

Company Registration No. 06087981 (England and Wales)

SARGAS POWER YORKSHIRE LIMITED

**UNAUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2016**

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SARGAS POWER YORKSHIRE LIMITED**STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2016**

	Notes	2016 £	£	2015 £	£
Fixed assets					
Tangible assets	5		1		1
Current assets					
Debtors	6	286,723		524,127	
Cash at bank and in hand		12,217,885		10,878,081	
		<u>12,504,608</u>		<u>11,402,208</u>	
Creditors: amounts falling due within one year	7	<u>(14,878,155)</u>		<u>(15,674,543)</u>	
Net current liabilities			<u>(2,373,547)</u>		<u>(4,272,335)</u>
Total assets less current liabilities			<u>(2,373,546)</u>		<u>(4,272,334)</u>
Creditors: amounts falling due after more than one year	8		(8,706,121)		(8,706,121)
Net liabilities			<u>(11,079,667)</u>		<u>(12,978,455)</u>
Capital and reserves					
Called up share capital	9	9,839,072		9,839,072	
Profit and loss reserves		<u>(20,918,739)</u>		<u>(22,817,527)</u>	
Total equity		<u>(11,079,667)</u>		<u>(12,978,455)</u>	

The director of the company have elected not to include a copy of the income statement within the financial statements.

For the financial year ended 31 December 2016, the company was entitled to exemption from audit under section 477 of the Companies Act 2006 (the Act) relating to small companies.

The member has not required the company to obtain an audit of its financial statements for the year in question in accordance with section 476 of the Act.

The director acknowledges his responsibilities for complying with the requirements of the Act with respect to accounting records and the preparation of financial statements.

SARGAS POWER YORKSHIRE LIMITED

STATEMENT OF FINANCIAL POSITION (CONTINUED)

AS AT 31 DECEMBER 2016

These financial statements have been prepared and delivered 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 on *21 November 2017* and are signed on its behalf by:



Mr Henrik Fleischer
Director

21.11.2017

SARGAS POWER YORKSHIRE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

1 Accounting policies

Company information

Sargas Power Yorkshire Limited is a private company limited by shares incorporated in England and Wales. The registered office is C/O WFW LLP, 15 Appold Street, London EC2A 2HB.

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" 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.

First time adoption of FRS 102

These financial statements are the first financial statements of Sargas Power Yorkshire Limited prepared in accordance with FRS 102. The financial statements of Sargas Power Yorkshire Limited for the year ended 31 December 2015 were prepared in accordance with Financial Reporting Standard for Smaller Entities.

Some of the FRS 102 recognition, measurement, presentation and disclosure requirements and accounting policy choices differ from previous UK GAAP. Consequently, the directors have amended certain accounting policies to comply with FRS 102.

The reported financial position and financial performance for the previous period are not affected by the transition to FRS 102.

Going concern

The dramatic series of events that took place during 2015 and 2016 cast significant doubt on the company's ability to fulfil its objectives and to progress its power plant development project. Although there remains substantial potential for a power plant to be constructed, withdrawal of UK and EU government support for the original carbon-capture approach is likely to mean an alternative plan will be necessary. The future for the project and for the company is still critically dependent upon the director's ability to secure suitable financing by way of new investment.

A potential party has been identified that has indicated a willingness to take on the company's existing liabilities and fund development and related costs going forward. Discussions have not been concluded with this party, but in the absence of any concerns raised to date that would lead the director to believe that the transaction would not proceed, a positive future cash flow position for the company has been forecast for a period of at least twelve months from the date of approval of these financial statements. On that basis, the director continues to adopt the going concern basis of accounting.

Should the aforementioned new investment not be secured within the anticipated timeframe such that one or more of the company's obligations to its major creditors does fall due and should the management team not be able to find any alternative sources of funding for the company, it would potentially be facing liquidation. These financial statements do not taken into consideration any adjustments that would be necessary under a non-going concern basis of preparation.

SARGAS POWER YORKSHIRE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

1 Accounting policies (Continued)

Intangible fixed assets other than goodwill

Intangible assets are stated at cost, net of amortisation and any provision for impairment. Amortisation is provided on all intangible fixed assets over the period during which the benefit is expected to occur. Amortisation will commence once the power plant, included in the assets in the course of construction, commences commercial operations.

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 machinery	No depreciation whilst the asset is in the course of construction
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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.

Impairment of fixed assets

At each reporting period end date, the company reviews the carrying amounts of its tangible and intangible 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.

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.

Cash and cash equivalents

Cash and cash equivalents are basic financial instruments 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.

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 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.

SARGAS POWER YORKSHIRE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2016

1 Accounting policies (Continued)

Basic financial assets

Basic financial assets, which include trade and other 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 financial asset is measured at the present value of the future receipts discounted at a market rate of interest.

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 company after deducting all of its liabilities.

Basic financial liabilities

Basic financial liabilities, including trade and other 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.

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

Equity instruments

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

Taxation

The tax expense represents the sum of the current tax expense and deferred tax expense. Current tax assets are recognised when tax paid exceeds the tax payable.

Current and deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited to other comprehensive income or equity, when the tax follows the transaction or event it relates to and is also charged or credited to other comprehensive income, or equity.

Current tax assets and current tax liabilities and deferred tax assets and deferred tax liabilities are offset, if and only if, there is a legally enforceable right to set off the amounts and the entity intends either to settle on the net basis or to realise the asset and settle the liability simultaneously.

Current tax is based on taxable profit for the year. Current tax assets and liabilities are measured using tax rates that have been enacted or substantively enacted by the reporting period.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled based on tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax liabilities are recognised in respect of all timing differences that exist at the reporting date. Timing differences are differences between taxable profits and total comprehensive income that arise from the inclusion of income and expenses in tax assessments in different periods from their recognition in the financial statements. Deferred tax assets are recognised only to the extent that it is probable that they will be recovered by the reversal of deferred tax liabilities or other future taxable profits.

SARGAS POWER YORKSHIRE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2016

1 Accounting policies (Continued)

Foreign exchange

Transactions in currencies other than the functional currency (foreign currency) are initially recorded at the exchange rate prevailing on the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. Non-monetary assets and liabilities denominated in foreign currencies are translated at the rate ruling at the date of the transaction, or, if the asset or liability is measured at fair value, the rate when that fair value was determined.

All translation differences are taken to profit or loss, except to the extent that they relate to gains or losses on non-monetary items recognised in other comprehensive income, when the related translation gain or loss is also recognised in other comprehensive income.

2 Employees

The average monthly number of persons (including directors) employed by the company during the year was 3 (2015 - 3).

3 Director's remuneration

	2016 £	2015 £
Remuneration paid to directors	19,125	16,924

4 Intangible fixed assets

	Other £
Cost	
At 1 January 2016 and 31 December 2016	9,383,480
Amortisation and impairment	
At 1 January 2016 and 31 December 2016	9,383,480
Carrying amount	
At 31 December 2016	-
At 31 December 2015	-

SARGAS POWER YORKSHIRE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2016

5 Tangible fixed assets

	Plant and machinery etc £
Cost	
At 1 January 2016 and 31 December 2016	22,972,038
Depreciation and impairment	
At 1 January 2016 and 31 December 2016	22,972,037
Carrying amount	
At 31 December 2016	1
At 31 December 2015	1

6 Debtors

	2016 £	2015 £
Amounts falling due within one year:		
Other debtors	172,296	409,700
Amounts falling due after more than one year:		
Other debtors	114,427	114,427
Total debtors	286,723	524,127

7 Creditors: amounts falling due within one year

	2016 £	2015 £
Trade creditors	1,084,182	98,324
Amounts due to group undertakings	301,351	188,072
Other taxation and social security	-	3,868
Other creditors	13,492,622	15,384,279
	14,878,155	15,674,543

8 Creditors: amounts falling due after more than one year

	2016 £	2015 £
Other creditors	8,706,121	8,706,121

SARGAS POWER YORKSHIRE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

**8 Creditors: amounts falling due after more than one year
(Continued)**

Included within other creditors are two types of unsecured loan notes that are redeemable at par not later than the date that is 20 Business days after the Don Valley Power Project and associated projects achieve a positive Final Investment Decision (the 'Redemption Date'). If the redemption date has not occurred by 1 July 2020 each loan note is cancelled. During 2014, it was agreed with the holders of the loan notes that interest would cease to accrue, such that the loan notes are currently not interest bearing.

9 Called up share capital

	2016	2015
	£	£
Ordinary share capital		
Issued and fully paid		
9,839,072 ordinary shares of £1 each	9,839,072	9,839,072

10 Related party transactions

The company has taken advantage of the exemptions provided by Section 33 under FRS 102 'Related Party Disclosures' and has not disclosed transactions entered into between two or more members of a group, provided that any subsidiary undertaken which is party to the transaction is wholly owned by a member of that group.

During the year, some of the directors charged consultancy fees to the company for their work on the power plant development project. In total, those directors charged the company £275,548 (2015: £174,329) through other businesses owned and managed by the directors and their families. At the balance sheet date, 31 December 2016, £41,320 (2015: £21,682) was owed to these related businesses.