MVV Environment Devonport Limited

Annual report and financial statements

Registered number 07412959

31 March 2019

Contents

Strategic report

The directors present their strategic report for the year ended 31 March 2019.

Principal activities

The company operates a waste to power renewable energy facility based in Devonport, Plymouth.

The company is privately owned, limited by shares and registered in England and Wales. Details of the ownership of the company are given in note 20, and the amount of shares in issue is shown in note 17.

Review of the business

The results of the business can be seen in the statement of comprehensive income on page 9, and the financial position can be seen in the statement of financial position on page 10. This is the fourth full year of operation of the plant. The directors are satisfied with the continued increase in turnover of 1.8% (2018: 11.4%), which is due to the continuing improvement and efficiency in the operating performance of the company. The directors are positive about the future opportunities available.

Key performance indicators

The key performance indicators used by the board to monitor the performance of the business are as follows:

KPI	Measure	2019	2018	2017
Waste incinerated	tonnes	251,652	254,412	246,670
Electricity sold volumes	MWh	180,466	179,147	177,651
Steam sold volumes	MWh	55,128	53,559	57,627

Financial risk management

The Company's operations expose it to financial risks including credit risk, liquidity risk, foreign currency risk and regulatory risk. The Company has in place a number of financial risk management policies that seek to limit potential adverse effects on the financial performance of the Company by monitoring the levels of cash and financial instruments held.

Credit risk

Credit risk arises on credit exposure to its customer base. The Company limits its exposure to such customers by means of a policy of credit checking all potential customers as part of the on-boarding process. Customer debt is actively monitored and appropriate action taken on any potential exposures.

Liquidity risk

Cash deposits are maintained to ensure that the Company has sufficient available funds for operations. The Company does not use derivative financial instruments to manage interest rate exposure and therefore no hedge accounting is applied.

Foreign currency risk

The Company has financial instruments which are denominated in Euros. The gains and losses arising from the Company's exposure are recognised in the profit and loss account.

Research and development

The company is currently not undertaking any research and development work.

Strategic Report *(continued)*

Future developments

The directors do not foresee any change in the Company's principal activity.

Going Concern

The directors believe that the Company is well placed to manage its business risks and that the Company has adequate resources to continue its operations for the foreseeable future. Fellow group companies are available to offer support, should the company ever require it. In addition to this, the company makes repayment for a loan it received from a fellow group company in the financial year ended 31 March 15, on a quarterly basis and the company expects to fully repay this by 2032. Accordingly, having also sought a letter of support from the parent company, the directors have continued to adopt the going concern basis of accounting in the preparation of these financial statements.

On behalf of the board

P M Carey
Director

19 December 2019

Directors' report

The directors present their directors' report, strategic report and audited financial statements for the Company for the year ended 31 March 2019.

Directors

The directors of the Company who were in office during the year and up to the date of signing the financial statements are:

P M Carey
U Zickert
K Walsh (resigned 1 December 2018)
M A Turner (appointed 1 December 2018)

Dividends

Dividends paid during the year comprise £nil *(2018: £nil)*. The directors do not recommend payment of further dividends in respect of the year.

Political and charitable contributions

Charitable donations totalling £3,819 *(2018:£2,500)* were paid during the year. During the year the Company selected the following charities and made donations as follows:

Widewell Primary Academy £172

GREATWAR Commemorative events £3,000

Fletewood School £647

The Company made no political donations during the year *(2018: £nil)*.

Operating performance

As mentioned in the strategic report on pages 1 and 2, the company has continued to improve operating performance. The company has incinerated slightly less waste than in the previous year, however it has been able to generate more electricity for supply to the grid, supply more steam and continue to sell Renewable Obligation Certificates. This has resulted in additional revenue of £688,000 being generated for the year.

Despite improving revenue, the operating profit for the year has reduced by £90,000. Cost of sales has increased by £907,000, which partly relates to the increase in sales activity. There were also additional costs incurred in the current year as a result of planned maintenance costs.

Despite the reduction in operating profits, the directors continue to be positive about the company's future and expect operating profit to increase in the next financial year.

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 he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Financial risk managemaent and future developments

Details of the company's financial risk management and future developments have been disclosed within the strategic report on page 1 and 2.

Directors' report (continued)

Independent Auditors

The auditors, PricewaterhouseCoopers LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

On behalf of the board

P M Carey
Director

Registered office:
Devonport EFW CHP Facility
Creek Road
Plymouth
PL5 1FL

19 December 2019

Statement of directors' responsibilities in respect of 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 the 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 judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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 and other irregularities.

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.

Directors' confirmations

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 MVV Environment Devonport Limited

Report on the audit of the financial statements

Opinion

In our opinion, MVV Environment Devonport 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 profit 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 statement of financial position as at 31 March 2019; the statement of comprehensive income, 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.

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

Independent auditors' report to the members of MVV Environment Devonport Limited (continued)

Reporting on other information (continued)

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 of the directors

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities in respect of the financial statements, 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.

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

Independent auditors' report to the members of MVV Environment Devonport Limited (continued)

Other required reporting (continued)

Companies Act 2006 exception reporting (continued)

- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Heather Ancient

Heather Ancient (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Bristol

19 December 2019

Statement of comprehensive income
for year ended 31 March 2019

	Note	**2019**	2018
		£	£
Revenue	*3*	**39,528,366**	38,839,566
Cost of sales		**(8,002,433)**	(7,095,406)
Gross profit		**31,525,933**	31,744,160
Administrative expenses		**(16,796,532)**	(15,486,653)
Other operating income	*4*	**1,438,163**	-
Operating profit	*4*	**16,167,564**	16,257,507
Finance income	*6*	**63,272**	28,610
Finance expenses	*6*	**(14,603,728)**	(15,168,390)
Net financing expense	*6*	**(14,540,456)**	(15,139,780)
Profit before taxation		**1,627,108**	1,117,727
Tax on profit	*8*	**(330,140)**	-
Profit and total comprehensive income for the financial year		**1,296,968**	1,117,727

The notes on pages 12 to 29 form part of these financial statements.

Statement of financial position

as at 31 March 2019

	Note	2019	2018
		£	£
Fixed assets			
Intangible assets	9	185,657	342,255
Tangible assets	10	187,097,816	196,964,774
Total fixed assets		187,283,473	197,307,029
Other non-current assets	18	5,328,877	5,475,139
Current assets			
Inventories	11	9,133,094	4,874,990
Debtors	12	7,809,943	10,175,844
Cash at bank and in hand	13	2,645,169	1,119,278
Total current assets		19,588,206	16,170,112
Creditors: amounts falling due within one year	14	(13,956,225)	(12,988,133)
Total current liabilities		(13,956,225)	(12,988,133)
Net current assets		5,631,981	3,181,979
Creditors: amounts falling due after more than one year			
Bank loans and overdrafts	15	(167,533,940)	(176,523,565)
Provisions for liabilities	16	(3,489,699)	(3,490,975)
Net assets		27,220,692	25,949,607
Equity			
Called up share capital	17	32,000,000	32,000,000
Accumulated losses	17	(4,779,308)	(6,050,393)
Total equity		27,220,692	25,949,607

The notes on pages 12 to 29 form part of these financial statements.

These financial statements on pages 10 to 29 were approved by the board of directors on 19 December 2019 and were signed on its behalf by:

P M Carey
Director

Company registered number: 07412959

Statement of changes in equity
at for the year ended 31 March 2019

	Called up share capital £	Accumulated losses £	Total equity £
Balance at 1 April 2017	32,000,000	(7,168,120)	24,831,880
Total comprehensive income for the year			
Profit for the financial year	-	1,117,727	1,117,727
Total comprehensive income for the year	-	1,117,727	1,117,727
Balance at 31 March 2018	**32,000,000**	**(6,050,393)**	**25,949,607**

	Called up share capital £	Accumulated losses £	Total equity £
Balance at 1 April 2018	32,000,000	(6,050,393)	25,949,607
Adjustment in respect of IFRS 9 (as detailed in note 22)	-	(25,883)	(25,883)
Balance at 1 April 2018 – as restated	32,000,000	(6,076,276)	25,923,724
Total comprehensive income for the year			
Profit for the financial year	-	1,296,968	1,296,968
Total comprehensive income for the year	-	1,296,968	1,296,968
Balance at 31 March 2019	**32,000,000**	**(4,779,308)**	**27,220,692**

Notes
(forming part of the financial statements)

1 Accounting policies

MVV Environment Devonport Limited (the "Company") is a company incorporated and domiciled in the UK.

The following accounting policies have been applied consistently.

1.1 Basis of preparation

i) *Historical cost convention*

The financial statements are prepared on the historical cost basis, as explained in the accounting policies below, and in accordance with the Companies Act 2006, as applicable to companies adopting Financial Reporting Standard 101 and United Kingdom Accounting Standards – Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101"). Historical cost is generally based on the fair value of the consideration given in exchange of assets. The principal accounting policies that have been applied consistently throughout the period are set out below.

ii) *New and amended standards adopted by the company*

The company has applied the following standards and amendments for the first time for its annual reporting period conmmencing 1 April 2018:

- IFRS 9, 'Financial Instruments';
- IFRS 15, 'Revenue from Contracts with Customers'

The adoption of IFRS 15 has not had a material impact on the amounts recognised in the prior period and is not expected to affect the current or future periods. The adoption of IFRS 9 has resulted in amendments being required to the financial statements and details of these are shown in note 22 on page 28.

iii) *New standards and interpretations not yet adopted*

Certain new accounting standards and interpretations have been published that are not mandatory for 31 March 2019 reporting periods and have not been early adopted by the company. Details of these are disclosed under 1.18 Adopted IFRS not yet applied on page 16.

1.2 Going concern

The directors believe that the Company is well placed to manage its business risks and that the Company has adequate resources to continue its operations for the foreseeable future. Accordingly, the directors have continued to adopt the going concern basis of accounting in the preparation of these financial statements.

1.3 Foreign currency

Transactions in foreign currencies are translated to the Company's functional currency at the foreign exchange rate ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined.

1.4 Revenue

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for services (waste disposal) provided, which is then stated net of value added taxes. The company recognises revenue when performance obligations have been satisfied and given the nature of the company's activities, these are listed in detail below. Due to the nature of the company's activities, they are not subject to returns.

Services provided – Waste disposal

The company operates a waste to power renewable energy facility, which involves the company's customers delivering domestic and commercial waste to the facility. Once the company receives this waste, it is processed, stored

Notes *(continued)*

1 Accounting policies *(continued)*

1.4 Revenue (continued)

and then burnt. The company's customers are required to make payment for the waste they are disposing of, which is based on the weight and nature of it. When the waste is transferred to the company's premises, the responsibilities of this are transferred to the company and at this point revenue is recognised, as all of the customers' obligations have been discharged and ownership of this is transferred to the company.

Services provided – Energy production

The waste that the company processes and stores is then transferred and burnt in a boiler. The boiler used the energy created from burning this waste to heat water, generating steam, which in turn then drives a turbine. This turbine is used to generate electricity. The steam that is produced is also used to supply a neighbouring customer and revenue on this element is recognised when the steam leaves the company's premises. With regard to the electricity, surplus amounts are converted in to either Renewable Obligation Certificates (ROCs) or sold back to the power grid. Revenue in respect of ROCs is recognised when they are sold and ownership of them transfers to the customer. Revenue in respect of electricity is recognised when the energy is transferred to the grid.

1.5 Expenses

Financing income and expenses

Financing expenses comprise interest payable and net foreign exchange losses. Financing income comprise interest receivable on funds invested and net foreign exchange gains.

Interest income and interest payable is recognised in profit or loss as it accrues, using the effective interest method. Foreign currency gains and losses are reported on a net basis.

1.6 Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

1.7 Employee benefits

The obligations for contributions to defined contribution scheme are recognised as an expense as incurred. The assets of the scheme are held separately from those of the Company in an independent administered fund.

1.8 Intangible fixed assets

Directly attributable software costs are capitalised as intangible fixed assets are stated at cost less accumulated amortisation and accumulated impairment losses.

Amortisation is charged to the Statement of comprehensive income so as to write off their value, over their estimated useful lives, using the straight line method.

Useful economic lives:

Software	5 years

1.9 Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is charged to the Statement of comprehensive income so as to write off their value, less any residual value, over the estimated lives, using the straight line method, or reducing balance method if more appropriate.

Useful economic lives:

Freehold investment property	No depreciation is charged
Leasehold property improvements	Over the life of the lease
Plant and machinery	24.12 years
Fixtures and fittings	15% reducing balance

Notes *(continued)*

1 Accounting policies *(continued)*

1.9 Tangible fixed assets (continued)

IT equipment	*5 years*
Assets in the course of construction	No depreciation is charged

1.10 Other non-current assets

Other non-current assets relate to the cost of connecting the power generation plant to the national grid and a long-term debtor relating to the recovery of s.106 costs from a third party. The power generation plant costs are being amortised over the life of the associated plant and machinery, and the s.106 recovery is realised as received. A breakdown of these assets is shown in note 18.

1.11 Impairment review

At each balance sheet date, the Company reviews the carrying amounts of intangible and tangible fixed assets to determine whether there is any indication that any items have suffered an impairment loss. If any such indication exists, the recoverable amount of an asset is estimated in order to determine the extent of the impairment loss, if any.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, to the extent that the increased amount does not exceed the carrying amount that would have been determined (net of depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

1.12 Inventories

Inventories consist of parts held for replacement or maintenance of the plant and machinery, comprising low value items held at cost and subject to an annual impairment review. The impairment of parts is recognised as an expense in the period in which the impairment occurs. In addition to this, inventories also consist of e-certificates, which comprise of Renewable Obligation Certificates (ROCs) held at net realisable value and subject to annual impairment review. Net realisable value is determined by annually published valuations for the "Buy Out Price" of the individual ROCs, which have been discounted at a rate of 10% given that the sales of e-certificates are made to a fellow group company in accordance with a contractual agreement. The impairment of e-certificates is recognised as an expense in the period in which the impairment occurs.

1.13 Non-derivative financial instruments

Non-derivative financial instruments comprise trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Trade and other receivables

Trade and other receivables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses for bad and doubtful debts except where the effect of discounting would be immaterial. In such a cases, the receivables are stated at cost less impairment for bad and doubtful debts. As a result of the adoption of IFRS 9, the company applies a simplified approach to measuring expected credit losses in respect of these balances and further details of this and how the company applies it is shown within note 1.14 below.

Trade and other payables

Trade and other payables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand, demand deposits with banks and other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. In the statement of financial position, to the extent that a bank overdraft exists they are shown within current liabilities. At the balance sheet date there were no overdrawn bank accounts.

Notes *(continued)*

1.14 Financial assets

In the event the company were to impair its financial assets, the impairment charge in the statement of comprehensive income would include the change in expected credit losses for financial assets held at amortised cost. Expected credit losses are calculated by using an appropriate probability of default, adjusted to take into account a range of possible future economic scenarios, and applying this to the estimated exposure of the Company at the point of default after taking into account the value of any collateral held or other mitigants of loss.

At initial recognition, allowance is made for expected credit losses resulting from default events that are possible within the next 12 months (12-month expected credit losses). In the event of a significant increase in credit risk, allowance is made for expected credit losses resulting from all possible default events over the expected life of the financial instrument (lifetime expected credit losses). Financial assets where 12-month expected credit losses are recognised are considered to be Stage 1; financial assets which are considered to have experienced a significant increase in credit risk are in Stage 2; and financial assets which have defaulted or are otherwise considered to be credit impaired are allocated to Stage 3.

An assessment of whether credit risk has increased significantly since initial recognition considers the change in the risk of default occurring over the remaining expected life of the financial instrument. The assessment is unbiased, probability-weighted and uses forward-looking information consistent with that used in the measurement of expected credit losses. However, unless identified at an earlier stage, the credit risk of financial assets is deemed to have increased significantly when more than 30 days past due. Where the credit risk subsequently improves such that it no longer represents a significant increase in credit risk song origination, the asset is transferred back to Stage 1.

For financial instruments that are considered to have low credit risk, the credit risk is assumed to not have increased significantly since initial recognition. Financial instruments are considered to have low credit risk when the borrower is considered to have a low risk of default from a market perspective, such as external bank accounts.

Assets are transferred to Stage 3 when they have defaulted or are otherwise considered to be credit impaired. IFRS 9 contains a rebuttable presumption that default occurs no later than when a payment is 90 days past due. The Company uses this 90 day backstop.

1.15 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 the amount initially recognised and redemption value being recognised in the statement of comprehensive income over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

1.16 Leased assets

Assets that are held by the Company under leases which transfer to the Company substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Company are classified as operating leases.

Operating lease payments are recognised as an expense on a straight line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leases asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of renal expense on a straight line basis, except where another systematic basis is more representative of the time pattern in which the economic benefits from the leases asset are consumed.

The company has no finance leases in the current or preceding period.

Notes *(continued)*

1 Accounting policies *(continued)*

1.17 Provisions

Provisions are recognised when the Company has a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefit will be required to settle the obligation, and a reliable estimate can be made. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as interest expense.

1.18 Adopted IFRS not yet applied

The following Adopted IFRSs have been issued but have not been applied in these financial statements:

- IFRS 16 Leases (effective date 1 January 2019)

1.19 FRS 101 reduced disclosures

The company has taken the following disclosure exemptions:

a.) The requirements of IFRS 7 'Financial instruments : Disclosures';

b.) The requirements of paragraphs 91/99 of IFRS 13 'Fair Value Measurement';

c.) The requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:

   a. Paragraph 79(a)(iv) of IAS 1;

   b. Paragraph 73(e) of IAS 16 Property, Plant and Equipment;

   c. Paragraph 118(e) of IAS 38 Intangible Assets;

d.) The requirements of paragraphs 10(d), 10(f), 39(c), and 134 -136 of IAS 1 'Presentation of Financial Statements';

e.) The requirements of IAS 7 'Statement of Cash Flows';

f.) The requirements of paragraph 17 of IAS 24 'Related Party Disclosures';

g.) The requirements in IAS 24 'Related Party Disclosures' to disclose all related party transactions entered into between two members of the same group, provided that both parties to the transaction are wholly owned by such a member.

Notes *(continued)*

2 Critical accounting judgements and key sources of estimation uncertainty

2.1 Provisions for s106 costs

S106 costs are incurred in relation to the planning obligations included in the planning permission granted for the build of the Devonport facility. Management estimate the likely costs associated with meeting the company's obligations in the future, by reviewing the previously agreed charges and adding an inflationary increase, of which the total is then discounted to the net present value to arrive at the s106 provision. Judgements are made in respect of value of the inflationary increase to be added each year, as in reality these are based on the Retail Price Index at that point in time. At the point of calculating the inflationary increase, these figures will not be published and therefore assumptions based on historic results are used. In addition to this, judgement is used for the discount rate applied, which represents a rate that has been adopted by the group which reflects the industry.

2.2 Impairment of tangible assets and inventories

The company records its tangible assets and inventories at historical cost and carries out an annual impairment review to consider value in use of these assets by considering the net present value of the future cash generation of these assets. Managements' judgments include the forecast future cash flows generated by the assets and the discount rate applied to these cash flows in arriving at the net present value.

2.3 Renewable Obligation Certificates (ROCs)

The company holds Renewable Obligation Certificates' (ROCs) as it is producer of electricity from eligible renewable sources. The ROCs are recognised in the period of the eligible electricity being produced (matching principle). This comprises e-certificates already issued by Ofgem and e-certificates for outstanding periods as there is a time delay in receiving ROCs from Ofgem. Any differences – the number of ROCs obtained versus prior estimates - are recognised in the month of the ROC issuance by Ofgem. The net realisable value of the ROCs is determined on the basis of the annual "Buy Out Price" as published by Ofgem. The e-certificates are discounted at a rate of 10% given that the sales are made to a fellow group company in accordance with a contractual agreement. The fellow group company consistently achieved sales prices exceeding the "Buy Out Price". Any adjustment to the number of e-certificates is recognised through P&L and with the inventories in the period in which the adjustment occurs.

2.4 Bad debt provision

A value adjustment is recorded on all trade receivables once they are incurred. The value of the adjustment is determined on the basis of historic bad debts and forward looking estimates. There is a general provision for trade receivables not due as well as for overdue trade receivables based on an aging matrix applied to all entities of the MVV group. The general provision is as follows:

Not due	0.01%
Overdue 1 – 89 days	1.0%
Overdue 90 – 179 days	31.0%
Overdue 180 – 359 days	45.0%
Overdue 360 – 719 days	67.0%
Overdue > 719 days	100%

Furthermore there is a specific provision for trade receivables with a high individual default risk.

Notes *(continued)*

3 Revenue

	2019	2018
	£	£
Rendering of services	**39,528,366**	38,839,566
Total revenues	**39,528,366**	38,839,566

All revenue is derived from services provided in the United Kingdom.

4 Operating profit

Included in operating profit are the following:

	2019	2018
	£	£
Staff pension contributions	**86,453**	85,184
Loss on sale of tangible assets	**-**	76,399
Amortisation of intangible assets	**156,598**	182,404
Depreciation of owned fixed assets	**9,986,343**	9,989,949
Operating lease payments	**53,208**	85,395

Other operating income:

	2019	2018
	£	£
Recharged expenses	**1,438,163**	-

Auditors' remuneration:

	2019	2018
	£	£
Audit of these financial statements	**30,865**	41,815

Notes *(continued)*

5 Directors' remuneration

The directors' aggregate remuneration in respect of qualifying services were:

	2019 £	2018 £
Aggregate directors' remuneration	**109,131**	145,933
Contributions paid to money purchase pension schemes	**6,501**	8,600
Net financing expense	**115,632**	154,533

The directors' remuneration above reflects charges from MVV Environment Limited for remuneration payments that each company has made, for services as directors of MVV Environment Devonport Limited.

6 Net financing expense

	2019 £	2018 £
Finance income		
Foreign exchange gain	**49,027**	18,424
Interest received	**14,245**	10,186
Total finance income	**63,272**	28,610
Finance expenses		
Intercompany interest	**13,583,011**	14,155,625
Parent Company guarantee fees	**958,689**	954,996
Foreign exchange loss	**62,028**	57,769
Total finance expenses	**14,603,728**	15,168,390
Net financing expense	**14,540,456**	15,139,780

Notes *(continued)*

7 Particulars of employees

The average monthly number of persons employed by the company (including directors) during the year, analysed by category, was as follows:

	2019 No.	2018 No.
Administration and support	**5**	5
Production	**27**	27
	32	32

The aggregate payroll costs were as follows:

	2019 £	2018 £
Wages and salaries	**1,516,094**	1,568,057
Social security costs	**158,669**	153,945
Other pension costs	**86,453**	85,184
	1,761,216	1,807,186

Included within wages and salaries are amounts that represent the recharged of wages costs from MVV Environment Limited, a fellow group company. The costs are recharged on a percentage basis, which represent the amount of time that MVV Environment Limited's employees provide their services to MVV Environment Devonport Limited.

8 Tax on profit

	2019 £	2018 £
Current tax expense		
Current year	**328,680**	-
Adjustments in respect of prior year	**1,460**	-
Current tax expense	**330,140**	-
Deferred tax expense		
Origination and reversal of temporary differences	**-**	-
Recognition of previously unrecognised tax losses	**-**	-
Deferred tax expense	**-**	-
Tax per statement of comprehensive income	**330,140**	-

Notes *(continued)*

8 Tax on profit (continued)

Reconciliation of standard tax rate

The tax assessment for the year is higher than (*2018: lower than*) the standard rate of corporation tax in the UK of 19% (*2018: 19%*). The difference is explained below:

	2019 £	2018 £
Profit before taxation	1,290,425	1,117,727
Total tax at 19% (*2018: 19%*)	245,181	212,368
Depreciation in excess of capital allowances	367,614	493,663
Expenses adjustments	475,076	411,475
Group relief claimed	(261,250)	-
Adjustments to deferred tax charge not previously recognised	(497,941)	(1,116,046)
Adjustments in respect of tax charges not recognised in prior year	1,460	(1,460)
Total tax expense	330,140	-

At Budget 2016, the Government announced a further reduction to the Corporation Tax main rate for the year starting 1 April 2020, setting the rate at 17%.

9 Intangible assets

	Software and software licenses £	Total £
Cost		
At 1 April 2017	890,428	890,428
At 31 March 2018	890,428	890,428
Accumulated amortisation		
At 1 April 2017	365,769	365,769
Charge for the year	182,404	182,404
At 31 March 2018	548,173	548,173
Net book value		
At 31 March 2018	342,255	342,255

Amortisation of intangible assets is disclosed in the statement of comprehensive income, within administrative expenses, on page 9.

Notes *(continued)*

9 Intangible assets (continued)

	Software and software licenses £	Total £
Cost		
At 1 April 2018	890,428	890,428
At 31 March 2019	890,428	890,428
Accumulated amortisation		
At 1 April 2018	548,173	548,173
Charge for the year	156,598	156,598
At 31 March 2019	704,771	704,771
Net book value		
At 31 March 2019	**185,657**	**185,657**

Notes *(continued)*

10 Tangible assets

	Freehold investment property £	Leasehold property improvements £	Assets in the course of construction £	Plant and machinery £	Fixtures and fittings £	IT equipment £	Total £
Cost							
At 1 April 2017	657,885	89,223,069	88,730	131,843,689	244,335	338,024	222,395,732
Additions	-	-	58,323	-	30,408	-	88,731
Disposals	(657,885)	-	-	-	-	-	(657,885)
At 31 March 2018	-	89,223,069	147,053	131,843,689	274,743	338,024	221,826,578
Accumulated depreciation							
At 1 April 2017	-	5,439,693	-	9,140,940	84,732	206,490	14,871,855
Charge for the year	-	3,699,552	-	6,205,164	34,828	50,405	9,989,949
At 31 March 2018	-	9,139,245	-	15,346,104	119,560	256,895	24,861,804
Net book value							
At 31 March 2018	-	**80,083,824**	**147,053**	**116,497,585**	**155,183**	**81,129**	**196,964,774**

Notes *(continued)*

10 Tangible assets *(continued)*

	Leasehold property improvements £	Assets in the course of construction £	Plant and machinery £	Fixtures and fittings £	IT equipment £	Total £
Cost						
At 1 April 2018	89,223,069	147,053	131,843,689	274,743	338,024	221,826,578
Additions	-	119,385	-	-	-	119,385
Disposals	-	-	-	-	-	-
At 31 March 2019	89,223,069	266,438	131,843,689	274,743	338,024	221,945,963
Accumulated depreciation						
At 1 April 2018	9,139,245	-	15,346,104	119,560	256,895	24,861,804
Charge for the year	3,699,552	-	6,205,163	35,813	45,815	9,986,343
At 31 March 2019	12,838,797	-	21,551,267	155,373	302,710	34,848,147
Net book value						
At 31 March 2019	**76,384,272**	**266,438**	**110,292,422**	**119,370**	**35,314**	**187,097,816**

Notes *(continued)*

11 Inventories

	2019	2018
	£	£
Stock of spare parts	**3,192,972**	2,374,269
E-certificates	**5,940,122**	2,500,721
	9,133,094	4,874,990

Included with stock of spare parts is a provision of £nil (2018: £nil) and the amount of stock of spare parts written down and recognised as an expense during the year amount to £nil (2018: £nil).

The amount of stock of spare parts recognised as an expense during the year totalled £832,606 (2018: £488,752). The amount of E-certificate inventories recognised as income and included within cost of sales amount to £3,103,459 (2018: £2,500,721).

12 Debtors

	2019	2018
	£	£
Trade receivables	**7,256,968**	8,442,497
Allowance for doubtful debts	**(1,815,281)**	(62,464)
Amounts owed by group undertakings	**747,338**	225,171
Other debtors	**23,055**	23,055
Prepayments and accrued income	**1,597,863**	1,547,585
	7,809,943	10,175,844

Amounts owed by group companies are unsecured and repayable on demand.

13 Cash at bank and in hand

	2019	2018
	£	£
Cash at bank and in hand per statement of financial position	**2,645,169**	1,119,278

14 Creditors: amounts falling due within one year

	2019	2018
	£	£
Trade payables	**336,531**	218,145
Amounts owed to group companies	**9,572,529**	9,245,244
Tax and social security	**1,615,411**	1,217,634
Non-trade payables and accrued expenses	**2,431,754**	2,307,110
	13,956,225	12,988,133

Amounts owed to group companies are unsecured and repayable on demand.

Notes *(continued)*

15 Creditors: amounts falling due after more than one year

	2019 £	2018 £
Amounts owed to group undertakings (1-2 years)	**8,989,626**	8,989,626
Amounts owed to group undertakings (2-5 years)	**34,324,026**	33,098,168
Amounts owed to group undertakings (over 5 years)	**124,220,288**	134,435,771
	167,533,940	176,523,565

The loans are scheduled for repayment from 30 September 2015 in equal six-monthly instalments with the final repayment date scheduled in 2032. Interest is charged at 8.75% and the loans are unsecured.

16 Provisions for liabilities

	2019 £
At 1 April 2018	**3,490,975**
Movement	**(1,276)**
At 31 March 2019	**3,489,699**

Provisions consist of section 106 costs that will be incurred by the company. The provision reflects the net present value of the expected costs, discounted using the group borrowing rates. Group borrowing rates consider the rates that would be applicable to any external finance arrangements.

17 Called up share capital and Accumulated losses

Called up share capital

	2019 £	2018 £
Allotted, called up and fully paid		
32,000,000 (*2018: 32,000,000*) Ordinary shares of £1 each	**32,000,000**	32,000,000

	Accumulated losses £	£
At 1 April 2018 and 2017	**(6,050,393)**	(7,168,120)
Adjustment in respect of IFRS 9 (as detailed in note 22)	**(25,883)**	-
At 1 April 2018 and 2017 – As restated	**(6,076,276)**	-
Profit for the financial year	**1,296,968**	1,117,727
At 31 March 2019 and 2018	**(4,779,308)**	(6,050,393)

Notes *(continued)*

18 Other non-current assets

	2019	2018
	£	£
Grid connection	3,507,459	3,507,459
Amortisation	(505,048)	(359,632)
	3,002,411	3,147,827
S.106 debtor	2,326,466	2,327,312
	5,328,877	5,475,139

19 Related parties

Identity of related parties with which the Company has transacted

	Receivables outstanding 2019	2018	Payables outstanding 2019	2018
	£	£	£	£
Parent and ultimate parent	-	-	177,165,538	185,768,808
Fellow subsidiaries	747,338	225,171	52,785	-

The company did not enter into any other related party transactions, including those with key management personnel, only those which were between fellow group companies.

20 Ultimate parent company and parent company of larger group

The Company is now a subsidiary undertaking of MVV Environment Limited a Company incorporated in England and Wales, after a group restructure during the year. Previously the Company's immediate parent was MVV Umwelt UK GmbH, a Company which is incorporated in Germany. The ultimate parent and controlling party is MVV Energie AG, a company incorporated in Germany.

The smallest and largest group in which the results of the Company are consolidated is that headed by MVV Energie AG and these consolidated financial statements can be obtained from Otto-Hahn-Str 1, 68169 Mannheim.

21 Subsequent events

There have been no subsequent events since the balance sheet date that require disclosure or amendment to the financial statements.

Notes *(continued)*

22 Changes in accounting policies

The Company has adopted IFRS 15 "Revenue from Contracts with Customers" as at 1 April 2018. The existing accounting policies are consistent with the requirements of IFRS 15 and the application of this standard has not had any impact on the Company, or its financial statements.

In addition to the above, the Company also adopted IFRS 9 "Financial Instruments" on 1 April 2018, which replaced IAS 39 "Financial Instruments: Recognition and Measurement. Adoption of this standard has had the following impacts on the financial statements:

(a) Changes to accounting policies
The new accounting policies, as amended for IFRS 9, are set out in note 1.14 on page 15. A summary of the changes is as follows:

(b) Financial assets and financial liabilities

The classification of financial assets has changed such that the assessment is based on the Company's business model for managing the financial assets and whether cash flows represent solely payments of principal and interest. All other financial assets held in a business model that is managed and whose performance is evaluated on a fair value basis are held at fair value through profit or loss and those that are held in a business model that is held to collect contractual cash flows are classified as amortised cost. See note 1.14 on page 15 for more detail.

(c) Impairment

IFRS 9 results in changes to the impairment approach for financial assets at amortised cost. Under IAS 39, an "incurred loss" approach was used, which required a charge for impairment when events or circumstances indicated that the amounts were not recoverable. The approach under IFRS 9 is an "expected credit loss" approach, which requires an assessment of expected future losses on initial recognition. For more detail see note 1.14 on page 15.

(d) Opening reserves on transition

As a result of the adoption of IFRS 9 there has been an impact to opening reserves as there were required changes to impairment, but there were not any changes to classification. The impact of this is detailed in g) below.

(e) Classification of financial assets and liabilities on initial application of IFRS 9

There have been no changes to the classification or carrying amounts of financial liabilities as a result of adopting IFRS 9. However, there have been changes to financial assets as a result of adoption of this standard and details of these are shown in g) below.

(f) Loss allowance on transition
At 31 March 2018 there were no impairment losses under IAS 39. As a result of the adoption of IFRS 9 there continue to be no impairment losses.

(g) Financial impact

As a result of the Company adopting this standard, the Company was required to make transitional adjustments to their financial statements on 1 April 2018 and the impact of these on the Company is as follows:

- Increase to Accumulated losses in respect of the impact on profit as a result of the adjustment totalling £25,883.
- Decrease to Debtors, in particular in allowance for doubtful debts, as a result of the adjustment totalling £25,883.

Notes *(continued)*

23 Financial impact of adopted IFRS not yet applied

The Company plans to adopt IFRS 16 "Leases" as at 1 April 2019 and the impact of the adoption of this standard will be included within the financial statements for the year to 31 March 2020. As part of the adoption of the new standard, the Company will be required to make adjustments to their financial statements on 1 April 2019 and the impact on the Company of these is as follows:

- Increase to intangible assets, which represents the capitalisation of the Right of Use asset and this will total £58,804.
- Increase to creditors: amounts falling due within one year totalling £27,703 and also an increase to creditors: amounts falling due after more than one year of £31,101 and these represent the net present value of the future lease payments made in respect of the leases that the Company holds.
- The overall impact of these adjustments will be a reduction of profit for the year to 31 March 2020 and therefore an increase in Accumulated losses of £141.