

SARGAS POWER YORKSHIRE LIMITED

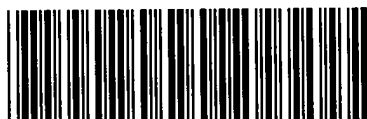
REPORT AND

UNAUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 DECEMBER 2014

WEDNESDAY



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COMPANIES HOUSE

SARGAS POWER YORKSHIRE LIMITED

COMPANY INFORMATION

Directors

Mr Dewi Ab-lorwerth
Mr Henrik Fleischer
Mr Michael Gibbons

Company number

06087981

Registered office

C/O WFW LLP
15 Appold Street
London
EC2A 2HB

Accountants

Baker Tilly Tax and Accounting Limited
Third Floor
One London Square
Cross Lanes
Guildford
Surrey
GU1 1UN

SARGAS POWER YORKSHIRE LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2014

The directors present their report and financial statements for the year ended 31 December 2014. Up to 23 December 2014, the Company was under the ownership and management of 2Co Energy Limited. On 23 December 2014, the Company was acquired by Sargas Power Don Valley Limited and the Company Name was subsequently changed to Sargas Power Yorkshire Limited on 27 February 2015.

Principal activities

The principal activity of the company continued to be that of the development, including the design, engineering, licensing and contracting of a circa 900MW (Gross) Integrated Gasification Combined Cycle power plant. It is estimated that the power plant will capture and store up to 5 million tonnes per year, or 90% of the CO₂ emissions that would otherwise be emitted to the atmosphere.

Directors

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

Mr Dewi ab-Iorwerth	(Appointed 23 December 2014)
Mr Henrik Fleischer	(Appointed 25 February 2015)
Mr Michael Gibbons	
Mr Lewis Gillies	(Resigned 23 December 2014)
Mr Graeme Miller	(Resigned 23 December 2014)

This report has been prepared in accordance with the provisions applicable to companies entitled to the small companies exemption.

On behalf of the board



Mr Dewi ab-Iorwerth

Director

28 September 2015

ACCOUNTANT'S REPORT TO THE BOARD OF DIRECTORS OF SARGAS POWER YORKSHIRE LIMITED ON THE UNAUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

In order to assist you to fulfil your duties under the Companies Act 2006, we prepared for your approval the financial statements of Sargas Power Yorkshire Limited which comprise the Profit and Loss Account, the Balance Sheet and the related notes from the company's accounting records and from information and explanations you have given us.

As a practising member firm of the Institute of Chartered Accountants in England and Wales (ICAEW), we are subject to its ethical and other professional requirements which are detailed at <http://www.icaew.com/en/members/regulations-standards-and-guidance>.

This report is made solely to the Board of Directors of Sargas Power Yorkshire Limited, as a body, in accordance with the terms of our engagement letter dated 11 March 2015. Our work has been undertaken solely to prepare for your approval the financial statements of Sargas Power Yorkshire Limited and state those matters that we have agreed to state to them in accordance with AAF 2/10 as detailed at icaew.com/compilation. This report should not therefore be regarded as suitable to be used or relied on by any other party wishing to acquire any rights against Baker Tilly Tax and Accounting Limited for any purpose or in any context. Any party other than the directors which obtains access to this report or a copy and chooses to rely on this report (or any part of it) will do so at its own risk. To the fullest extent permitted by law, Baker Tilly Tax and Accounting Limited will accept no responsibility or liability in respect of this report to any other party and shall not be liable for any loss, damage or expense of whatsoever nature which is caused by any person's reliance on representations in this report.

It is your duty to ensure that Sargas Power Yorkshire Limited has kept adequate accounting records and to prepare statutory financial statements that give a true and fair view of the assets, liabilities, financial position and loss of Sargas Power Yorkshire Limited under the Companies Act 2006. You consider that Sargas Power Yorkshire Limited is exempt from the statutory audit requirement for the year.

We have not been instructed to carry out an audit or a review of the financial statements of Sargas Power Yorkshire Limited. For this reason, we have not verified the accuracy or completeness of the accounting records or information and explanations you have given to us and we do not, therefore, express any opinion on the statutory financial statements.



Baker Tilly Tax and Accounting Limited
Chartered Accountants
Third Floor
One London Square
Cross Lanes
Guildford
Surrey
GU1 1UN

28 September 2015

SARGAS POWER YORKSHIRE LIMITED

UNAUDITED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2014

	Notes	2014 £	2013 £
Administrative expenses		(1,803,100)	(162,582)
Other operating income		1,722,916	388,873
Operating (loss)/profit		(80,184)	226,291
Interest receivable and similar income	2	7,620	5,771
Interest payable and similar charges		(642,973)	(646,338)
Loss on ordinary activities before taxation	3	(715,537)	(414,276)
Tax on loss on ordinary activities	5	-	-
Loss for the financial year	13	(715,537)	(414,276)

The profit and loss account has been prepared on the basis that all operations are continuing operations.

There are no recognised gains and losses other than those passing through the profit and loss account.

SARGAS POWER YORKSHIRE LIMITED**UNAUDITED BALANCE SHEET
AS AT 31 DECEMBER 2014**

	Notes	2014 £	£	2013 £	£
Fixed assets					
Intangible assets	6	9,383,480		9,383,480	
Tangible assets	7	10,812,038		10,812,038	
		<u>20,195,518</u>		<u>20,195,518</u>	
Current assets					
Debtors	8	1,761,463		1,953,349	
Cash at bank and in hand		11,813,373		12,817,047	
		<u>13,574,836</u>		<u>14,770,396</u>	
Creditors: amounts falling due within one year	10	<u>(18,933,300)</u>		<u>(19,413,323)</u>	
Net current liabilities		<u>(5,358,464)</u>		<u>(4,642,927)</u>	
Total assets less current liabilities		<u>14,837,054</u>		<u>15,552,591</u>	
Creditors: amounts falling due after more than one year	11	<u>(8,706,121)</u>		<u>(8,706,121)</u>	
Net assets		<u>6,130,933</u>		<u>6,846,470</u>	
Capital and reserves					
Called up share capital	12	9,839,072		9,839,072	
Profit and loss account	13	<u>(3,708,139)</u>		<u>(2,992,602)</u>	
Shareholders' funds	14	<u>6,130,933</u>		<u>6,846,470</u>	

For the financial year ended 31 December 2014 the company was entitled to exemption from audit under section 477 of the Companies Act 2006 relating to small companies and the members have not required the company to obtain an audit of its financial statements for the year in question in accordance with section 476.

The directors acknowledge their responsibilities for complying with the requirements of the Act with respect to accounting records and the preparation of financial statements.

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

The financial statements on pages 3 to 11 were approved by the board of directors and authorised for issue on 28/9/2015 and are signed on its behalf by:



Mr Dewi ab-Iorwerth
Director

SARGAS POWER YORKSHIRE LIMITED

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

1 Accounting policies

Basis of accounting

The financial statements are prepared under the historical cost convention and in accordance with applicable United Kingdom accounting standards.

Going concern

Short to medium term funding of project development expenditure is provided through the combination of shareholder funding and the EEPR grant awarded by the European Commission. Longer term financing of the power plant capital cost and the final decision of the shareholders to invest in the project is dependent on the company being awarded a contract for difference under the UK Government's Energy Market Reforms. Whilst the company has received confirmation from the Department of Energy & Climate Change that it meets the eligibility criteria for a Final Investment Decision Contract for Difference, negotiations are in the early stages and the expectation is that successful participants will be awarded a contract for difference in 2016/2017. The directors have concluded that a material uncertainty exists on whether the company will be awarded such a Contract for Difference, which may cast significant doubt about the company's ability to continue as a going concern. However, as the company should be able to operate within the current short term shareholder funding and is able to control the timing of the development expenditure for a period of at least 12 months from the date of approval of these financial statements, the directors continue to adopt the going concern basis of accounting.

Intangible assets

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 Station, included in the assets in the Course of Construction, commences commercial operations.

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost, net of amortisation and any provision for impairment. Depreciation is not provided on Assets in the Course of Construction.

Plant and machinery

Impairments of fixed assets

Fixed assets are reviewed for impairment if events or changes in circumstances indicate that the carrying amount may not be recoverable or as otherwise required by relevant accounting standards.

Shortfalls between the carrying value of fixed assets and their recoverable amounts, being the higher of net realisable value and value-in-use, are recognised as impairments. Impairments of revalued assets, except for these caused by a clear consumption of economic benefit, are recognised in the statement of recognised gains and losses until the carrying amount reaches depreciated historic cost. All other impairment losses are recognised in the profit and loss account.

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

SARGAS POWER YORKSHIRE LIMITED

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2014

1 Accounting policies (Continued)

Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are taken to profit and loss account.

Financial instruments

Financial instruments are classified and accounted for according to the substance of the contractual arrangement as financial assets, financial liabilities or equity instruments. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

Government grants

Government grants on capital expenditure are deducted from the purchase price of the related assets, with a consequent reduction to the annual charge of depreciation. Government grants of a revenue nature are credited to income in the period to which they relate. Grants received in advance of relevant expenditure are recognised as deferred income.

Sponsorship income

Income from sponsors is credited to the profit and loss account evenly over the period covered by the sponsorship agreement.

2 Interest receivable and similar income	2014	2013
	£	£
Bank interest	7,620	5,771
	<u>7,620</u>	<u>5,771</u>
3 Loss on ordinary activities before taxation	2014	2013
	£	£
Loss on ordinary activities before taxation is stated after charging:		
Sponsorship income	214,440	214,440
Grant reimbursement	1,117,889	174,433
Exchange losses on foreign currency transactions	206,313	94,579
	<u>206,313</u>	<u>94,579</u>

SARGAS POWER YORKSHIRE LIMITED

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2014

4	Directors' remuneration	2014 £	2013 £
	Directors' remuneration	227,727	345,932
		<u>227,727</u>	<u>345,932</u>

Directors remuneration of £Nil (2013: £235,000) has been capitalised as part of the asset in course of construction.

No directors (2013: none) are accruing retirement benefits under defined contribution or defined benefit schemes.

5	Tax on loss on ordinary activities	2014	2013
	Total current tax	-	-

Factors affecting the tax charge for the year

The tax assessed for the year is higher than the standard rate of corporation tax (20%). The differences are explained below:

Loss on ordinary activities before taxation	(715,537)	(414,276)
Loss on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 20.00% (2013 - 20.00%)	(143,107)	(82,855)
Effects of:		
Expenses not deductible for tax purposes	3,852	-
Capital allowances in excess of depreciation	(479)	(584)
Tax losses carried forward	139,734	83,439
	<u>143,107</u>	<u>82,855</u>
Current tax charge for the year	-	-

The company has losses of approximately £4.4m (2013: £3.7m) to carry forward and offset against future profits from the same trade. No deferred asset has been recognised due to uncertainty of timing of future profits.

SARGAS POWER YORKSHIRE LIMITED

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2014

6 Intangible fixed assets

Intangible assets

	£
Cost	
At 1 January 2014 & at 31 December 2014	9,383,480
Net book value	
At 31 December 2014	9,383,480
At 31 December 2013	9,383,480

7 Tangible fixed assets

Plant and machinery

	£
Cost	
At 1 January 2014 & at 31 December 2014	22,972,038
Impairment	
At 1 January 2014 & at 31 December 2014	12,160,000
Net book value	
At 31 December 2014	10,812,038
At 31 December 2013	10,812,038

All fixed assets are in the course of construction.

8 Debtors

2014	2013
£	£

Other debtors	1,761,463	1,953,349
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Amounts falling due after more than one year and included in the debtors above are:

	2014	2013
	£	£
Other debtors	614,236	623,436

Other debtors due within one year includes £1,117,889 (2013: £1,268,852) claimable in respect of the European Energy Program for Recovery (EEPR) grant.

SARGAS POWER YORKSHIRE LIMITED

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2014

9 Cash at bank and in hand

At 31 December 2014, cash at bank includes £11,813,261 (2013: £12,662,413) of cash deposits which have been placed in escrow and are subject to withdrawal conditions being satisfied.

10 Creditors: amounts falling due within one year	2014 £	2013 £
Trade creditors	172,912	1,200
Taxes and social security costs	-	240,339
Other creditors	18,760,388	19,171,784
	<u>18,933,300</u>	<u>19,413,323</u>

11 Creditors: amounts falling due after more than one year	2014 £	2013 £
8% fixed rate unsecured loan notes	8,050,573	8,050,573
100% fixed rate unsecured loan notes	655,548	655,548
	<u>8,706,121</u>	<u>8,706,121</u>

Analysis of debt maturity

Amounts payable:

In five years or more	8,706,121	8,706,121
	<u>8,706,121</u>	<u>8,706,121</u>

Both the 100% and 8% fixed rate unsecured loan notes 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.

12 Share capital	2014 £	2013 £
Allotted, called up and fully paid		
9,839,072 Ordinary shares of £1 each	<u>9,839,072</u>	<u>9,839,072</u>

SARGAS POWER YORKSHIRE LIMITED

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2014

13 Profit and loss account

	Profit and loss account £
Balance at 1 January 2014	(2,992,602)
Loss for the year	(715,537)
	<u> </u>
Balance at 31 December 2014	<u>(3,708,139)</u>

14 Reconciliation of movements in shareholders' funds

	2014 £	2013 £
Loss for the financial year	(715,537)	(414,276)
Opening shareholders' funds	6,846,470	7,260,746
	<u> </u>	<u> </u>
Closing shareholders' funds	<u>6,130,933</u>	<u>6,846,470</u>

15 Financial commitments

Electricity connection

The company has an agreement with National Grid Electricity Transmission plc ('NGET') for the provision of an Electricity Grid Connection for the proposed Power Station. Under this agreement, the company has agreed to make certain payments at agreed milestones to provide security for NGET's investment in the connection infrastructure for the Don Valley Power project. Previously, the value of this commitment was £36.0m by April 2016, however changes to the calculation methodology implemented by NGET post balance sheet date has reduced this commitment to a maximum of £2.4m by April 2016. At the balance sheet date the company had paid £2.88m in security payments of which £2.26m was refunded by NGET in April 2013 and a further £500,000 was refunded in January 2015. As a result, the amount of security agreed and on account with NGET as at March 2015 is £114,427.

Land

The company has engaged with Hatfield Colliery Limited ("HCL") relating to the parties' intent to grant the company a 99 year lease of land owned by HCL upon which to develop and construct the Project.

16 Control

Until 23 December 2014, the immediate parent company was 2Co Power Limited and the directors considered TPG Capital to be the ultimate controlling party due to the interest held by an indirect subsidiary, TPG 2Co LLC, in 2Co Energy Limited, the parent company of 2Co Power Limited.

From 23 December 2014, the immediate parent company became Sargas Power Don Valley Limited and the directors consider Sargas Power Holdings Limited to be the ultimate parent company and controlling party.

SARGAS POWER YORKSHIRE LIMITED

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2014

17 Related party relationships and transactions

The company has taken advantage of the exemptions provided by Financial Reporting Standard Number 8 'Related Party Disclosures' and has not disclosed transactions entered into between two or more members of a group, provided that any subsidiary undertaking which is party to the transaction is wholly owned by a member of that group.