)	385	(461)
Non-deductible expenses	(457)	(29)
Income not subject to tax	-	30
Adjustments in respect of prior year	274	735
Other	(46)	264
Total tax credit	156	539

Changes to the UK Corporation tax rates were substantively enacted as part of the Finance Bill 2017 (on 6 September 2017). These include reductions in the main rate, to reduce the rate to 17% from 1 April 2020. Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements.

Notes (forming part of the financial statements)

12 Income from shares in group undertakings

	2019	2018
	£'000	£'000
Income from shares in group undertakings	-	3,132
	<u>-</u>	<u>3,132</u>
	<u>-</u>	<u>3,132</u>

13 Intangible assets

	Landfill gas rights	Total
	£'000	£'000
Cost		
At 1 April 2018	6	6
	<u>6</u>	<u>6</u>
At 31 March 2019	6	6
	<u>6</u>	<u>6</u>
Accumulated amortisation		
At 1 April 2018	2	2
	<u>2</u>	<u>2</u>
At 31 March 2019	2	2
	<u>2</u>	<u>2</u>
Net book value		
At 31 March 2019	4	4
	<u>4</u>	<u>4</u>
At 31 March 2018	4	4
	<u>4</u>	<u>4</u>

Notes (forming part of the financial statements)

14 Property, plant and equipment

	Buildings	Plant and machinery	Assets under construction	Total
	£'000	£'000	£'000	£'000
Cost				
At 1 April 2018	1,743	44,758	-	46,501
Additions	-	80	2,417	2,497
Transfers	-	873	(716)	157
At 31 March 2019	1,743	45,711	1,701	49,155
Accumulated depreciation				
At 1 April 2018	1,312	27,836	-	29,148
Charge for the year	34	1,834	-	1,868
At 31 March 2019	1,346	29,670	-	31,016
Net book value				
At 31 March 2019	397	16,041	1,701	18,139
At 31 March 2018	431	16,922	-	17,353

Cost, accumulated depreciation and net book value at 1 April 2018 for Plant and machinery include amounts that were presented in the financial statements for the year ended 31 March 2018 as Gas Assets. The Company, as part of the Alkane Group, was acquired by Infinis Group on 11 April 2018. The Infinis Group does not separately distinguish between Plant and machinery and Gas Assets. The classification and presentation above is consistent with that used by the Infinis Group.

Notes (forming part of the financial statements)

15 Investments

	Shares in group undertakings £'000	Total £'000
Cost		
At 1 April 2018	8,785	8,785
At 31 March 2019	8,785	8,785
Provisions for impairment		
At 1 April 2018	-	-
Provided in year	(1,956)	(1,956)
At 31 March 2019	(1,956)	(1,956)
Net book value		
At 31 March 2019	6,829	6,829
At 31 March 2018	8,785	8,785

A value in use model is used to determine the recoverable amount of investments subject to impairment testing. The discounted estimated future operating cash flows are compared to the net carrying value of the cash generating unit's (CGUs) assets. The Company forecasts CGU cash flows to the end of the CGU's useful life. Future cash flows comprise those related to existing core operations and growth opportunities arising from existing spare grid and engine capacity.

An impairment loss is recognised if the carrying amount of the single CGU exceeds its recoverable amount, which is equal to the value of the future discounted cash flows. Any impairment losses are recognised in the income statement.

The values assigned to the key assumptions represent management's assessment of future trends and were based on both external and internal sources (prospective and historical data). Cash flow projections used for the value in use modelling are by their nature subject to inherent uncertainties:

- the discount rate used is based on a weighted average cost of capital calculation which requires a series of assumptions related to the risk profile of the business, target gearing and market risk; and
- the assumptions related to generation and pricing are subject to risks which are explained in the strategic report. To reflect the risks posed by the current market conditions, a series of sensitivities, outlined below, have been ran against the forecast projections.

The Company determined that a provision for impairment against the carrying value of its investment in Leven Power Limited was required and the Company has impaired investments by £1,956,000. Leven Power operates a 25MW open cycle gas turbine plant which provides reserve power services under contract to National Grid Company (NGC) under a STOR contract which has an initial term through to March 2025. Consequently, while the subsidiary company remains profitable, for the purpose of assessing the expected value of future cash flows a contract end date of March 2025 is applied.

Notes (forming part of the financial statements)

15 Investments (continued)

The Company has the following investments in subsidiaries, associates and jointly controlled entities:

Directly held by the Company:

Leven Power Limited

Rhymney Power Limited

Unless otherwise stated all of the companies listed above are incorporated in England and Wales and their registered office is First Floor, 500 Pavillion Drive, Northampton Business Park, Northampton, NN47YJ. The Company owned 100% of the ordinary share capital of the companies at both 31 March 2019 and 31 March 2018.

16 Inventories

	2019	2018
	£'000	£'000
Parts and spares	417	-

17 Trade and other receivables

	2019	2018
	£'000	£'000
Trade receivables	12	38
Accrued income	1,358	2,641
Amounts owed by group undertakings	4,687	2,686
Other receivables	61	62
Prepayments	56	227
	6,174	5,654
Due within one year	6,174	5,654
Due after more than one year	-	-

Intercompany trading balances within the Infinis Group, which provide short term working capital funding, are repayable on demand and generally settled on a monthly basis. They bear no interest.

At 31 March 2019 intercompany loans within the Infinis Group are repayable on demand. Interest was charged at up to 8%.

Notes (forming part of the financial statements)

18 Creditors: amounts falling due within one year

	2019	2018
	£'000	£'000
Bank loans and overdrafts	-	1,167
Obligations under finance leases	39	431
Trade payables	-	312
Amounts owed to group undertakings	7,282	62
Taxation	120	-
Other creditors	59	269
Accruals	2,000	876
	<u>9,500</u>	<u>3,117</u>

Intercompany trading balances within the Infinis Group, which provide short term working capital funding, are repayable on demand and generally settled on a monthly basis. They bear no interest.

At 31 March 2019 intercompany loans within the Infinis Group are repayable on demand. Interest was charged at up to 8%.

Notes (forming part of the financial statements)

19 Creditors: amounts falling due after more than one year

	2019 £'000	2018 £'000
Bank loans and overdrafts	-	4,925
Obligations under finance leases	-	39
	<u>-</u>	<u>4,964</u>

The bank loans were settled during the year ended 31 March 2019 following the acquisition of the Company by the Infinis Group. The Company is now indebted by way of intercompany loans for the amounts paid

20 Deferred tax

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Property, plant and equipment	-	-	2,868	2,577	2,868	2,577
Tax value of losses	(2,437)	(2,015)	-	-	(2,437)	(2,015)
Other temporary differences	(165)	(20)	-	-	(165)	(20)
	<u>(2,602)</u>	<u>(2,035)</u>	<u>2,868</u>	<u>2,577</u>	<u>266</u>	<u>542</u>

Movement in deferred tax during the year

	1 April 2018 £'000	Recognised in income £'000	31 March 2019 £'000
Property, plant and equipment	2,577	291	2,868
Tax value of loss carry-forwards utilised	(2,015)	(422)	(2,437)
Other temporary differences	(20)	(145)	(165)
	<u>542</u>	<u>(276)</u>	<u>266</u>

Notes (forming part of the financial statements)

20 Deferred tax (continued)

Movement in deferred tax during the prior year

	1 April 2017	Recognised in income	31 March 2018
	£'000	£'000	£'000
Property, plant and equipment	2,225	352	2,577
Tax value of loss carry-forwards utilised	(896)	(1,119)	(2,015)
Other temporary differences	(248)	228	(20)
	<u>1,081</u>	<u>(539)</u>	<u>542</u>

21 Provisions

	Decommissioning £'000	Total £'000
At 1 April 2018	999	999
Unwinding of discount during the year	18	18
At 31 March 2019	<u>1,017</u>	<u>1,017</u>

Notes (forming part of the financial statements)

22 Called up Share Capital

	2019 Number	2018 Number	2019 £'000	2018 £'000
Allotted, called up and fully paid				
Ordinary shares of £0.0004	126,986,314	126,986,314	51	51

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

Dividends

The following dividends were recognised during the year:

	2019 £'000	2018 £'000
£nil (2018: £0.02) per qualifying ordinary share	-	2,273

23 Contingent liabilities

The Company is a member of a group VAT registration and as such has contingent liabilities for VAT in respect of other members of the VAT group.

The Company has guaranteed the indebtedness of certain other Companies in the Infinis Group in relation to the banking facility provided to Infinis Energy Management Limited. At 31 March 2019 it had contingent liabilities in this respect of £318,000,000, consisting of a £278,000,000 term loan (2018: £246,500,000) and a £40,000,000 Revolving Credit Facility (2018: £nil). On 30 September 2019 a discretionary repayment of £29,700,000 was made by Infinis Energy Management Limited against the term loan, the Company's contingent liability reduced accordingly.

24 Operating leases

Non-cancellable operating lease rentals are payable as follows:

	2019 £'000	2018 £'000
Less than one year	161	149
Between one and five years	331	403
More than five years	633	678
	1,125	1,230

Notes (forming part of the financial statements)

25 Commitments

During the year the Company entered into various contracts relating to the development of assets to be used in the generation of electricity from captured mineral methane gas and power response plant. The commitment outstanding at 31 March 2019 was £74,000 (2018: £385,000).

26 Related parties

The Company is a wholly-owned subsidiary of the Infinis Group. The head of the Infinis Group, Infinis Energy Group Holdings Limited, has the ability to exercise a controlling influence over the Company and other subsidiary undertakings within the Infinis Group, and consequently the Directors also consider these subsidiary undertakings to be related parties.

3i Infrastructure plc ("3iN"), a company incorporated in the Channel Islands, is the ultimate parent company of Infinis Energy Group Holdings Limited. 3iN therefore has the ability to exercise a controlling influence through its shareholding in each of the wholly-owned subsidiaries (the "3i Holding Companies") through which it owns the entire issued share capital of the Company. The Directors therefore consider 3iN and the entities it controls, including each of the 3i Holding Companies, to be related parties.

There were no transactions between the Company and either 3iN or any of the 3i Holding Companies during the year (2018: £nil). There were no balances outstanding between the Company and either 3iN or any of the 3i Holding Companies at the end of the year (2018: £nil).

27 Ultimate parent company and ultimate controlling entity

The Company is a member of the Infinis Group which is headed by Infinis Energy Group Holdings Limited. 3i LFG Topco Limited, a company registered in the Channel Islands, is the immediate parent and sole shareholder of Infinis Energy Group Holdings Limited. The ultimate controlling entity is 3i Infrastructure plc, a company registered in the Channel Islands.

Alkane Energy Limited is the Company's immediate parent company.

The head of the smallest group for which consolidated financial statements are prepared and of which the Company is a member is Infinis Energy Management Limited. The consolidated financial statements of this group are available to the public and may be obtained from the Company Secretary, First Floor, 500 Pavilion Drive, Northampton Business Park, Northampton, NN4 7YJ.

The head of the largest group for which consolidated financial statements are prepared and of which the Company is a member is Infinis Energy Group Holdings Limited. The consolidated financial statements of this group are available to the public and may be obtained from the Company Secretary, First Floor, 500 Pavilion Drive, Northampton Business Park, Northampton, NN4 7YJ.

28 Events after the end of the reporting period

The UK's Capacity Market was suspended in November 2018, annulling the State Aid approval for this mechanism, and this impacted the Company's revenue for the year ended 31 March 2019. In October 2019 the scheme received clearance and the Company expects to receive back payments relating to the year ended 31 March 2019, these will be recognised in the financial statements for the year to 31 March 2020.