

# **Malwine Solar SPV 1 Limited**

## **Report and Financial Statements**

30 June 2018



**Directors**

T Rosser  
A D K Brierley  
K A Shenton

**Secretary**

Octopus Company Secretarial Services Limited  
6th Floor  
33 Holborn  
London EC1N 2HT

**Auditors**

Ernst & Young LLP  
Bedford House  
16 Bedford Street  
Belfast, BT2 7DT

**Bankers**

Royal Bank of Scotland  
280 Bishopsgate  
London EC2M 4RB

**Solicitors**

Burges Salmon  
6 New Street Square  
London  
EC4A 3BF

**Registered Office**

6th Floor  
33 Holborn  
London EC1N 2HT

Registered No. 08848567

## Directors' report

The directors present their report and financial statements of Malwine Solar SPV 1 Limited (the 'company') for the year ended 30 June 2018.

### Principal activities

The Company is a wholly owned subsidiary of a group of companies of which the principal activities are that of construction and operation of solar plants and the generation of solar power.

### Directors

The directors who served the company during the period and appointed subsequently were as follows:

T Rosser  
A D K Brierley  
K A Shenton

### Going concern

The financial statements have been prepared on the going concern basis. The directors have prepared forecasts and reviewed capital requirements for twelve months from the date of approving these financial statements, which indicate the business can continue to trade for at least twelve months.

### 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 auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the company's auditor, each director has taken all the steps that he/she is obliged to take as a director in order to make himself/herself aware of any relevant audit information and to establish that the auditor is aware of that information.

### Auditors

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

### Small companies' exemption

This report has been prepared in accordance with special provisions relating to small companies within Part 15 of the Companies Act 2006.

On behalf of the Board



T Rosser  
Director

Date: 21-01-2019

## **Directors' responsibilities statement**

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial period. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

# **Independent auditors' report**

**to the members of Malwine Solar SPV 1 Limited**

## **Opinion**

We have audited the financial statements of Malwine Solar SPV 1 Limited (the 'company') for the year ended 30 June 2018 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity and the related notes 1 to 13, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 30 June 2018 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

## **Basis for opinion**

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## **Use of our report**

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

## **Conclusions relating to going concern**

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

# **Independent auditors' report (continued)**

**to the members of Malwine Solar SPV 1 Limited**

## **Other information**

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

## **Opinions on other matters prescribed by the Companies Act 2006**

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

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

## **Matters on which we are required to report by exception**

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the directors' report.

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies exemptions in preparing the directors' report and from the requirement to prepare a strategic report.

# Independent auditors' report (continued)

to the members of Malwine Solar SPV 1 Limited

## Responsibilities of directors


As explained more fully in the directors' responsibilities statement set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

## Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.



Michael Kidd (Senior statutory auditor)  
for and on behalf of Ernst & Young LLP, Statutory Auditor  
Belfast

Date: 15/2/2019

## Statement of comprehensive income

for the year ended 30 June 2018

	Year ended 30 June 2018 £	6 months ended 30 June 2017 £
<b>Turnover</b>	1,509,895	843,042
Cost of sales	(989,544)	(534,754)
<b>Gross profit</b>	520,351	308,288
Administrative expenses	(2,776)	(197,515)
<b>Operating profit</b>	517,575	110,773
Interest receivable and similar income	—	82
Interest payable and similar charges	(1,088,984)	(1,271,301)
<b>Loss before taxation</b>	(571,409)	(1,160,446)
Tax on loss	—	—
<b>Loss for the financial period</b>	(571,409)	(1,160,446)
<b>Other comprehensive income for the period</b>		
Change in value of hedging instrument	—	705,642
Capital contribution	—	2,397,828
<b>Other comprehensive income for the period</b>	—	3,103,470
<b>Total comprehensive (loss)/income for the period</b>	(571,409)	1,943,024

All amounts relate to continuing activities.

# Statement of financial position

at 30 June 2018

	Notes	£	30 June 2018 £	30 June 2017 £
<b>Fixed assets</b>				
Tangible assets	4		<u>14,046,188</u>	<u>14,724,725</u>
<b>Current assets</b>				
Debtors: amounts falling due within one year	5	643,054	643,946	
Cash at bank and in hand		<u>294,101</u>	<u>777,567</u>	
		937,155	1,421,513	
<b>Creditors: amounts falling due within one year</b>	6	<u>(398,258)</u>	<u>(309,706)</u>	
<b>Net current assets</b>			<u>538,897</u>	<u>1,111,807</u>
<b>Total assets less current liabilities</b>			14,585,085	15,836,532
<b>Creditors: amounts falling due after more than one year</b>	7		<u>(16,376,503)</u>	<u>(17,056,541)</u>
<b>Net liabilities</b>			<u>(1,791,418)</u>	<u>(1,220,009)</u>
<b>Capital and reserves</b>				
Called up share capital	9		10	10
Retained losses			<u>(1,791,428)</u>	<u>(1,220,019)</u>
<b>Total shareholders' deficit</b>			<u>(1,791,418)</u>	<u>(1,220,009)</u>

The financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies' regime and in accordance with the provisions of FRS 102 Section 1A – small entities.

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



T Rosser

Director

Date: 21-01-2019

## Statement of changes in equity

for the year ended 30 June 2018

	<i>Called up share capital</i>	<i>Other reserves</i>	<i>Retained deficit</i>	<i>Total shareholders' deficit</i>
	£	£	£	£
<b>At 1 January 2017</b>	10	(705,642)	(2,457,401)	(3,163,033)
<b>Comprehensive income/(loss) for the period</b>				
Loss for the financial period	–	–	(1,160,446)	(1,160,446)
Change in value of hedging instrument	–	705,642	–	705,642
Capital contribution	–	–	2,397,828	2,397,828
<b>Other comprehensive income for the period</b>	–	705,642	2,397,828	3,103,470
<b>Total comprehensive income for the period</b>	–	705,642	1,237,382	1,943,024
<b>At 1 July 2017</b>	10	–	(1,220,019)	(1,220,009)
<b>Comprehensive income/(loss) for the period</b>				
Loss for the financial period			(571,409)	(571,409)
<b>Other comprehensive income for the period</b>				
<b>Total comprehensive loss for the period</b>			(571,409)	(571,409)
<b>At 30 June 2018</b>	10	–	(1,791,428)	(1,791,418)

## Notes to the financial statements

at 30 June 2018

### 1. General information

Malwine Solar SPV 1 Limited is a private company, limited by shares, incorporated in and domiciled in the United Kingdom, registration number 08848567. The registered office is 6th Floor, 33 Holborn, London, EC1N 2HT.

The Company is a wholly owned subsidiary of a group of companies of which the principal activities are that of construction and operation of solar plants and the generation of solar power.

### 2. Accounting policies

#### *Basis of preparation*

The financial statements have been prepared under the historical cost convention and in accordance with Section 1A of Financial Reporting Standard 102 the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

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

The following are the company's key sources of estimation uncertainty:

#### ROC Recycle Estimate

The company establishes accrued income in respect of the ROC recycle based on production for the period and apply externally available best estimates for the expected ROC recycle price for the period which is outstanding. Any difference between the estimate and the actual ROC recycle price is taken as revenue in the period in which the ROC recycle price is confirmed.

The following principal accounting policies have been applied

#### *Exemptions for qualifying entities under FRS 102*

FRS 102 allows a qualifying entity certain disclosure exemptions, subject to certain conditions, which have been complied with, including notification of, and no objection to, the use of exemptions by the Company's shareholders.

The Company has taken advantage of the following exemptions:

- from preparing a statement of cash flows, required under section 7 of FRS 102 and para 3.17(d), on the basis that it is a small company;
- from disclosing the Company's key management personnel compensation as required by FRS 102 para 33.7; and
- from disclosing related party transactions that are wholly owned within the same group under paragraph 33.1A from the provisions of FRS 102, on the grounds that at 30 June 2018 it was a wholly owned subsidiary.

#### *Going concern*

The financial statements have been prepared on the going concern basis. The directors have prepared forecasts and reviewed capital requirements for the twelve months from the date of approving these financial statements, which indicate the business can continue to trade for at least twelve months.

#### *Tangible fixed assets*

Tangible assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The Company adds to the carrying amount of an item of tangible assets the cost of replacing part of such an item when that cost is incurred, if the replacement part is expected to provide incremental future

## Notes to the financial statements (continued)

at 30 June 2018

### 2. Accounting policies (continued)

#### *Tangible fixed assets (continued)*

benefits to the Company. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to profit or loss during the period in which they are incurred.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives.

Depreciation is provided on the following basis:

Long-term leasehold property	–	4% straight-line
Plant and machinery	–	4% and 10% straight-line

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Statement of comprehensive income.

#### *Revenue recognition*

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

Revenue is recognised when all of the following conditions are satisfied:

- the Company has transferred the significant risks and rewards of ownership to the buyer;
- the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the Company will receive the consideration due under the transaction; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

#### *Debtors*

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

#### *Related party transactions*

The Company discloses transactions with related parties which are not wholly owned with the same group. It does not disclose transactions with members of the same group that are wholly owned.

#### *Cash and cash equivalents*

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

#### *Share capital*

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

# Notes to the financial statements (continued)

at 30 June 2018

## 4. Tangible fixed assets

	<i>Long-term leasehold property</i>	<i>Plant and machinery</i>	<i>Total</i>
	£	£	£
Cost:			
At 1 July 2017	402,336	16,475,906	16,878,242
Disposals	-	(3,491)	(3,491)
At 30 June 2018	402,336	16,472,415	16,874,751
Accumulated depreciation:			
At 1 July 2017	39,178	2,114,340	2,153,518
Charge for the period	16,093	659,092	675,185
Disposals	-	(140)	(140)
At 30 June 2018	55,271	2,773,292	2,828,563
Net book value:			
At 30 June 2018	347,065	13,699,123	14,046,188
At 1 July 2017	363,158	14,361,566	14,724,724

*Extract from the statement of financial position*

	<i>30 June 2018</i>	<i>(restated) 30 June 2017</i>
	£	£
<i>Tangible assets</i>	14,046,188	14,724,724
<i>Retained earnings</i>	(1,791,418)	(1,220,009)

*Prior to 1 January 2017 some fixed assets were not depreciated in line with policy. The error relates to periods prior to those covered by these financial statements. The prior period opening balances as at 1 January 2017 have been restated to correct this error. The effect of the restatement on each financial statement line item affected is shown below.*

	<i>Effect on opening balances as at 1 January 2017</i>
	£
<i>Decrease in tangible assets</i>	(139,114)
<i>Decrease in retained earnings</i>	(139,114)

## Notes to the financial statements (continued)

at 30 June 2018

### 5. Debtors

	<i>30 June 2018</i>	<i>30 June 2017</i>
	£	£
Trade debtors	4,800	76,435
Prepayments and accrued income	638,254	565,116
Other debtors	–	2,395
	<u>643,054</u>	<u>643,946</u>

### 6. Creditors: amounts falling due within one year

	<i>30 June 2018</i>	<i>30 June 2017</i>
	£	£
Trade creditors	30,127	30,636
Other creditors including taxation and social security costs	75,629	70,381
Accruals and deferred income	292,502	208,689
	<u>398,258</u>	<u>309,706</u>

## Notes to the financial statements (continued)

at 30 June 2018

### 7. Creditors: Amounts falling due after more than one year

	30 June 2018	30 June 2017
	£	£
Bank loans and overdrafts		—
Amounts owed to group undertakings	16,376,503	17,056,541
	<u>16,376,503</u>	<u>17,056,541</u>

The amounts owed to group undertakings bear interest at 6.7% (30 June 2017 -6.7%) and are repayable after more than five years.

### 8. Financial instruments

	30 June 2018	30 June 2017
	£	£
<b>Financial assets</b>		
Financial assets measured at amortised cost	<u>643,054</u>	<u>643,946</u>
<b>Financial liabilities</b>		
Financial liabilities measured at amortised cost	16,774,761	17,366,247
	<u>16,774,761</u>	<u>17,366,247</u>

### 9. Issued share capital

	30 June 2018	30 June 2017
	£	£
<i>Allotted, called up and fully paid</i>		
1,020 (30 June 2017 – 1,020) Ordinary share of £0.01 each	10	10
	<u>10</u>	<u>10</u>

### 10. Contingent liabilities

The Company has a constructive obligation to return the land on which solar sites are built to its original condition, at the end of the lease. The directors believe that given the nature of the assets, the lessor may wish to either take title of the assets for either continued use or to realise value through selling the assets and as such the directors do not believe that an outflow is probable to settle this restoration obligation. The directors will continue to monitor this situation at each reporting date.

## Notes to the financial statements (continued)

at 30 June 2018

### 11. Related party transactions

The company has taken advantage of the exemption under paragraph 33.1A from the provisions of FRS 102, on the grounds that at 30 June 2018 it was a wholly owned subsidiary.

The Company has identified the following transactions which fall to be disclosed under the terms of FRS 102 "Related party transactions".

During the period, monitoring fees of £ nil (30 June 2017 – £27,034) were charged by Octopus Investments Limited, a related party due to its significant influence over the entity. At the period end £ nil (30 June 2017 – £nil) was outstanding.

### 12. Commitments under operating leases

The Company has future minimum lease payments under non-cancellable operating leases as follows:

	30 June 2018	30 June 2017
	£	£
No later than one year	91,644	85,438
Later than one year and no later than five years	493,393	376,359
Later than five years	2,052,797	2,627,182
	<u>2,637,834</u>	<u>3,088,979</u>

### 13. Ultimate parent undertaking and controlling party

The company's immediate parent undertaking is Renewable Energy Income Partnership Holdings Limited, a company incorporated in the United Kingdom. The Registered office is 6th Floor, 33 Holborn, and London, EC1N 2HT.

The parent undertaking of the smallest and largest group of which this company is a member, and for which consolidated financial statements are prepared is Renewable Energy Income Partnership Holdings 1 Limited, a company incorporated in the United Kingdom. Copies of the group financial statements of Renewable Energy Income Partnership Holdings 1 Limited can be obtained from 6th Floor, 33 Holborn, and London, EC1N 2HT.

The ultimate controlling party is Renewable Energy Income Partnership Limited Partnership, a limited partnership in the United Kingdom.

## Notes to the financial statements (continued)

at 30 June 2018

### 2. Accounting policies (continued)

#### *Financial instruments*

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

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

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

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

Financial assets and liabilities are offset and the net amount reported in the Statement of financial position when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or income as appropriate. The company does not currently apply hedge accounting for interest rate and foreign exchange derivatives.

#### *Creditors*

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

#### *Operating leases*

Rentals under operating leases are charged to the Statement of comprehensive income on a straight-line basis over the lease term.

#### *Hedge accounting*

The Company used variable to fixed interest rate swaps to manage its exposure to fair value risk on its financial instruments. These derivatives were measured at fair value at each balance sheet date.

To the extent the cash flow hedge is effective, movements in fair value were recognised in other comprehensive income and presented in a separate cash flow hedge reserve. Any ineffective portions of those movements were recognised in profit or loss for the period.

Gains and losses on the hedging instruments and the hedged items were recognised in profit or loss for the period.

## Notes to the financial statements (continued)

at 30 June 2018

### 2. Accounting policies (continued)

#### *Finance costs*

Finance costs are charged to the Statement of comprehensive income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

#### *Interest income*

Interest income is recognised in the Statement of comprehensive income using the effective interest method.

#### *Borrowing costs*

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

#### *Current taxation*

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

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

#### *Contingent liabilities*

Contingent liabilities, arising out of past events, are not recognised when (i) it is not probable that there will be an outflow of resources or that the amount cannot be reliably measured at the reporting date or (ii) when the existence will be confirmed by the occurrence or non-occurrence of uncertain future events not wholly within the Company's control. Contingent liabilities are disclosed in the financial statements unless the probability of an outflow of resources is remote.

### 3. Employees and directors' remuneration

The Company has no employees other than the directors, who did not receive any remuneration (30 June 2017 – £nil).