Registered number: 07586124

REFORM ENERGY PLC

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 28 DECEMBER 2017

REFORM ENERGY PLC

COMPANY INFORMATION

Directors	J S Lloyd J D Potter
Registered number	07586124
Registered office	c/o Slater Heelis LLP 86 Deansgate Manchester M3 2ER
Independent auditor	Grant Thornton UK LLP Chartered Accountants & Statutory Auditor Royal Liver Building Liverpool L3 1PS
Bankers	Barclays Bank plc Liverpool L3 9AG
Solicitors	Slater Heelis LLP 86 Deansgate Manchester M3 2ER

REFORM ENERGY PLC

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STRATEGIC REPORT
FOR THE PERIOD ENDED 28 DECEMBER 2017

Business review

Shareholders will be aware that the Report and Accounts for the Year Ended 31 December 2016 were not signed and issued until 9th October 2017 and the Business Review contained therein covered the period to that date.

As at 9 October 2017 the Company had agreed heads of terms with JMF Europe for sale of the company which were in place up to 31 October 2017. Since then the Company has maintained at least weekly contact with JMF Europe awaiting un conditionality from their funding sources to allow them to issue a Proof of Funds Letter to us in respect of the agreed heads of terms for them to Purchase the Company. This un conditionality was anticipated by JMF on several occasions but due to circumstances beyond their control this has still not been resolved. Following these ongoing delays with un conditionality the Company prudently continued to explore mitigating alternative financing options.

Although there are still agreed Heads of Terms in place with JMF until 31st December 2018 the Company reached the point where in seeking to protect reasonable levels of value for Stakeholders an alternative interim financing approach was required which would necessarily involve dilution of the Company's Shareholder value to be derived from the Fleetwood project.

On 26 September 2018, an Agreement has been reached with the Landlord at Fleetwood, our Mortgagee Lendy and an incoming financier that aims to provide the time and finance to meet immediate working capital requirements to move the scheme to Financial Close. This involves both the Landlord and Lendy staying any actions that could have had adverse impacts on the Company's interests until at least 24th March 2019. It is envisaged that this arrangement will provide sufficient time to bring the Fleetwood project to Financial Close. These interim arrangements, which involve the potential dilution of the Fleetwood subsidiary by 50% have been explained in the going concern policy at note 2.2. The principles of the transaction were discussed with a number of major independent shareholders.

There has until recently, with the actions being taken related to mitigation otherwise been very little activity.

The Company continues to thank its Shareholders, Creditors and other Stakeholders for their ongoing support and looks forward to now proceeding towards the earlier of the sale of the Company or the Financial Close at Fleetwood.

Going concern

As explained in the business review and the going concern accounting policy in note 2.2 there are uncertainties regarding funding, company sale and other matters. After making enquiries and assessing the current position at the time of approval of the financial statements, the directors continue to adopt the going concern basis in preparing the financial statements. Further details regarding the adoption of the going concern basis can be found in the statement of accounting policies in Note 2.2 to the financial statements.

This report was approved by the board and signed on its behalf.

J. Lloyd

J S Lloyd
Director

Date: 27 September 2018

DIRECTORS' REPORT
FOR THE PERIOD ENDED 28 DECEMBER 2017

The directors present their report and the financial statements for the period ended 28 December 2017.

Principal activity

The company's principal activity is that of providing energy generation and efficiency solutions.

Results and dividends

The loss for the period, after taxation, amounted to £32,919 *(2016 - loss £278,019).*

The directors have not recommended a dividend.

Directors

The directors who served during the period were:

J S Lloyd
J D Potter
P L Moss (resigned 23 March 2018)

Directors' responsibilities statement

The directors are responsible for preparing the Strategic report, the Directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law, including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'). 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 and 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;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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. They 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 the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

DIRECTORS' REPORT (CONTINUED)
FOR THE PERIOD ENDED 28 DECEMBER 2017

Disclosure of information to auditor

The directors confirm that:

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

Post balance sheet events

Refer to going concern accounting policy 2.2 for post year end activity.

Auditor

The auditor, Grant Thornton UK LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board and signed on its behalf.

J. Lloyd

J S Lloyd
Director

Date: 27 September 2018

Grant Thornton

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF REFORM ENERGY PLC

Opinion

We have audited the financial statements of Reform Energy plc (the 'company') for the period ended 28 December 2017, which comprise the Statement of comprehensive income, the Balance sheet, the Statement of changes in equity, the Statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 28 December 2017 and of its loss for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern

We draw attention to note 2.2 in the financial statements, which explain the material uncertainty regarding the sale of the company and continued support of the creditors or the ability to obtain additional funding if required. As stated in note 2.2, these events or conditions, along with the other matters as set forth in note 2.2, indicate that a material uncertainty exists that may cast significant doubt on the company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Who we are reporting to

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion 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 such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in 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 in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial period for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report has been prepared in accordance with applicable legal requirements.

Matter on which we are required to report under the Companies Act 2006

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report or the Directors' report.

Matters on which we are required to report by exception

Wee have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

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

Grant Thornton

Responsibilities of directors for the financial statements

As explained more fully in the directors' responsibilities statement on page 2, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors 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.

Auditor's 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 auditor's 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 Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Grant Thornton UK LLP

Emma Stoddart
Senior Statutory Auditor
for and on behalf of
Grant Thornton UK LLP
Statutory Auditor
Chartered Accountants
Liverpool

27 September 2018

STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 28 DECEMBER 2017

	Note	2017 £	*2016* *£*
Administrative expenses		**(32,919)**	*(278,019)*
Operating loss	4	**(32,919)**	*(278,019)*
Loss for the financial period		**(32,919)**	*(278,019)*

There was no other comprehensive income for 2017 (2016:£NIL).

All transactions arose from continuing operations.

The notes on pages 12 to 23 form part of these financial statements.

REFORM ENERGY PLC
REGISTERED NUMBER:07586124

BALANCE SHEET
AS AT 28 DECEMBER 2017

	Note		28 December 2017 £		*As restated 31 December 2016 £*
Fixed assets					
Intangible assets	8		**60,750**		*65,250*
Investments	9		**52,605**		*52,605*
			113,355		*117,855*
Current assets					
Stocks	10	**4,089,017**		*3,224,682*	
Debtors: amounts falling due within one year	11	**98,474**		*231,095*	
Cash at bank and in hand	12	**8,170**		*2,551*	
		4,195,661		*3,458,328*	
Creditors: amounts falling due within one year	13	**(4,335,376)**		*(3,569,624)*	
Net current liabilities			**(139,715)**		*(111,296)*
Total assets less current liabilities			**(26,360)**		*6,559*
Net (liabilities)/assets			**(26,360)**		*6,559*
Capital and reserves					
Called up share capital	16		**161,900**		*161,900*
Share premium account	17		**1,606,890**		*1,606,890*
Profit and loss account	17		**(1,795,150)**		*(1,762,231)*
			(26,360)		*6,559*

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:

J. Lloyd

J S Lloyd
Director
Date: 27 September 2018

The notes on pages 12 to 23 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 28 DECEMBER 2017

	Called up share capital	Share premium account	Profit and loss account	Total equity
	£	£	£	£
At 1 January 2017	**161,900**	**1,606,890**	**(1,762,231)**	**6,559**
Comprehensive income for the period				
Loss for the period	-	-	**(32,919)**	**(32,919)**
Other comprehensive income for the period	-	-	-	-
Total comprehensive income for the period	-	-	**(32,919)**	**(32,919)**
Total transactions with owners	-	-	-	-
At 28 December 2017	**161,900**	**1,606,890**	**(1,795,150)**	**(26,360)**

The notes on pages 12 to 23 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 31 DECEMBER 2016

	Called up share capital	Share premium account	Profit and loss account	Total equity
	£	£	£	£
At 1 January 2016	**146,900**	**1,021,890**	**(1,484,212)**	**(315,422)**
Comprehensive income for the year				
Loss for the year	-	-	(278,019)	(278,019)
Other comprehensive income for the year	-	-	-	-
Total comprehensive income for the year	-	-	(278,019)	(278,019)
Shares issued during the year	15,000	585,000	-	600,000
Total transactions with owners	15,000	585,000	-	600,000
At 31 December 2016	161,900	1,606,890	(1,762,231)	6,559

The notes on pages 12 to 23 form part of these financial statements.

STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 28 DECEMBER 2017

	28 December 2017 £	*31 December 2016 £*
Cash flows from operating activities		
Loss for the financial period	**(32,919)**	*(278,019)*
Adjustments for:		
Amortisation of intangible assets	**4,500**	*4,500*
Increase in stocks	**(747,393)**	*(769,327)*
Decrease/(increase) in debtors	**132,621**	*(213,609)*
Increase in creditors	**648,810**	*252,662*
Increase in amounts owed to groups	**-**	*49,999*
Net cash generated from operating activities	**5,619**	*(953,794)*
Cash flows from investing activities		
Purchase of fixed asset investments	**-**	*(52,499)*
Net cash from investing activities	**-**	*(52,499)*
Cash flows from financing activities		
Issue of ordinary shares	**-**	*600,000*
Other new loans	**-**	*50,000*
Net cash used in financing activities	**-**	*650,000*
Net increase/(decrease) in cash and cash equivalents	**5,619**	*(356,293)*
Cash and cash equivalents at beginning of period	**2,551**	*358,844*
Cash and cash equivalents at the end of period	**8,170**	*2,551*
Cash and cash equivalents at the end of period comprise:		
Cash at bank and in hand	**8,170**	*2,551*
	8,170	*2,551*

The notes on pages 12 to 23 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 28 DECEMBER 2017

1. General information

Reform Energy Plc is a public company limited by shares incorporated in England and Wales and its registered office is c/o Slater Heelis LLP, 86 Deansgate, Manchester, M3 2ER.

The company's principal activity is that of providing energy generation and efficiency solutions.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policies (see note 3).

The financial statements have been prepared using Sterling as the functional currency.

The following principal accounting policies have been applied:

2.2 Going concern

The directors are currently in the process of selling the company after having signed heads of terms with a third party in 2017. The heads of terms has been extended to 28 December 2018. The directors expect that the purchaser will have funds in place before the expiry date and then the shareholders will be able to formally vote in favour of sale. When heads of terms were originally agreed the directors received verbal indication that a sufficient majority of shareholders will vote in favour. This agreement is subject to the purchasers obtaining the funds to complete the purchase and the company shareholders giving approval before completion can take place. The directors are not aware of any reason why completion won't take place before the expiry of the heads of terms.

In the meantime the directors continue to carefully monitor the cash resources within the company. The company took a £2.9m bridging loan from Lendy Limited on 14 April 2015. This was due to be repaid on 14 April 2016 and the repayment date was later extended to 14 October 2016 to allow time to secure further funding. The loan currently remains unpaid and interest and other charges and interest have been accrued in these financial statements and post year end. On 26 September 2018 Lendy Limited waived default on the loan until the earlier of repayment of the loan, financial close of the project or 18 months from 26 September 2018. On the same date Lendy Limited agreed to cap the amount payable to them subject to terms of agreement being adhered to. The financial statements include the maximum amount payable at 28 December 2017 and do not take account of this cap as it will apply once the company is sold or at financial close.

A subsidiary of the company called Reform Energy Fleetwood Limited leases the land which is required for the project. Rent was in arrears at year end and arrears have continued to build up post year end as well as the lease premium of £2million not being paid on its due date. However on 26 September 2018 after payment of some arrears, the landlord agreed with the subsidiary that breaches of the lease would not be enforced until 24 March 2019 subject to an interim payment on 26 September 2018 which has been paid and a further payment on 24 March 2019. The directors believe this agreement can be met based on their assumptions regarding sale and financial close of the project.

On 26 September 2018 Lendy Limited provided a further loan of £44,500 to Reform Energy

2. Accounting policies (continued)

2.2 Going concern (continued)

Fleetwood Limited to enable that company to pay make a rent payment to the landlord of the site for overdue rent. This loan is not due for repayments until the earlier of 18 months from 26 September 2018 or the company securing an engineering procurement and construction contract (EPC).

On 26 September 2018 a third party has provided a loan of £44,500 to Reform Energy Fleetwood Limited to enable that company to pay make a rent payment to the landlord of the site for overdue rent. This loan is not due for repayments until the earlier of 18 months from 26 September 2018 or the company securing a an engineering procurement and construction contract (EPC). On 26 September 2018 the same third party has agreed to a call option with the company which gives them the option to purchase 50% of the option shares of Reform Energy Fleetwood Limited and provide a loan to the company at the same time which would cover costs required to get to financial close. In the opinion of the directors this additional funding would ensure that there were sufficient funds in the company to fund the project to financial close.

In making the going concern assessment the directors have also considered other loans of £50k which were due for repayment on 22 December 2016. They have received confirmation that this creditor will continue to support the company for at least 12 months from the date of signing or until the company has sufficient cash reserves to make the repayment.

The directors have also assessed another creditor of £65k who they believe does not expect payment of amounts due to them until financial close of the project.

The directors have been in contact with the project funder Lendy Limited and the site landlord and other significant creditors, as explained above. As a result of the proposed sale the directors believe that the company will have sufficient investment to clear the outstanding debts and continue to meet the operational needs of the company before 31 December 2018. Should the above sale not happen then the company will need to secure alternative funding for the company to be able to continue as a going concern. There is no guarantee over the ability to secure additional funding therefore there is a material uncertainty in this regard.

Whilst there is significant doubt on the ability of the company to continue as a going concern due to the material uncertainty regarding the sale of the company and continued support of the creditors or the ability to obtain alternative funding if required, the directors are not aware of any reason that this will not be achieved and have therefore prepared the financial statements on the going concern basis.

2.3 Intangible assets - goodwill

Goodwill represents the difference between amounts paid on the cost of a business combination and the acquirer's interest in the fair value of its identifiable assets and liabilities of the acquiree at the date of acquisition. Subsequent to initial recognition, Goodwill is measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is amortised on a straight line basis to the Statement of comprehensive income over its useful economic life of 10 years.

2. Accounting policies (continued)

2.4 Exemption from preparing consolidated financial statements

The directors consider that the subsidiary undertakings of the company taken together are not material and therefore consolidated financial statements are not presented. These financial statements present information about the company as an individual undertaking and not about its group.

2.5 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

2.6 Work in progress

Work in progress represents the costs incurred in respect of the development of the site. Borrowing costs in respect of work in progress are capitalised in accordance with the company's accounting policy on borrowing costs, detailed below. Work in progress is stated at the lower of cost and net realisable value.

2.7 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

2.8 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

2.9 Financial instruments

The Company only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors and loans from banks and other third parties.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in the case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Statement of comprehensive income.

2. Accounting policies (continued)

2.9 Financial instruments (continued)

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the Company would receive for the asset if it were to be sold at the balance sheet date.

Financial assets and liabilities are offset and the net amount reported in the Balance sheet when there is an 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.

2.10 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

2.11 Borrowing costs

Borrowing costs directly attributable to the development of the site included in work in progress which is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale, are aded to the cost of those assets, until such a time as the asset is substantially ready for its intended use or sale.

All other borrowing costs are recognised in the Statement of comprehensive income in the period in which they are incurred.

2.12 Taxation

Tax is recognised in the Statement of comprehensive income, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the Company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Balance sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

2. Accounting policies (continued)

2.12 Taxation (continued)

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

3. Judgements in applying accounting policies and key sources of estimation uncertainty

Preparation of the financial statements requires management to make significant judgements and estimates. The items in the financial statements where these judgements and estimates have been made include;

- Intangible asset amortisation in respect of useful economic life, which is reviewed and assessed by management on an annual basis to ensure that it is still appropriate and that the intangible asset is not impaired which the directors review when they perform their going concern assessment.
- Going concern is considered to be a judgemental area and is discussed in the going concern accounting policy in note 2.2.
- Carrying value of investments in respect of any potential impairment, which is reviewed and assessed by management on an annual basis.
- The directors assessment of fair value of the share options, being the same as the issue price, which was based on shares raised on the external market at the same time.

4. Operating loss

The operating loss is stated after charging:

	2017	*2016*
	£	*£*
Amortisation of intangible assets, including goodwill	**4,500**	*4,500*

5. Auditor's remuneration

	2017	*2016*
	£	*£*
Fees payable to the Company's auditor for the audit of the Company's annual financial statements	**8,500**	*6,000*
Tax compliance services	**1,500**	*1,500*

6. Employees

Staff costs, including directors' remuneration, were as follows:

	2017 £	*2016* *£*
Wages and salaries	-	*122,400*
Social security costs	**(1,442)**	*11,394*
	(1,442)	*133,794*

On 17 March 2015 the company issued 150,000 shares of fair value of £0.20 per share to P Moss, a former director of the company who resigned on 23 March 2018. In accordance with the requirements of FRS102 an expense of £30,000 has been included within directors remuneration.

The average monthly number of employees, including the directors, during the period was as follows:

	2017 No.	*2016* *No.*
Directors	**3**	*3*

7. Directors' remuneration

	2017 £	*2016* *£*
Directors' emoluments	-	*122,400*
Amounts receivable under long-term incentive schemes	-	*100,000*
	-	*222,400*

The highest paid director received remuneration of £NIL *(2016 - £71,760)*.

The value of the company's contributions paid to a defined benefit pension scheme in respect of the highest paid director amounted to £NIL *(2016 - £NIL)*.

During the period NIL directors received shares (2016: 1 director received 250,000 shares at £0.40) per share totalling £Nil (2016: £100,000).

Key management personnel remuneration totalled £Nil (2016: £133,794). There was a refund of employer national insurance contributions in respect of the directors of £1,442 (2016: £Nil).

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 28 DECEMBER 2017

8. Intangible assets

	Goodwill £
Cost	
At 1 January 2017	**90,000**
At 28 December 2017	**90,000**
Amortisation	
At 1 January 2017	**24,750**
Charge for the year	**4,500**
At 28 December 2017	**29,250**
Net book value	
At 28 December 2017	**60,750**
At 31 December 2016	*65,250*

9. Fixed asset investments

	Investments in subsidiary companies £
Cost	
At 1 January 2017	**52,605**
At 28 December 2017	**52,605**
Net book value	
At 28 December 2017	**52,605**
At 31 December 2016	*52,605*

Subsidiary undertakings

9. Fixed asset investments (continued)

The following were subsidiary undertakings of the Company:

Name	Class of shares	Holding	Principal activity
Reform Energy Solutions Limited	Ordinary	100 %	Dormant
Reform Energy Fleetwood Limited	Ordinary	100 %	Dormant
Reform Energy Stations Limited	Ordinary	100 %	Dormant

The aggregate of the share capital and reserves as at 28 December 2017 for the subsidiary undertakings were as follows:

	Aggregate of share capital and reserves 31 December £
Reform Energy Solutions Limited	**45**
Reform Energy Fleetwood Limited (Formerly Reform Energy NW Limited)	**52,500**
Reform Energy Stations Limited	**60**
	52,605

10. Stocks

	28 December 2017 £	*Restated 31 December 2016 £*
Work in progress	**4,089,017**	*3,224,682*

Work in progress includes borrowing costs of £1,690,798 *(2016: £1,154,542)*.

There were no impairment losses recognised in cost of sales against stock in 2017 or 2016.

Cost of WIP in the Statement of comprehensive income is £Nil *(2016: £Nil)*.

11. Debtors

	28 December 2017 £	*31 December 2016 £*
Trade debtors	**6,875**	-

11. Debtors (continued)

Other debtors	**12,743**	*76,006*
Prepayments and accrued income	**78,856**	*155,089*
	98,474	*231,095*

There were no impairment losses recognised against debtors in 2017 or 2016.

12. Cash and cash equivalents

	28 December 2017 £	*31 December 2016 £*
Cash at bank and in hand	**8,170**	*2,551*

13. Creditors: Amounts falling due within one year

	28 December 2017 £	Restated 31 December 2016 £
Bank loans	**2,943,570**	*2,943,570*
Other loans	**50,000**	*50,000*
Trade creditors	**301,544**	*217,607*
Amounts owed to group undertakings	**186,216**	*187,630*
Other taxation and social security	**1,770**	-
Other creditors	**3,385**	*1,721*
Accruals and deferred income	**848,891**	*169,096*
	4,335,376	*3,569,624*

Secured loans

The company took a £2.9m bridging loan from Lendy Limited on 25 March 2015, which the directors are utilising in achieving the company's strategic objectives.

Lendy Limited holds a charge on the company's assets relating to all buildings and fixtures and fittings that are situated on or form part of the company's property at any time.

As a continuing security for the payment and discharge of the Secured Liabilities, the company with full title guarantee charges to the Lender by way of first fixed charge:

- all Properties owned by the company or acquired by the company in future;
- all present and future rights, licenses, guarantees, rents, deposits, contracts, covenants and warranties relating to each Property;
- all present and future interests of the company not effectively mortgaged or charged under the preceding provisions, or over, freehold or leasehold property;
- all licences consents, and authorisations (statutory or otherwise) held or required in connection with the company's business or the use of any Charged Property, and all rights in connection with them;
- all its present and future goodwill and uncalled capital;
- all the Equipment;
- all the Intellectual Property;
- all the Book Debts;
- all the Investments; and
- all monies from time to time standing to the credit of its accounts with any bank, financial institution or other person (including each Designated Account).

14. Financial instruments

	28 December 2017 £	*31 December 2016 £*
Financial assets		
Financial assets measured at fair value through profit or loss	**27,788**	*78,557*
Financial liabilities		
Financial liabilities measured at amortised cost	**(4,333,606)**	*(3,569,623)*

Financial assets measured at fair value through profit or loss comprise other debtors and cash and cash equivalents.

Financial liabilities measured at amortised cost comprise bank loans, trade creditors, amounts owed to group undertakings, other creditors and accruals.

15. Deferred taxation

The company has an un-provided deferred tax asset of £290,266 *(2016: £285,435)* relating to unrelieved tax losses. The directors have not recognised this asset on the basis that they believe it will take some time to recover.

16. Share capital

	28 December 2017 £	*31 December 2016 £*
Allotted, called up and fully paid		
16,190,000 Ordinary shares shares of £0.01 each	**161,900**	*161,900*

As at 31 December 2017 the company had 1,300,000 share options in issue under the Enterprise Management Incentive Scheme and 1,010,000 share options in issue under the Executive Share Scheme. All share options are exercisable on the sale of the company at an exercise price of £0.20 per share. The options were issued in May 2014 to eligible employees at an exercise price equal to the fair value of the shares. The directors considered the fair value of the share options at issue date to be the same as the issue price hence no charge has been recognised.

17. Reserves

Share premium account

Represents amounts paid in respect of equity shares in excess of their nominal value.

Profit & loss account

Includes all current and prior period retained earnings and losses.

18. Prior year adjustment

Amounts owed to group companies and work in progress were both understated in the prior year by £137,525 due to unrecognised lease incentives. The impact has been to increase WIP and amounts owed to group by £137,525 in 2016 with no affect on result for the period or net assets/liabilities.

19. *Contingent liabilities*

The directors have confirmed that there were no contingent liabilities at 31 December 2017 and 31 December 2016.

20. Capital commitments

The directors have confirmed that there were no capital commitments at 31 December 2017 and 31 December 2016.

21. Related party transactions

The company has taken exemption under FRS102 section 33 not to disclose transactions and balances with other wholly owned group companies.

Included within other debtors at 31 December 2016 was a directors loan of £45,613 owed by John Potter. Full repayment was made by September 2017. At 28 December 2017 John Potter owed the company £12,473. Full repayment was made by August 2018.

Included within other loans at 31 December 2017 is a shareholder loan of £50,000 *(2016: £50,000)* owed to Martin Ruscoe. Interest is charged at a fixed annual amount of £5,000 and is repayable on demand.