Tamar Energy Limited

Report and Financial Statements

31 March 2017

Directors

M J Goodlad
D E Hislop
R Kherati
S D Pitcher
B R Sautelle-Smith
M Shakil
G J H Voskamp

Independent auditors

PricewaterhouseCoopers LLP
3 Forbury Place
23 Forbury Road
Reading
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London
SE1 8SB

Strategic report

The directors present the Group's Strategic Report for the year ended 31 March 2017.

Review of the business

Established in 2012, the Tamar Energy Group recycles organic waste via its portfolio of five Anaerobic Digestion ('AD') plants and six Composting sites turning the waste into 11.3MW of renewable energy and producing PAS accredited bio-fertilisers. Since commencement, the Group has been backed by a supportive investor group, which includes RIT Capital Partners, Fajr Capital, Lord Rothschild, the Duchy of Cornwall, Sainsbury's, Ludgate and other private investors.

During the financial year ended 31 March 2017, the Group brought the last of its AD plants into operation and with effect from February 2017 all operating sites were recognised in the Income Statement. The construction of the fifth AD plant had been significantly delayed due to the EPC contractor building the plant going into administration in September 2015 resulting in the Group's own engineering team completing the project.

The Group's total installed AD electricity generation capacity at the end of the financial year was 11.3MW, all of which receives Government subsidy applicable to renewable energy installations.

The Group has continued its efforts to improve operational efficiencies at all sites and control overhead expenditure to a level that is sustainable in terms of headcount and cost, whilst ensuring a high level of customer service across the business. This effort has been partially offset by the continued market driven downward pressure on gate fees caused by limited food waste supply and higher demand from new AD market entrants, resulting in lower than expected profitability across the AD plant portfolio.

In addition to focusing on key operational efficiencies, the Group has continued to ensure it meets the best in class quality standards and as of July 2017 all five AD plants were accredited with PAS110, the key industry standard backed by WRAP and the British Standards Institute for demonstrating the highest quality and consistency of the nutrient-rich digestate produced. In addition, the Group also achieved Lloyd's Register Quality Assurance (LRQA) accreditation of ISO 9001 international quality management, ISO 140001 environmental management standards and OHSAS 18001 occupational health and safety management standard, across all of its operating sites. These standards recognise the continued first-rate systems the Group has in place to effectively manage its facilities, equipment, services, environmental impact, and health and safety whilst delivering high levels of customer service.

New AD plant capacity, strong performance from the Composting sites and continued control of overhead costs have all contributed to the positive EBITDA result recognised in the financial year. The directors anticipate that there will be further improvement in 2017/18 financial year as the AD plants reach steady state together with the continued focus on operational efficiency and cost control. The Group operating loss before taxation was £13,841k (2016: £15,652k) after exceptional items of £11,542k (2016: £8,572k) which related to an impairment charge to reduce the Group's goodwill and fixed assets carrying value down to expected net realisable value following recent economic conditions in the AD market.

Following the successful completion of operational performance tests in October 2016, the Group drew down a further and final tranche of £4.9 million under its bank facility resulting in total borrowings of £17.2 million. The debt is secured against the assets of three AD plants which are all subject to continued operational performance covenants over the term of the RBS facility agreement. The first capital repayment was made on 31 March 2017 with repayments thereafter on a semi-annual basis over the remaining five years of the loan. The total outstanding debt at 31 March 2017 was £16.8 million.

Strategic report (continued)

Key performance indicators

The Group's main business is operation of organic waste recycling plants. The Group tracks its financial performance via monitoring of site by site technical data, revenues generated, costs incurred and EBITDA. Capital expenditure projects are managed through regular reporting of costs incurred, costs to complete and schedule.

	2017	2016
	£	£
Revenue	14,552,665	10,384,820
EBITDA	1,014,442	(5,449,101)
Capital expenditure	5,635,168	7,555,936

The results are in line with expectations. Further detail is provided in the Review of the Business above.

Risks and uncertainties

The principal risks and uncertainties facing the Group are those that impact the continuing business and profitability of the individual operating plants. The plants operate in the UK waste management and energy markets, and as such, are exposed to the availability of feedstock material, waste disposal and fluctuations in wholesale energy prices. The directors are of the opinion that the plants operating flexibility and contractual arrangements provide a stable revenue base from which to improve profitability. The directors consider that the Group's exposure to market fluctuations has been mitigated to an acceptable level.

Health, safety and environment
Given the nature of the Group's activities, the health and safety of all employees, contractors and the public is of paramount importance. The Group encourages a 'Think Safe, Work Safe, Go Home Safe' culture and operates its processes and procedures in such a way as to ensure a safe working environment, and to comply with all relevant legal, environmental and regulatory requirements.

Energy pricing risk
The Group operates in the UK energy market and as such is exposed to movements in wholesale market electricity prices. The Group has entered into certain pricing arrangements which mitigate against unfavourable movements in energy pricing.

Plant operating risk
Failure of an essential component of an operating plant may result in loss of generation through plant outage or reduced output capacity. This risk is mitigated through planned maintenance schedules and regular monitoring activities.

Foreign currency risk
The Group may be exposed to foreign currency exchange rate risk resulting from entering into certain transactions denominated in currencies other than GBP Sterling. The annual value of foreign currency transactions is relatively minor but, where necessary, forward exchange rate contracts are used to hedge the risk of adverse foreign exchange rate movements.

Interest rate risk
The Group may be exposed to interest rate risk resulting from its loan and banking arrangements. The interest charged on loans is linked to LIBOR and therefore is exposed to the movements in the UK rates. The Group uses interest rate swaps to reduce its exposure to adverse fluctuations in interest rates.

On behalf of the Board

Dean Hislop - Director

Date: 12 December 2017

Directors' report

The directors present their report and audited group financial statements for the year ended 31 March 2017.

The consolidated financial statements consist of the parent company, Tamar Energy Limited, and its subsidiary undertakings.

Results and dividends

The results for the year show a loss for the year, attributable to owners of the parent undertaking of £13,344,566 (2016: £16,905,595).

The directors do not propose the payment of a dividend.

Principal activities

The principal activities of the group continued to be the construction and operation of Anaerobic Digestion ('AD') and composting plants and their related activities.

Business review and future developments

A review of the business and future developments of the group is presented in the Strategic Report and is incorporated by reference into this Directors' Report.

Directors

The directors who held office during the year and up to the date of this report are:

M J Goodlad (Chairman)	(appointed 24 May 2016)
Sir M C G Peat	(resigned 31 May 2016)
D E Hislop	
R J Kennett	(resigned 14 April 2016)
R Kherati	
A C Lovell	(resigned 30 April 2017)
S D Pitcher	
B R Sautelle-Smith	
M Shakil	
G J H Voskamp	

All directors, being eligible, offer themselves for election at the forthcoming Annual General Meeting.

Directors' report (continued)

Committees

The following committees existed during the year and the current members are:

Audit and Risk Committee	Remuneration Committee
R Kherati	M J Goodlad
S D Pitcher	R Kherati
	G J H Voskamp

Disclosure of information to the auditors

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the independent auditors in connection with preparing their report, of which the auditors are unaware. Having made enquiries of fellow directors and the group's independent auditors, each director has taken all the steps that he is obliged to take as a director in order to make himself aware of any relevant audit information and to establish that the independent auditors are aware of that information.

Financial Instruments

The Directors have adopted objectives and policies that are designed to manage the group's exposure to financial risks in order to ensure that no significant exposure exists.

Details of the group's objectives for the management of financial instruments and the group's exposure to price risk, credit risk, liquidity risk and cash flow risk are provided in note 24 and referred to in the Strategic Report.

Going concern

The Board recognises the group's exposure to liquidity risk and that the group's ability to continue operating is dependent on there being sufficient cash to sustain day-to-day operations whilst seeking a route to developing the existing operations and new investment opportunities. As outlined in the Strategic Review on pages 2 and 3, the Board continually monitors this situation and is satisfied that the financial statements are prepared on a going concern basis. Further details of the group's financial risk management objectives and policies are set out in notes 24 and 28 to the financial statements.

Directors' indemnities

As permitted by the Articles of Association, the Directors have the benefit of an indemnity which is a qualifying third party indemnity provision as defined by Section 234 of the Companies Act 2006. The indemnity was in force throughout the last financial year and is currently in force. The group also purchased and maintained throughout the financial year Directors' and Officers' liability insurance in respect of itself and its Directors.

Independent auditors

In accordance with section 485 of the Companies Act 2006, a written resolution is to be proposed for the re-appointment of PricewaterhouseCoopers LLP as auditors.

Directors' report (continued)

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 group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and parent company 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 group and parent company and of the profit or loss of the group and parent 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 IFRSs as adopted by the European Union have been followed for the group financial statements and United Kingdom Accounting Standards, comprising FRS 101, have been followed for the company financial statements, 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 group and parent company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group and parent company's transactions and disclose with reasonable accuracy at any time the financial position of the group and parent company and enable them to ensure that the financial statements comply with the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation.

The directors are also responsible for safeguarding the assets of the group and parent company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

On behalf of the Board

Dean Hislop - Director

Date: 12 December 2017

Independent auditors' report to the members of Tamar Energy Limited

Report on the financial statements

Our opinion

In our opinion:

- Tamar Energy Limited's group financial statements and company financial statements (the "financial statements") give a true and fair view of the state of the group's and of the company's affairs as at 31 March 2017 and of the group's loss and the group's and the company's cash flows for the year then ended;
- the group financial statements have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union;
- the company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited

The financial statements, included within the Report and Financial Statements (the "Annual Report"), comprise:

- Group statement of financial position as at 31 March 2017;
- Company statement of financial position as at 31 March 2017;
- Group income statement and Group statement of comprehensive income for the year then ended;
- Group statement of cash flows for the year then ended;
- Group statement of changes in equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is IFRSs as adopted by the European Union and, as regards the company financial statements, as applied in accordance with the provisions of the Companies Act 2006, and applicable law.

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

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 year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

In addition, in light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Strategic Report and the Directors' Report. We have nothing to report in this respect.

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

We have no exceptions to report arising from this responsibility.

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

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

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

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of directors' responsibilities set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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.

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the group's and the company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report. With respect to the Strategic Report and Directors' Report, we consider whether those reports include the disclosures required by applicable legal requirements.

Miles Saunders

Miles Saunders (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Reading
13 December 2017

Group income statement

for the year ended 31 March 2017

	Note	2017 £	2016 £
Revenue	3	14,552,665	10,384,820
Other operating income		417,565	–
Changes in inventories		182,713	(735)
Raw material and consumables used		(5,440,594)	(3,649,018)
Employee benefits expense	4	(3,101,456)	(5,311,336)
Other expenses	5	(5,596,451)	(6,872,832)
Earnings before interest, taxes, depreciation and amortisation		1,014,442	(5,449,101)
Depreciation of property, plant and equipment		(3,305,276)	(1,622,192)
Amortisation of intangible assets		(8,490)	(8,491)
Exceptional items	6	(11,541,755)	(8,572,382)
Group operating loss	6	(13,841,079)	(15,652,166)
Finance income	7	2,163	13,102
Finance costs	8	(1,856,715)	(1,707,297)
Loss from continuing operations before taxation		(15,695,631)	(17,346,361)
Income tax credit/(charge)	9	1,831,849	(2,067,817)
Loss for the financial year		(13,863,782)	(19,414,178)
Loss for the financial year attributable to:			
Owners of the parent		(13,344,566)	(16,905,595)
Non-controlling interests		(519,216)	(2,508,583)
		(13,863,782)	(19,414,178)

The notes on pages 16 to 41 are an integral part of these consolidated financial statements.

The company has elected to take the exemption under section 408 of the Companies Act 2006 from presenting the parent company profit and loss account.

Group statement of comprehensive income

for the year ended 31 March 2017

	2017	*2016*
	£	*£*
Loss for the financial year	(13,863,782)	(19,414,178)
Cashflow hedge at inception	(1,239,347)	–
Cashflow hedge movement in the year	131,656	–
Total comprehensive loss for the financial year	(14,971,473)	(19,414,178)
Attributable to:		
Owners of the parent	(14,452,257)	(16, 905,595)
Non-controlling interests	(519,216)	(2, 508,583)
	(14,971,473)	(19, 414,178)

Items in the statement above are disclosed net of tax. The income tax relating to each component of other comprehensive income is disclosed in note 9.

The notes on pages 16 to 41 are an integral part of these consolidated financial statements.

Group statement of financial position

at 31 March 2017

	Note	*2017* £	*2016* £
Assets			
Non-current assets			
Property, plant and equipment	11	56,265,049	57,802,665
Intangible assets	12	262,503	7,958,101
Investments	15	10,000	10,000
Deferred tax asset	9	3,680,733	1,848,884
		60,218,285	67,619,650
Current assets			
Inventories	16	634,555	451,842
Trade and other receivables	17	5,069,961	4,168,031
Cash and cash equivalents	18	2,106,888	5,035,366
		7,811,404	9,655,239
Total assets		68,029,689	77,274,889
Equity and liabilities			
Equity			
Share capital	25	894,685	894,685
Share premium		88,469,298	88,469,298
Other reserves		4,190,185	4,190,185
Accumulated losses		(51,351,426)	(36,899,169)
Equity attributable to owners of the parent		42,202,742	56,654,999
Non-controlling interests		(3,347,039)	(2,827,823)
Total equity		38,855,703	53,827,176
Liabilities			
Non-current liabilities			
Financial liabilities	20	22,365,809	17,622,599
Derivative financial instruments	21	1,107,691	–
Provisions	23	2,038,482	1,305,574
		25,511,982	18,928,173
Current liabilities			
Trade and other payables	19	3,539,153	4,332,027
Financial liabilities	20	122,851	187,513
		3,662,004	4,519,540
Total liabilities		29,173,986	23,447,713
Total equity and liabilities		68,029,689	77,274,889

The financial statements on pages 9 to 41 were approved by the Board of Directors on 12 December 2017 and were signed on its behalf by Dean Hislop, Director.

Registered No. 07703877

Company statement of financial position

at 31 March 2017

	Note	2017 £	2016 £
Assets			
Non-current assets			
Financial assets	14	62,881,467	65,728,412
Investments	15	4,260,289	4,260,289
		67,141,756	69,988,701
Current assets			
Trade and other receivables	17	7,569,516	7,443,482
Cash and cash equivalents	18	309,724	1,515,627
		7,879,240	8,959,109
Total assets		75,020,996	78,947,810
Equity and liabilities			
Equity			
Share capital	25	894,685	894,685
Share premium		88,469,298	88,469,298
Other reserves		4,190,185	4,190,185
Accumulated deficit		(25,343,539)	(21,748,227)
Total equity		68,210,629	71,805,941
Liabilities			
Non-current liabilities			
Financial liabilities	20	6,694,060	6,628,272
Current liabilities			
Trade and other payables	19	116,307	513,597
		116,307	513,597
Total liabilities		6,810,367	7,141,869
Total equity and liabilities		75,020,996	78,947,810

The company has elected to take the exemption under section 408 of the Companies Act 2006 from presenting the parent company income statement. The loss for the parent company for the year was £3,595,312 (2016: Loss - £6,171,317).

The financial statements on pages 9 to 41 were approved by the Board of Directors on 12 December 2017 and were signed on its behalf by Dean Hislop, Director.

Registered No. 07703877

Group statement of changes in equity

for the year ended 31 March 2017

Group	*Share capital* £	*Share premium* £	*Other reserves* £	*Cashflow hedging reserve* £	*Accumulated losses* £	*Equity attributable to owners of the parent* £	*Non-controlling interests* £	*Total equity* £
At 1 April 2015	894,676	88,469,298	4,190,185	–	(19,993,565)	73,560,594	(319,240)	73,241,354
Total comprehensive loss	–	–	–	–	(16,905,595)	(16,905,595)	(2, 508,583)	(19,414,178)
Shares issued during the year (note 25)	9	–	–	–	(9)	–	–	–
At 31 March 2016	894,685	88,469,298	4,190,185	–	(36,899,169)	56,654,999	(2,827,823)	53,827,176
Total comprehensive loss	–	–	–	(1,107,691)	(13,344,566)	(14,452,257)	(519,216)	(14,971,473)
Shares issued during the year (note 25)	–	–	–	–	–	–	–	–
At 31 March 2017	894,685	88,469,298	4,190,185	(1,107,691)	(50,243,735)	42,202,742	(3,347,039)	38,855,703

The cashflow hedging reserve relates to the fair value of derivative financial instruments held as cash flow hedges. See note 21.

Other reserves comprise the equity portion of the convertible loan, which was £3,581,787 at 31 March 2017(see note 20) and a share repurchase reserve of £608,398.

The notes on pages 16 to 41 are an integral part of the consolidated financial statements.

Company statement of changes in equity

for the year ended 31 March 2017

Company	*Share capital* £	*Share premium* £	*Other reserves* £	*Accumulated deficit* £	*Shareholders equity* £
At 1 April 2015	894,676	88,469,298	4,190,185	(15,576,901)	77,977,258
Total comprehensive loss	–	–	–	(6,171,317)	(6,171,317)
Shares issued during the year (note 25)	9	–	–	(9)	–
At 31 March 2016	894,685	88,469,298	4,190,185	(21,748,227)	71,805,941
Total comprehensive loss	–	–	–	(3,595,312)	(3,595,312)
Shares issued during the year (note 25)	–	–	–	–	–
At 31 March 2017	894,685	88,469,298	4,190,185	(25,343,539)	68,210,629

Other reserves comprise the equity portion of the convertible loan, which was £3,581,787 at 31 March 2017(see note 20) and a share repurchase reserve of £608,398.

Group statement of cash flows

For the year ended 31 March 2017

	Notes	2017 £	2016 £
Operating activities			
Loss from continuing operations for the year before tax		(15,695,631)	(17,346,361)
Depreciation and amortisation	6	3,313,766	1,630,684
Impairment adjustments	6	11,541,755	8,572,382
Loss on disposal of property, plant and equipment		12,860	105,585
Finance costs	8	1,856,715	1,707,297
Finance income	7	(2,163)	(13,102)
Working capital adjustments:			
Increase in inventories	16	(182,713)	(735)
(Increase)/decrease in trade and other receivables	17	(775,730)	1,763,845
Decrease in trade and other payables	19	(919,074)	(490,094)
Cash used in operations		(850,215)	(4,070,499)
Income taxes paid		–	–
Net cash used in operating activities		(850,215)	(4,070,499)
Investing activities			
Proceeds on disposal of property, plant and equipment		–	45,003
Purchase of property, plant and equipment	11	(4,936,321)	(7,347,506)
Interest paid		(1,498,070)	(1,363,911)
Interest received	7	2,163	13,102
Net cash flow used in investing activities		(6,432,228)	(8,653,312)
Financing activities			
Increase in external loans	20	4,540,931	8,048,473
(Decrease)/Increase in other financial liabilities	20	(186,966)	80,814
Net cash flow from financing activities		4,353,965	8,129,287
Net decrease in cash and cash equivalents		(2,928,478)	(4,594,524)
Cash and cash equivalents at beginning of year	18	5,035,366	9,629,890
Cash and cash equivalents at end of year		2,106,888	5,035,366

Tamar Energy Limited has taken advantage of the disclosure exemption under FRS 101 not to present a statement of cash flows for the company.

Notes to the financial statements

For the year ended 31 March 2017

1. General information

Tamar Energy limited is a private company limited by shares incorporated and domiciled in England. The address of the Company's registered office is 3rd Floor, 150 Waterloo Road, London SE1 8SB.

The principal activity of the company and its subsidiaries is the acquisition, development, construction and operation of anaerobic digestion and composing plants and their related activities. The group's interests are located in the UK. The principal accounting policies adopted by the group are set out in note 2.

2. Accounting policies

Statement of compliance

The group financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and IFRS Interpretations Committee (IFRS IC) as adopted by the European Union and applied in accordance with the Companies Act 2006 as they apply to the financial statements of the group and company for the year ended 31 March 2017.

Basis of preparation

The group and company financial statements are prepared on the historical cost basis, as modified by the valuation of intangible assets acquired in business combinations, and the revaluation of certain financial instruments and in accordance with the Companies Act 2006. The financial statements are presented in GB Pounds.

The financial statements are prepared on a going concern basis. Further information is provided in the Directors' Report.

No income statement is presented for Tamar Energy Limited as permitted by Section 408 of the Companies Act 2006. The parent company's loss for the financial year was £3,595,312 (2016: loss - £6,171,317).

Basis of consolidation

The group financial statements comprise the financial statements of Tamar Energy Limited and all of its subsidiary undertakings as at 31 March 2017.

The financial statements of the subsidiaries are prepared for the same reporting period as the parent undertaking, using consistent accounting policies.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated in full.

Notes to the financial statements

For the year ended 31 March 2017

2. Accounting policies (continued)

New and amended standards and interpretations

Certain new standards, interpretations and amendments to existing standards have been published and are mandatory only for the company's accounting periods beginning on or after 1 April 2016 or later periods and which the company has not adopted early. Those that may be applicable to the company in future are as follows:

IFRS 9	Financial Instruments	1 January 2018
IFRS 15	Revenue from Contracts with Customers	1 January 2018
IFRS 16	Leases	1 January 2019

Except for IFRS 16, the group does not anticipate that the adoption of these standards and interpretations will either individually or collectively have a material impact on the group's financial statements in the period of initial application. The full impact of IFRS 16 has not yet been assessed.

The group does not anticipate adopting these standards and interpretations ahead of their effective date.

Business combinations

All business combinations are accounted for by applying the acquisition method of accounting. The cost of the acquisition is measured at the aggregate of fair values, at the date of exchange of assets given, liabilities assumed, and equity instruments issued by the group in exchange for control of the acquiree. The acquiree's identifiable assets, liabilities, and contingent liabilities that meet the conditions for recognition under IFRS 3 are recognised at their fair value at the acquisition date. All costs directly attributable to the business combination are recorded in the Income Statement.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any provision for impairment losses. Cost comprises the aggregate amount paid and the fair value of any other consideration given to acquire the asset and includes costs directly attributable to making the asset capable of operating as intended. The cost of property, plant and equipment includes the estimated close down and restoration costs associated with the asset.

Once an undeveloped anaerobic digestion project is considered to be commercially viable, expenditure is capitalised under "Plants under construction". Commercially viable is deemed to be achieved when the group is confident that the project will provide a satisfactory return relative to its perceived risks and is likely to go ahead.

Costs which are necessarily incurred whilst commissioning anaerobic digestion plants, in the period before they are capable of operating in the manner intended by management, are capitalised. Any revenue generated during commissioning is credited against the capitalised cost of commissioning.

Depreciation commences when an asset is available for use. Anaerobic digestion plants are depreciated from the point they move into operation which is regarded as being where the plant is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Items of property, plant and equipment are depreciated to their estimated residual values on a straight line basis over their expected useful lives. Operational plants situated on leasehold property are depreciated over the shorter of the expected useful life and the remaining period of the lease. The depreciation methods, estimated remaining useful lives and residual values are reviewed at each reporting date, taking into account technological innovations and asset maintenance programmes. A change resulting from the review is treated as a change in accounting estimate. The depreciation expense is recognised in the income statement. The main depreciation periods used by the group are as set out below.

Operational plants	–	10 – 30 years
Computer equipment	–	2 years
Fixtures and fittings	–	3 years

Notes to the financial statements

For the year ended 31 March 2017

Property, plant and equipment (continued)

Plant and equipment	–	2 – 5 years
Land and buildings	–	25 years

Land is not depreciated.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected through its continued use or disposal. Gains or losses which arise on de-recognition are included in the income statement in the period of de-recognition. The gain or loss is calculated as the difference between the net disposal proceeds and the carrying amount of the item as at the date of sale.

Decommissioning

Decommissioning costs may be incurred by the group at the end of the operating life of some of the plants. These are determined under the terms of leases entered into for each site and the group assesses its decommissioning provision at each reporting date. The ultimate decommissioning costs can be uncertain and cost estimates vary in response to a number of factors, including resale value of equipment being decommissioned, changes to relevant legal requirements, the emergence of new restoration techniques and experience at other sites. The expected timing, extent and amount of expenditure can also change, for example in response to changes in laws and regulations or their interpretation. As a result there could be significant adjustments to the provisions established which would affect future financial results.

The provision at reporting date represents managements best estimate of the present value of the future decommissioning costs required.

Impairment of non-financial assets

Impairment of non-financial assets is reviewed at each reporting date or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable, to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount of the asset is estimated.

If the recoverable amount of the asset is estimated to be less than the carrying amount, the carrying amount of the asset or cash-generating unit is reduced to the recoverable amount. The impairment is recognised in the income statement as an expense. Recoverable amounts are estimated for individual assets or, where an individual asset cannot generate cash flows independently, the recoverable amount is determined for the larger cash-generating unit to which the asset belongs.

A previously recognised impairment will be reversed insofar as estimates change as a result of an event occurring after the impairment was recognised. An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of impairment is recognised in the income statement.

After recognition of an impairment loss, the depreciation or amortisation charge for the asset is adjusted in the future periods to allocate the asset's revised carrying amount, less its residual value, on a systematic basis over its useful life.

Hire purchase and leasing commitments

Assets held under finance leases, which transfer to the group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease, with a corresponding liability being recognised for the lower of the fair value of the leased asset and the present value of the minimum lease payments. Lease payments are apportioned between the reduction of the lease liability and finance charges in the income statement so as to achieve a constant rate of interest on the remaining balance of the liability. Assets held under finance leases are depreciated over the shorter of the estimated useful life of the asset and the lease term.

Rentals paid under operating leases are charged to the income statement on a straight-line basis over the period of the lease.

Notes to the financial statements

For the year ended 31 March 2017

2. Accounting policies (continued)

Goodwill

Goodwill represents the excess of the consideration transferred over the fair value of the identifiable assets acquired and liabilities assumed on the acquisition of a subsidiary. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses. Goodwill which is recognised as an asset is reviewed for impairment at least annually. Any impairment in value is charged to the income statement.

Other intangible assets

Other intangible assets comprise the fair value of a long term operating lease and are recorded at cost on initial recognition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and impairment losses.

The useful life of the long term operating lease is finite. It is amortised over the lease term and assessed for impairment whenever there is an indication that it may be impaired. Amortisation begins when the asset is available for use and shall cease at the earlier of the date the asset is classified as held for sale and the date the asset is derecognised. Impairment of intangible assets is assessed in terms of note 13.

The amortisation period is reviewed annually. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method as appropriate, and treated as a change in accounting estimate.

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the income statement when the asset is derecognised.

Investments in subsidiaries

Subsidiary undertakings are all entities over which the group has the power to govern the financial and operating policies so as to obtain benefit from their activities.

The investments in subsidiaries held by the company are valued at cost less any provision for impairment that is considered to have occurred, the resultant loss being recognised in the income statement.

Financial instruments

Financial instruments recognised on the statement of financial position include loans receivable, trade and other receivables, cash and cash equivalents, loans payable, trade and other payables and other financial liabilities.

Initial recognition and measurement

Financial assets and financial liabilities are recognised on the statement of financial position when the group becomes party to the contractual provisions of the instrument. Financial instruments are recorded at fair value plus transaction costs, except in the case of financial instruments recorded at fair value through profit and loss which do not include transactions costs. Subsequent measurement and impairment for each classification is specified in the sections below.

All regular purchases and sales of financial assets are recognised on the trade date i.e. the date that the group commits to purchase or sell the financial asset.

Notes to the financial statements

For the year ended 31 March 2017

2. Accounting policies (continued)

Financial instruments (continued)

De-recognition of financial assets and liabilities

A financial asset, or a portion of a financial asset, is derecognised where:

- The rights to receive cash flows from the asset have expired;
- The group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement, or
- The group has transferred the rights to receive cash flows from the asset and either:

  (i) has transferred the substantially all the risks and rewards of the asset or

  (ii) has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

A financial liability is de-recognised when the obligation under the liability is discharged, cancelled or has expired.

Fair value

The fair value of investments, where there is no active market, is determined using valuation techniques. Such techniques include using the recent arm's length market transactions; reference to the current market value of another instrument, which is substantially the same; discounted cash flow analysis and option pricing models. Equity investments for which fair values cannot be reliably measured are recognised at cost less impairment.

Financial assets at fair value through profit or loss

The group classifies its derivatives in the form of forward exchange contracts, as held-for-trading financial assets or financial liabilities. The group has not elected to designate any other financial instruments in this category.

The fair value of forward exchange contracts is calculated by reference to current forward exchange contracts traded in the open market with similar maturity profiles, at the year-end date. Those with positive values are recognised as current assets and those with negative values are recognised as current liabilities. Gains and losses arising from changes in the fair value are recognised in the income statement.

Loans and receivables

Loans receivable, trade and other receivables and cash and cash equivalents are classified as financial assets. Cash and cash equivalents comprise cash on hand. Subsequent to initial measurement, loans and receivables are carried at amortised cost using the effective interest rate method. Gains and losses are recognised in income when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Loans and receivables are stated net of an allowance for uncollectible amounts.

Financial liabilities

Loans and trade and other payables are classified as financial liabilities and are subsequently measured at amortised cost. Gains and losses are recognised in income when the financial liabilities are derecognised or impaired as well as through the amortisation process.

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. Any instrument that includes a repayment obligation is classified as a liability.

Notes to the financial statements

For the year ended 31 March 2017

2. Accounting policies (continued)

Financial liabilities (continued)

Where the contractual liabilities of financial instruments (including share capital) are equivalent to a similar debt instrument, those financial instruments are classified as financial liabilities, and are presented as such in the statement of financial position. Finance costs and gains or losses relating to financial liabilities are included in the income statement. Finance costs are calculated so as to produce a constant rate of return on the outstanding liability.

Where the contractual terms of share capital do not have any features meeting the definition of a financial liability then such capital is classed as an equity instrument. Dividends and distributions relating to equity instruments are debited direct to equity.

Impairment of financial assets

The group's financial assets are reviewed at each reporting date or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable, to determine whether or not there is any indication of impairment.

Assets carried at amortised cost

If there is objective evidence that an impairment loss has been incurred, it is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate. The loss is recognised in profit or loss.

The group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in the income statement, to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date.

Assets carried at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument held at cost, then the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. The loss is recognised in profit or loss. Such impairment losses are not reversed.

Compound instruments

Compound financial instruments, being convertible loans, comprise both liability and equity components.

For compound instruments including equity components, at issue date the fair value of the liability component is estimated by discounting its future cash flows at an interest rate that would have been payable on a similar debt instrument without any equity conversion option. The liability component is accounted for as a financial liability. The difference between the net issue proceeds and the liability component, at the time of issue, is the residual or equity component, which is accounted for as an equity reserve.

Notes to the financial statements

For the year ended 31 March 2017

2. Accounting policies (continued)

Derivative financial instruments

The group uses derivatives to hedge exposure to interest rate risk arising in the normal course of business. The use of derivative financial instruments is governed by the group's policies which are approved by the Board of Directors. Further details of the group's risk management policies are included in the Strategic Report and in note 24.

The accounting treatment for derivatives is dependent on whether they are entered into for commercial or hedging purposes. A derivative instrument is considered to be used for hedging purposes when it alters the risk profile of an underlying exposure of the group in line with the group's risk management policies and is in accordance with established guidelines, which require the hedging relationship to be documented at its inception, ensure that the derivative is highly effective in achieving its objective, and require that its effectiveness can be reliably measured using the critical terms method.

All derivatives are recognised at fair value on the date on which the derivative is entered into and are re-measured to fair value at each reporting date. Derivatives are carries as assets when the fair value is positive and as liabilities when the fair value is negative.

Recognition of the gains or losses resulting from changes in fair value depends on the purpose for issuing or holding the derivative. For derivatives that do not qualify for hedge accounting, any gains or losses arising from changes in fair value are taken directly to the Income Statement and are included in finance costs.

Hedge accounting

For the purposes of hedge accounting, all hedges are classified as cash flow hedges.

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability, or a highly probable forecast transaction, the effective part of any gain or loss on the derivative financial instrument is recognised directly in the hedging reserve. Any ineffective portion of the hedge is recognised immediately in the Income Statement.

When the forecast transaction subsequently results in the recognition of a non-financial asset or non-financial liability, the associated cumulative gain or loss is removed from the hedging reserve and is included in the initial carrying amount of the non-financial asset or liability. If a hedge of a forecast transaction subsequently results in the recognition of a financial asset or a financial liability, the associated gains and losses that were recognised directly in equity are reclassified into the Income Statement in the same period or periods during which the asset acquired or liability assumed affects profit or loss, e.g. when interest income or expense is recognised.

For cash flow hedges, other than those covered above, the associated cumulative gain or loss is removed from equity and recognised in the Income Statement in the same period or periods during which the hedged forecast transaction affects profit or loss.

When a hedging instrument expires, or is sold, terminated or exercised, or the group revokes designation of the hedge relationship but the hedged forecast transaction is still expected to occur, the cumulative gain or loss at that point remains in equity and is recognised in accordance with the above policy when the transaction occurs. If the hedged transaction is no longer expected to take place, the cumulative unrealised gain or loss recognised in equity is recognised in the Income Statement immediately.

Inventory

Inventory consists of raw materials in the form of feedstock and finished goods. Inventory is valued at the lower of cost and net realisable value. Write-downs to net realisable value and inventory losses are expenses in the period in which the write-downs or losses occur. Net realisable value is the estimated selling price in the ordinary course of business, less necessary costs to make the sale.

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand.

Notes to the financial statements

For the year ended 31 March 2017

2. Accounting policies (continued)

Equity

Equity comprises the following

- "Share capital" represents the nominal value of equity shares, consisting of investor ordinary shares, performance shares, sponsor warrant shares, management warrant shares and loan enforcement shares.
- "Share premium account" represents the excess over nominal value of the fair value of consideration received for equity shares consisting of investor ordinary shares, performance shares and loan enforcement shares, net of expenses of the share issues.
- "Other reserves" represents the equity component of convertible loan notes issued.
- "Accumulated losses" includes all current results as disclosed in the group income statement.

Taxation

Current taxes are based on the results shown in the financial statements and are calculated using tax rates enacted or substantially enacted by the period end.

The charge for taxation is based on the profit or loss for the period and takes into account taxation deferred because of timing differences between the treatment of certain items for accounting and taxation purposes.

Provision is made at current rates for deferred tax in respect of all timing differences that have originated but not reversed at the period end. Deferred tax assets are only recognised to the extent that they are regarded as recoverable.

Revenue recognition

Revenue is recognised to the extent it is probable that the economic benefits will flow to the group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable, excluding discounts and value added tax.

Services rendered

Revenue earned from gate fees is recognised when waste is received over the gate.

Sale of goods

Revenue from the sale of compost is recognised when the significant risks and rewards of ownership have been transferred to the customer. This is considered to occur when the product is physically transferred to the customer.

Electricity

Revenue from the sale of electricity and associated Feed in Tariffs is recognised where there is a signed unconditional contract of sale, based on the quantity of electricity exported and price based on the contracted rate on the date of generation.

Other income

Revenue from other sources is recognised when received.

Interest income

Interest is accrued and recognised on a time-proportion basis at the effective rate implicit in the instrument.

Employee benefit costs

The group operates a defined contribution pension scheme. Contributions payable to the group's pension scheme are charged to the group income statement in the period to which they relate.

Notes to the financial statements

For the year ended 31 March 2017

2. Accounting policies (continued)

Share-based payments

With effect from 7 May 2015, the group operates an equity-settled, share-based compensation plan, under which the group receives services from employees as consideration for equity instruments of the company. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted.

Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency at exchange rates prevailing at the date of the transaction. Monetary assets and liabilities are translated at exchange rates prevailing at the year-end date.

Exceptional items

Exceptional items are transactions that by virtue of their incidence, size, nature, or a combination of all three, are disclosed separately in the financial statements.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale (a qualifying asset) are capitalised as part of the cost of the respective assets. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Where funds are borrowed specifically to finance a project, the amount capitalised represents the actual borrowing costs incurred. Where surplus funds are available for a short term from funds borrowed specifically to finance a project, the income generated from the temporary investment of such amounts is also capitalised and deducted from the total capitalised borrowing cost. Where the funds used to finance a project form part of general borrowings, the amount capitalised is calculated using a weighted average of rates applicable to relevant general borrowings of the group during the period.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Significant accounting estimates and assumptions

The preparation of financial statements in conformity with IFRSs requires the management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised if the revision affects only that year or in the year of the revision and future years if the revision affects both current and future years.

The most critical accounting policies and estimates in determining the financial condition and results of the group are those requiring a greater degree of subjective or complete judgement. These relate to the following, which in some cases rely upon long-term financial forecasts and discount rates:

- Carrying value of investments, goodwill and other intangible assets
- Capitalisation of plants under construction
- Date an operating plant moves into operation
- Calculation of the equity component of convertible loan notes
- Calculation of decommissioning provisions.

Notes to the financial statements

For the year ended 31 March 2017

3. Revenue

	2017	*2016*
	£	*£*
Electricity	8,622,396	4,426,921
Gate fees for waste disposal and other sales	5,930,269	5,957,899
	14,552,665	10,384,820

4. Employee benefits expense

	2017	*2016*
	£	*£*
Wages and salaries	3,310,361	4,880,371
Social security costs	352,264	538,502
Pension costs	46,579	159,427
	3,709,204	5,578,300

Staff costs capitalised as part of plants under construction was £607,748 (2016: £266,964).

The average monthly number of employees during the year was made up as follows:

	2017	*2016*
	No.	*No.*
Directors	1	4
Corporate and administration	8	13
Construction and Engineering	4	8
Commercial	4	3
Operations	62	65
	79	93

	2017	*2016*
	£	*£*
Directors' remuneration	225,000	458,847
Compensation for loss of office	–	178,846
Employer's national insurance	28,202	81,286
Directors' pension contributions to money purchase schemes	11,225	33,168
	264,427	752,147

The number of directors to whom retirement benefits were accruing was 1 (2016: 2). The highest paid director received aggregate remuneration of £210,000 (2016: £295,863), and pension contributions of £11,225 (2016: £10,345).

There are no other staff considered to be key management.

Notes to the financial statements

For the year ended 31 March 2017

5. Other expenses

Included within Other expenses are the following costs which are considered to be exceptional:

	2017	2016
	£	£
Redundancy and reorganisation costs	–	900,054
Professional fees – debt financing and restructure	–	271,620
Clean up costs following accidental spillage	–	426,311
Bad debt written off	–	396,378
	–	1,994,363

6. Group operating loss

This is stated after charging:

	2017	2016
	£	£
Depreciation: owned assets	3,218,478	1,437,573
Depreciation: leased assets	86,798	184,620
Amortisation of intangible assets	8,490	8,491
Total depreciation and amortisation expense	3,313,766	1,630,684
Impairment adjustments (included in exceptional items)	11,541,755	8,572,382
Operating lease payments	494,483	568,443
Auditors' remuneration for statutory audit	100,000	100,000
Auditors' remuneration for tax services	20,000	26,750
Auditors' remuneration for non-audit services	14,400	40,000

The exceptional items relate to the impairment of the Group's carrying values of goodwill £7,687,108 (2016: nil) and fixed assets £3,854,647 (2016: £8,572,382) to reflect net realisable value following recent economic conditions experienced in the AD market with continued pressure on income from gate fees and power prices. The Group's impairment assessment of carrying values is based on the estimated future cash flows of the income generating units of the Group using a discount rate of 10.25% (2016: 8%). Further information is provided in note 13.

Notes to the financial statements

For the year ended 31 March 2017

7. Finance income

	2017	*2016*
	£	£
Interest on bank deposits	2,163	13,102

8. Finance costs

	2017	*2016*
	£	£
Interest on bank and other borrowings	1,822,654	1,660,606
Unwinding of discount on provision	34,061	46,691
	1,856,715	1,707,297

9. Income tax

(a) Tax (credited)/charged in the group income statement

	2017	*2016*
	£	£
Current tax:		
UK corporation tax	–	–
Adjustments in respect of prior periods	–	(20,520)
Deferred tax:		
Origination and reversal of temporary differences	(1,371,584)	2,077,463
Adjustments in respect of prior periods	(460,265)	10,874
Impact of change in tax rates	–	–
Total deferred tax	(1,831,849)	2,088,337
Income tax (credit)/charge in the group income statement	(1,831,849)	2,067,817

(b) Reconciliation of the total tax (credit)/charge

The tax (credit)/charge in the group income statement for the year is lower than the standard rate of corporation tax in the UK of 20% (2016: 20%). The differences are reconciled below:

	2017	*2016*
	£	£
Loss from continuing operations before taxation	(15,695,631)	(17,346,361)
At UK standard rate of corporation tax of 20% (2016: 20%)	(3,139,126)	(3,469,272)
Effects of:		
Losses not recognised for deferred tax	1,492,104	5,248,278
Adjustments in respect of prior periods	(460,265)	(9,646)
Permanent differences	142,463	93,024
Impact of change in tax rates	132,975	205,433
Total tax (credit)/charge reported in the group income statement	(1,831,849)	2,067,817

Notes to the financial statements

For the year ended 31 March 2017

9. Income tax (continued)

(c) Deferred tax

The deferred tax included in the group and company Statement of Financial Position relates to the following:

	Group		*Company*	
	2017	*2016*	*2017*	*2016*
	£	*£*	*£*	*£*
Deferred tax asset				
Accelerated capital allowances	3,680,733	1,848,884	–	–

The deferred tax included in the group Income Statement relates to the following:

	Group	
	2017	*2016*
	£	*£*
Accelerated capital allowances	(1,371,584)	1,624,237
Tax losses	–	(3,701,700)
Adjustments in respect of prior periods	(460,265)	(10,874)
	(1,831,849)	(2,088,337)

(d) Factors that may affect future tax charges

At the year end there were group deductible temporary differences totalling £26,166,563 (2016: £25,180,624) arising in relation to tax losses which are anticipated to crystallise and become available for set off against future taxable profits. The related deferred tax asset of £4,448,316 (2016: £4,280,706) has not been recognised in respect of these losses as the directors consider the level and timing of future profits not to be sufficiently certain to allow full recognition of the deferred tax asset. For the year ended 31 December 2016, the related deferred tax asset of £4,280,706 was not recognised.

Changes to the UK corporation tax rates were substantively enacted as part of Finance Bill 2015 on 26 October 2015. These include reductions to the main rate to reduce the rate to 19% from 1 April 2017 and to 17% from 1 April 2020. Deferred taxes at the year-end date have been measured using these enacted tax rates and reflected in these financial statements.

10. Profit of parent company

As permitted by Section 408 of the Companies Act 2006, the income statement of the parent company is not presented as part of these financial statements. The parent company's loss for the financial year was £3,595,312 (2016: Loss - £6,171,317).

Notes to the financial statements

For the year ended 31 March 2017

11. Property, plant and equipment

Group	*Plants under construction* £	*Plant and equipment* £	*Land and Buildings* £	*Computer equipment* £	*Fixtures and fittings* £	*Total* £
Cost:						
At 1April 2015	40,475,044	19,032,086	2,493,503	407,607	146,617	62,554,857
Additions	5,795,908	1,734,172	12,950	9,725	3,181	7,555,936
Transfers	(34,550,449)	34,546,068	–	3,848	533	–
Disposals	–	(242,757)	–	–	(108)	(242,865)
At 31 March 2016	11,720,503	55,069,569	2,506,453	421,180	150,223	69,867,928
Additions	4,176,476	1,436,692	9,500	12,500	–	5,635,168
Transfers	(15,896,979)	15,896,979	–	–	–	–
Disposals	–	(200,000)	(1,352)	–	–	(201,352)
At 31 March 2017	–	72,203,240	2,514,601	433,680	150,223	75,301,744
Depreciation:						
At 1 April 2015	–	1,442,137	128,126	317,606	75,096	1,962,965
Provided during the year	–	1,452,963	48,670	75,767	44,792	1,622,192
Impairment (note 4)	–	8,572,382	–	–	–	8,572,382
Disposals	–	(92,172)	–	(213)	109	(92,276)
At 31 March 2016	–	11,375,310	176,796	393,160	119,997	12,065,263
Provided during the year	–	3,206,387	55,310	22,392	21,187	3,305,276
Impairment (note 4)	–	3,854,647	–	–	–	3,854,647
Disposals	–	(187,175)	(1,316)	–	–	(188,491)
At 31 March 2017	–	18,249,169	230,790	415,552	141,184	19,036,695
Net book value:						
At 31 March 2017	–	53,954,071	2,283,811	18,128	9,039	56,265,049
At 31 March 2016	11,720,503	43,694,259	2,329,657	28,020	30,226	57,802,665

Land

Land with a carrying value of £1,300,000 is not depreciated. All other properties are occupied under lease agreements with remaining terms of less than 50 years.

Assets held under finance leases

The carrying value of plant and equipment held under finance leases and hire purchase contracts by the group at 31 March 2017 was £324,977 (2016: £668,463).

Impairment

The impairment charge of £3,854,647 (2016: £8,572,382) relates to the impairment of the group's fixed assets to reflect their expected net realisable value following recent economic conditions experienced in the AD market with continued pressure on income from gate fees and power prices.

Notes to the financial statements

For the year ended 31 March 2017

12. Intangible assets

Group	*Goodwill* £	*Other* £	*Total* £
Cost at 31 March 2016 and 2017	7,687,108	300,000	7,987,108
Amortisation:			
At 1 April 2015	–	20,516	20,516
Provided during the year	–	8,491	8,491
At 31 March 2016	–	29,007	29,007
Provided during the year	–	8,490	8,490
Impairment	7,687,108	–	7,687,108
At 31 March 2017	7,687,108	37,497	7,724,605
Net book value:			
At 31 March 2017	–	262,503	262,503
At 31 March 2016	7,687,108	270,993	7,958,101

Impairment tests for goodwill

Goodwill is reviewed annually for impairment, and where applicable, any impairment change in included in the consolidated income statement (see note 13).

Other intangible assets

Other intangible assets relates to the fair value of a long term operating lease on acquisition.

13. Impairment of goodwill and other intangible assets

Goodwill acquired through business combinations and other intangible assets have been allocated for impairment testing purposes between the group's anaerobic digestion plants and the group's organic waste processing sites. These represent the lowest level within the group at which goodwill is monitored for internal management purposes.

The group performed its annual impairment test as at 31 March 2017. The recoverable amount of the goodwill is based on discounted cash flows using a nominal discount rate of 10.25%. The calculation uses projected cash flows based on historic information and financial budgets. The projection period covers the effective operational life of each operational facility site up to the period for which contracted Government support is available for exported electricity prices, typically 18 – 19 years. The key assumptions used in the calculation are:

- wholesale electricity pricing and gate fees based on industry forecasts
- price inflation for other income streams, including electricity export support, using the Office for Budget Responsibility (OBR) forecast for RPI
- general cost inflation using the OBR forecast for RPI

The impairment assessment indicated that the carrying value of goodwill is impaired as at 31 March 2017. Accordingly an impairment adjustment of £7,687,108 has been charged in the group income statement.

Notes to the financial statements

For the year ended 31 March 2017

14. Financial assets

	Group		Company	
	2017	*2016*	*2017*	*2016*
	£	*£*	*£*	*£*
Financial assets – non-current				
Loans to group undertakings	–	–	67,856,467	65,728,412

Details of the terms of these loans are given in note 26. Financial assets in the company are shown net of a provision for impairment of £4,975,000 (2016: £Nil) in relation to certain loans to group undertakings where there is some uncertainty as to the likelihood of full recovery over the full term of the loan.

15. Investments

	Group		Company	
	2017	*2016*	*2017*	*2016*
	£	*£*	*£*	*£*
Trade investment	10,000	10,000	10,000	10,000
Investment in subsidiaries	–	–	4,250,289	4,250,289
	10,000	10,000	4,260,289	4,260,289

(a) Investment in subsidiary undertakings

Details of the investments in which the group holds 50% or more of the nominal value of any class of share capital are as follows:

Name of company	*Holding*	*Proportion of voting rights and shares held*	*Nature of business*
Tamar Energy Development Company Limited	Ordinary shares	100%	Non-trading
Tamar Energy (Holdings) Limited	Ordinary shares	100%	Operational & management services
Tamar Renewable Power (Hoddesdon) Limited#	Ordinary shares	100%	Anaerobic digestion plants
Tamar Energy (Hermes Holdings) Limited#	Ordinary shares	100%	Operational & management services
Tamar Energy Operating Company (one) Limited#	Ordinary shares	100%	Operational & management services
Holbeach Biogas Limited#	Ordinary shares	95%	Anaerobic digestion plants
Sutton Grange AD Limited#	A Ordinary shares	80%	Anaerobic digestion plants
Tamar Renewable Power (Essex) Limited#	Ordinary shares	100%	Anaerobic digestion plants
Tamar Renewable Power (Basingstoke) Limited#	Ordinary shares	100%	Anaerobic digestion plants
Tamar Organics Limited	Ordinary shares	100%	Waste recycling & treatment services
Tamar Recycling (Suffolk) Limited#*	Ordinary shares	100%	Waste recycling & treatment services
Tamar Composting (East Anglia Limited#*	Ordinary shares	100%	Waste disposal & recycling services

Notes to the financial statements

For the year ended 31 March 2017

15. Investments (continued)

(a) Investment in subsidiary undertakings (continued)

T J Composting Group Limited#*	Ordinary shares	100%	Non-trading
T J Composting Services Limited#*	Ordinary shares	100%	Non-trading
The Beddingham Compost Company Ltd#	Ordinary shares	100%	Dormant
Tamar Organic Waste Limited#	Ordinary shares	100%	Waste recycling & treatment services

Held by a subsidiary undertaking
* Audit exemption claimed under s479C CA 2006

All subsidiary undertakings are incorporated in the United Kingdom. The Registered Office of all the companies in the group is; 3rd Floor, 150 Waterloo Road, London, SE1 8SB.

During the year Tamar Energy Operating Company (one) Limited acquired an additional 450 ordinary shares in Sutton Grange AD Limited for a consideration of £939,890, which is considered to be the fair value of the interest acquired.

For the year ended 31 March 2017 Tamar Energy Development Company Limited, T J Composting Group Limited, T J Composting Services Limited, Tamar Recycling (Suffolk) Limited, Tamar Composting (East Anglia) Limited and Tamar Organic Waste Limited were entitled to exemption from audit under section 479A of the Companies Act 2006 relating to subsidiary companies.

The total non-controlling interest for the year is £519,216, of which £495,140 is for Sutton Grange AD Limited and £23,990 is for Holbeach Biogas Limited.

(b) Trade investment
The company owns 1 A share in Green Gas Trading Limited, which represents a holding of 3.1% of the equity share capital.

16. Inventories

	Group		*Company*	
	2017	*2016*	*2017*	*2016*
	£	*£*	*£*	*£*
Feedstock	347,416	244,004	–	–
Spare parts and fuel	287,139	207,838	–	–
	634,555	451,842	–	–

Notes to the financial statements

For the year ended 31 March 2017

17. Trade and other receivables

	Group		Company	
	2017	*2016*	*2017*	*2016*
	£	*£*	*£*	*£*
Trade receivables	1,092,499	732,416	–	–
Amounts owed by group undertakings	–	–	7,569,128	7,289,327
Other debtors	144,702	157,126	–	13,350
Other taxes	207,032	979,344	388	63,542
Prepayments and accrued income	3,625,728	2,299,145	–	77,263
	5,069,961	4,168,031	7,569,516	7,443,482

The short term carrying values are considered to be a reasonable approximation of the fair value.

Amounts owed by group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand. The total amount owed by group undertakings is stated after provisions for potential non-recovery amounting to £4,576,604.

Trade receivables are non-interest bearing and are generally on 30 days' terms and are shown net of a provision for impairment. As at 31 March 2017, trade receivables at nominal value of £6,535 (2016: £433,960) were determined to be impaired because of poor payment history or insolvency of the debtor and fully provided for. Movements in the provision for impairment of receivables were as follows:

	Group		Company	
	2017	*2016*	*2017*	*2016*
	£	*£*	*£*	*£*
At 1 April	433,960	37,582	–	–
Charge for the year	6,050	396,378	–	–
Amounts written off	(396,378)	–	–	–
Unused amounts reversed	(37,097)	–	–	–
At 31 March	6,535	433,960	–	–

As at 31 March, the analysis of trade receivables that were past due but not impaired is as follows:

			Past due but not impaired				
	Total	*Neither past due nor impaired*	*<30 days*	*30-60 days*	*60-90 days*	*90-120 days*	*>120 days*
	£	*£*	*£*	*£*	*£*	*£*	*£*
2017	1,099,034	621,188	389,899	50,436	17,669	–	19,842
2016	1,166,376	469,624	198,951	79,978	7,026	–	410,797

Notes to the financial statements

For the year ended 31 March 2017

18. Cash and cash equivalents

	Group		Company	
	2017	*2016*	*2017*	*2016*
	£	£	£	£
Cash at bank	2,106,888	5,035,366	309,724	1,515,627

Included in the cash balance is £805,476 (2016: £334,577) held in a Debt Service Reserve Account, the use of which is restricted in accordance with terms contained in a Facility Agreement with the group's bankers.

At 31 March 2016 the company's cash balance included £387,221 held in an escrow account in relation to a commercial dispute with a contractor. Under the terms of the escrow agreement the funds were not available for use by the group. During the year an agreement was reached under which the funds were released to the group, with no future restriction.

19. Trade and other payables

	Group		Company	
	2017	*2016*	*2017*	*2016*
	£	£	£	£
Trade payables	1,597,413	1,531,371	5,038	6,151
Amounts owed to group undertakings	–	–	72,671	346,227
Other creditors	133,466	195,875	30,598	28,860
Deferred lease liability	259,226	268,154	–	–
Accruals	1,549,048	2,336,627	8,000	132,359
	3,539,153	4,332,027	116,307	513,597

The above payables were all unsecured. Amounts owed to group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

The short term carrying values are considered to be a reasonable approximation of fair value.

Notes to the financial statements

For the year ended 31 March 2017

20. Financial liabilities

	Group		Company	
	2017	2016	2017	2016
	£	£	£	£
Current:				
Obligations under finance leases and hire purchase contracts (note 21)	122,851	187,513	–	–
	122,851	187,513	–	–
Non-current:				
RBS project finance loan	15,538,897	10,739,171	–	–
Convertible loans	6,694,060	6,628,272	6,694,060	6,628,272
Obligations under finance leases and hire purchase contracts (note 21)	132,852	255,156	–	–
	22,365,809	17,622,599	6,694,060	6,628,272

RBS project finance loan

Following satisfactory completion of technical and operational tests at one of the AD plants during the year, Tamar Energy Operating Company (one) Limited drew down £4,979,500, being the last tranche available under the facility.

The debt facility, which is in the form of senior non-recourse project finance, is on a portfolio basis and has a term of seven years at a market commercial interest rate above LIBOR.

The loan, is secured by first ranking fixed and floating charges over the assets of, and shares in, Tamar Energy (Hermes Holdings) Limited, Tamar Energy Operating Company (one) Limited and on three AD facilities.

The loan is stated net of the amortised cost of bank and advisors fees incurred in raising the finance, which at 31 March 2017 was £1,318,561 (2016: £1,489,160).

Convertible loans

The principal sum drawn down on the unsecured convertible loans of £10,000,000 may be converted to Investor Preference Shares at the conversion rate, being one share for each £1 of principal sum held at the date of conversion. This may occur at any time by mutual agreement or immediately prior to, but conditional upon, an exit, being a sale, listing or other return of assets in accordance with the company's Articles of Association.

Details regarding the rights and restrictions attached to the Investor Preference Shares are set out in the company's Articles of Association, which can be obtained from the company's registered office.

No capital repayments are due on the convertible loans until the repayment date in 2037. Interest is payable on the convertible loans at a rate of 6% per annum on the principal sum drawn down.

Notes to the financial statements

For the year ended 31 March 2017

21. Financial instruments at fair value

The group has entered into an interest rate swap to hedge 100% of the interest payable under its secured bank facility.

Determination of fair values

The group's derivative financial assets and liabilities are measured and held at fair value and classified into one of three categories, known as hierarchy levels, which are defined according to the inputs used to measure their fair value as follows:

Level 1: Fair value is determined using observable inputs that reflect unadjusted quoted market prices for identical assets and liabilities;

Level 2: Fair value is determined using significant inputs that may be directly observable inputs or unobservable inputs that are corroborated by market data; and

Level 3: Fair value is determined using significant unobservable inputs that are not corroborated by market data and may be used with internally developed methodologies that result in management's best estimate of fair value.

	Group	
	2017	*2016*
	£	*£*
Interest rate derivatives – Level 2	1,107,691	–

Level 2 interest rate derivatives comprise a single interest rate swap which has been fair valued using forward interest rates extracted from observable yield curves.

22. Lease obligations

Obligations under finance leases and hire purchase contracts

The group uses finance leases and hire purchase contracts to acquire plant and machinery. These leases have terms of renewal but no purchase options and escalation clauses. Renewals are at the option of the lessee. Future minimum lease payments under finance leases and hire purchase contracts are as follows:

	Group	
	2017	*2016*
	£	*£*
Not later than one year	133,484	200,835
After one year but not more than five years	143,731	277,215
	277,215	478,050
Less finance charges allocated to future periods	(21,512)	(35,381)
Present value of minimum lease payments	255,703	442,669
The present value of minimum lease payments is analysed as follows:		
Not later than one year	122,851	187,513
After one year but not more than five years	132,852	255,156
	255,703	442,669

Notes to the financial statements

For the year ended 31 March 2017

22. Lease obligations (continued)

Obligations under operating leases

Future minimum rentals payable under non-cancellable operating leases are as follows:

	Group		Company	
	2017	2016	2017	2016
	£	£	£	£
Land and buildings				
Not later than one year	728,454	830,212	386,848	474,140
After one year but not more than five years	2,498,310	2,945,417	1,418,566	1,807,808
After five years	12,383,380	12,808,427	7,030,097	8,752,500
	15,610,144	16,584,056	8,835,511	11,034,448

	Group		Company	
	2017	2016	2017	2016
	£	£	£	£
Other assets				
Not later than one year	43,701	36,535	33,094	30,610
After one year but not more than five years	41,095	38,135	29,247	31,570
	84,796	74,670	62,341	62,180

23. Provisions

A provision has been recognised for decommissioning costs as follows:

	Group		Company	
	2017	2016	2017	2016
	£	£	£	£
At 1 April	1,305,574	1,050,453	–	–
Arising during the year	698,847	208,430	–	–
Unwinding of discount	34,061	46,691	–	–
At 31 March	2,038,482	1,305,574	–	–

The group makes full provision for the future cost of decommissioning anaerobic digestion plants on a discounted basis on commencement of construction. The decommissioning provision represents the present value of decommissioning costs, which are expected to be incurred up to 2043, which is when the anaerobic digestion plants are expected to cease operations. These provisions have been created based on the group's internal cost estimates. Assumptions based on the current economic environment have been made, which management believes are a reasonable basis upon which to estimate the future liability. These estimates are reviewed regularly to take into account any material changes to the assumptions. However, actual decommissioning costs will ultimately depend upon future market prices for the necessary decommissioning works required that will reflect market conditions at the relevant time. The discount rate used in the calculation of the provision as at 31 March 2017 was 3.01% (2015: 3.01%).

Notes to the financial statements

For the year ended 31 March 2017

24. Financial instruments

Risk management objectives and policies

The group's principal financial assets comprise cash and cash equivalents, trade and other receivables, other taxes and prepayments. The group's liabilities comprise trade payables, other payables including taxes and social security, accrued expenses and borrowings.

All the group's financial assets are classified as cash or receivables. All the group's financial liabilities are measured at amortised cost.

The Board determines as required the degree to which it is appropriate to use financial instruments to mitigate financial risks.

Credit risk

The group's cash at bank is held with reputable international banks. Cash is held either on current account or on short-term deposit at fixed rates of interest. The fair value of cash and cash equivalents at 31 March 2017 did not differ materially from their carrying value.

The Moody's long-term credit rating of the provider of the group's non-recourse project finance is A3, positive.

All trade receivables relate to counterparties without an external credit rating and are existing customers (within 6 months) with no defaults in the past (Group 2).

Interest rate risk

The group has no material exposure to interest rate risk.

Fair value of financial instruments

The fair values of the group's financial instruments at 31 March 2017 did not differ materially from their carrying values.

The group's long term convertible loan note borrowing, a compound financial instrument did not differ from its carrying value.

Liquidity risk

The group at its present stage of development is not funded by revenue from operations. It therefore finances its operations through the issue of equity share capital and debt in order to ensure sufficient cash resources are maintained to meet short-term liabilities and future project development requirements. Management monitors availability of funds in relation to forecast expenditures in order to ensure timely fundraising and has the ability to slow down build rate should the need arise. The Board has confidence in the group's ability to manage its liquidity going forward.

Notes to the financial statements

For the year ended 31 March 2017

25. Share capital

Authorised	*2017 No.*	*2016 No.*	*2017 £*	*2016 £*
Investor ordinary shares of 1p each	92,750,000	92,750,000	927,500	927,500
Performance shares of 1p each	625,000	625,000	6,250	6,250
Sponsor warrant shares of 1p each	29,150	29,150	291	291
Management warrant shares of 1p each	35,100	35,100	351	351
Loan enforcement shares of 1p each	2	2	–	–
Deferred shares of 1p each	635,750	635,750	6,358	6,358
SSL warrant shares	25,000	25,000	250	250
Investor preference shares	10,000,000	10,000,000	100,000	100,000
ESS shares of 1p each	1,000	1,000	10	10
			1,041,010	1,041,010

Allotted, called up and fully paid	*2017 No.*	*2016 No.*	*2017 £*	*2016 £*
Investor ordinary shares of 1p each	88,791,667	88,791,667	887,916	887,916
Performance shares of 1p each	–	–	–	–
Sponsor warrant shares of 1p each	29,150	29,150	292	292
Management warrant shares of 1p each	11,000	11,000	110	110
Loan enforcement shares of 1p each	2	2	–	–
Deferred shares of 1p each	635,750	635,750	6,358	6,358
ESS shares of 1p each	900	900	9	9
			894,685	894,685

Rights, preferences and conditions

Ordinary shares carry one vote per investor if voting on a show of hands and one vote per share if voting on a poll or by written resolution.

Loan enforcement shares carry one vote per investor if voting on a show of hands and one vote for each £1 of investor loan held if voting on a poll or by written resolution.

Performance shares, sponsor warrant shares and management warrant shares do not carry voting rights but shareholders are entitled to attend general meetings.

Deferred shares and ESS shares entitle the holder to participate in a capital redemption or proceeds from sale of the company's equity share capital, subject to certain restrictions, but they do not carry any voting rights or rights to dividends.

Further details regarding the rights attached to the various classes of share capital are set out in the company's Articles of Association which can be obtained from the company's registered office.

Notes to the financial statements

For the year ended 31 March 2017

26. Share-based payments

During the year ended 31 March 2016 the company granted new shares to certain senior employees under a new Employee Share Scheme (ESS). Subject to certain restrictions, the shares grant the right to participate in a capital distribution of the company's assets or in the proceeds of a sale of all or part of the equity share capital. The likelihood of either event is considered to be remote and accordingly the fair value of the shares is considered to be £Nil.

27. Related party transactions

Tamar Energy Development Company Limited had a loan agreement with Sustainable Technology Investments (Guernsey) Limited, a shareholder of Tamar Energy Limited. The loan was repaid during the year ended 31 March 2016. Interest totalling £19,250 was charged on the loan during that year.

Included in note 14 is £12,567,990 (2016: £11,611,453) by Sutton Grange AD Limited, a subsidiary of Tamar Energy Limited. This amount includes accrued interest of £2,031,427 (2016: £1,822,024) charged at the rate of 12% per annum during the year. This is receivable in quarterly instalments once certain conditions are met, and has a final repayment date of 19 March 2023.

Included in note 14 is £28,126,808 (2016: £25,842,566) owed to the company by Tamar Energy (Holdings) Limited, a subsidiary of Tamar Energy Limited. This amount includes accrued interest of £2,284,241 (2016: £2,604,421) charged at the rate of 8.5% per annum during the year. This loan is receivable in quarterly instalments once certain conditions are met, and has a final repayment date of 8 August 2024.

Included in note 14 is £27,161,670 (2016: £28,274,392) owed to the company by Tamar Energy (Hermes Holdings) Limited, a subsidiary of Tamar Energy Limited. This amount includes accrued interest of £2,315,378 (2016: £3,136,464) charged at the rate of 8.5% per annum during the year. This loan is receivable in quarterly instalments once certain conditions are met.

During the year, Holbeach Biogas Limited purchased goods and services amounting to £354,385 (2016: £351,217) from AH Worth and Company Limited, a company in which D R Worth, a director of Holbeach Biogas Limited, is also a director and shareholder. The amount due by Holbeach Biogas Limited at 31 March 2017 was £13,290 (2016: £1,971). AH Worth and Company Limited purchased electricity revenue from the company amounting to £669,452 (2016: £513,910) during the year, and at 31 March 2017 the amount owed to the company was £nil (2016: £nil).

During the year, Holbeach Biogas Limited purchased goods amounting to £64,478 (2016: £67,398) from QV Foods Limited, a company in which D R Worth, a director of Holbeach Biogas Limited, is also a director. The amount due to QV Foods Limited at 31 March 2017 was £7,776 (2016: £4,016).

During the year the company purchased goods and services amounting to £947,537 (2016: £1,146,344) from Sutton Grange Services Limited, a company in which both M I Paulson and C F Walter are also directors. At 31 March 2017 the amount due to Sutton Grange Services Limited was £190,345 (2016: £27,749).

During the year the company was charged rent of £77,439 (2016: £77,439) and purchased goods for £2,607 (2016: £64,874) from Fred Walters and Sons Limited, a company in which C F Walter is also a director. At 31 March 2017 the amount due to Fred Walters and Sons Limited was £nil (2016: £nil).

Details of convertible loans are provided in note 20. These loans are £5,000,000 each and are held by P A Bostock and C P Deruig as Trustees of the Chatsworth Settlement, and The Duchy of Cornwall.

Details of directors' emoluments are disclosed in note 6.

Notes to the financial statements

For the year ended 31 March 2017

28. Capital commitments

At 31 March 2017, amounts contracted for but not provided in the financial statements for the acquisition of property, plant and equipment amounted to £783,284 (2016: £904,066) for the group.

29. Capital management

At 31 March 2017, capital employed of the group amounted to £61,344,363 (comprised of £38,855,703 of equity shareholders' funds and £22,488,660 of borrowings), compared to £71,637,288 at 31 March 2016 (comprised of £53,827,176 of equity shareholders' funds and £17,810,112 of borrowings).

The group's objective when managing capital is to safeguard the entity's ability to continue as a going concern and develop its investment in new anaerobic digestion plants and other waste management activities to provide returns for shareholders and benefits for other stakeholders.

The group's capital structure comprises all the components of equity (all share capital, share premium, retained earnings when earned and other reserves). When considering the future capital requirements of the group and the potential to fund specific project development via debt, the directors consider the risk characteristics of the underlying assets in assessing the optimal capital structure.