



Cathkin Energy Limited

Annual report and unaudited financial statements

for the year ended 30 June 2023

Registered number: SC264324



Company information

Directors

M J Bullard
E W Fellows
E J Wilkinson

Company secretary

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

Bankers

Barclays Bank Plc
1 Churchill Place
London
E14 5HP

Registered office

c/o Pinsent Masons LLP
Capital Square
58 Morrison Street
Edinburgh
Scotland
United Kingdom
EH3 8BP

Directors' report for the year ended 30 June 2023

The directors present their annual report and the unaudited financial statements for the company for the year ended 30 June 2023.

Principal activities and business review

The principal activity of the company is the generation of electricity from landfill gas. The results for the year ended 30 June 2023 and financial position as at that date were satisfactory and broadly in line with expectations.

Results and dividends

The profit for the financial year amounted to £250,084 (2022: £2,089).

The company paid no dividends during the year (2022: £nil).

Directors

The directors of the company, who held office during the financial year and up to the date of signing the financial statements, are given below:

E J Wilkinson

M J Bullard (appointed 24 January 2023)

E W Fellows (appointed 12 December 2022)

P S Latham (resigned 12 December 2022)

M G Setchell (resigned 24 January 2023)

Directors' third-party indemnity provision

A qualifying third-party indemnity provision as defined in section 234 of the Companies Act 2006 was in force throughout the financial year and at the date of approval of the financial statements for the benefit of each of the directors in respect of liabilities incurred as a result of their office, to the extent permitted by law. In respect of those liabilities for which directors may not be indemnified, the company maintained a directors' and officers' liability insurance policy throughout the financial year and up to the date of approval of the financial statements.

Going concern

The company has made a profit of £250,084 for the year ended 30 June 2023. It is in a net asset position of £2,619,741 as at 30 June 2023 and is expecting to trade profitably in the foreseeable future based on forecasts. Based on these facts, the directors have a reasonable expectation that the company has adequate resources to continue in operation for the foreseeable future, and for at least 12 months from the point of approving this annual report and financial statements. The company therefore continues to adopt the going concern basis in preparing the annual report and financial statements.

Financial risk management

Given that the status of the company is that of a small trading company, it is exposed to limited financial risks. The financial risks the group faces have been disclosed within the financial statements of Melton Renewable Energy UK Limited for the year ended 30 June 2023. Given the size of the company, the directors have not delegated the responsibility of monitoring financial risk management to a sub-committee of the board. The policies set by the board of directors are implemented by the finance department of Melton Renewable Energy UK Limited.

Directors' report for the year ended 30 June 2023

Statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 Section 1A "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law).

Under company law, directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

The directors are also 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.

Audit exemption

The company was entitled to exemption from audit under section 479A of the Companies Act 2006 ("the Act") and the members have not required the company to obtain an audit of its financial statements for the year ended 30 June 2023 in accordance with section 476 of the Act. The directors acknowledge their responsibilities for complying with the requirements of the Act with respect to accounting records and the preparation of financial statements.

Small company exemption

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

The directors have taken advantage of the small companies exemptions provided by section 414B of the Companies Act 2006 not to provide a strategic report.

The report was approved by the board on 29 February 2024 and signed on its behalf by:



E J Wilkinson
Director

Statement of income and retained earnings

for the year ended 30 June 2023

	Note	2023 £	2022 £
Turnover	5	33,555	234,606
Cost of sales		(20,078)	(105,637)
Gross profit		13,477	128,969
Administrative expenses		(18,740)	(125,810)
Other operating income	6	320,250	-
Profit before taxation	7	314,987	3,159
Taxation	9	(64,903)	(1,070)
Profit for the financial year		250,084	2,089
Retained earnings brought forward	14	2,369,656	2,367,567
Profit for the financial year		250,084	2,089
Retained earnings carried forward		2,619,740	2,369,656

All items dealt with in the statement of income and retained earnings above relate to continuing operations.

There is no material difference between the profit on ordinary activities before taxation and the profit for the financial year stated above and their historical cost equivalents.

The company has no other comprehensive income other than the results above and therefore no separate statement of comprehensive income has been prepared.

The notes on pages 6 to 13 form an integral part of these financial statements.

Balance sheet

as at 30 June 2023

	Note	2023 £	2022 £
Fixed assets			
Tangible assets	10	322	2,032
Current assets			
Debtors	11	2,711,442	2,396,613
Creditors: amounts falling due within one year	12	(92,023)	(28,988)
Net current assets		2,619,419	2,367,625
Total assets less current liabilities and net assets		2,619,741	2,369,657
Capital and reserves			
Called up share capital	13	1	1
Retained earnings	14	2,619,740	2,369,656
Total shareholders' funds		2,619,741	2,369,657

The financial statements have been prepared in accordance with the special provisions applicable to companies subject to the small companies' regime within Part 15 of the Companies Act 2006 and in accordance with FRS 102 Section 1A, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland".

For the year ended 30 June 2023 the directors consider that the company is entitled to exemption from audit under section 479A of the Companies Act 2006 ("the Act") and the members have not required the company to obtain an audit of its financial statements for the year in question in accordance with section 476 of the Act.

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

The financial statements on pages 4 to 13 were approved by the board of directors on 29 February 2024 and were signed on its behalf by:



E J Wilkinson
Director

Registered number: SC264324

The notes on pages 6 to 13 form an integral part of these financial statements.

Notes to the financial statements

for the year ended 30 June 2023

1. General information

Cathkin Energy Limited ("the company") generates electricity from landfill methane gas.

The company is a private company limited by shares and is incorporated and registered in Scotland, United Kingdom, company number: SC264324. The address of its registered office is at c/o Pinsent Masons LLP, Capital Square, 58 Morrison Street, Edinburgh, Scotland EH3 8BP.

2. Statement of compliance

The financial statements of Cathkin Energy Limited have been prepared in compliance with the United Kingdom Accounting Standards, including FRS 102 Section 1A, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" and the Companies Act 2006.

3. Accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

Basis of preparation

The financial statements have been prepared on the going concern basis, under the historical cost convention in accordance with the Companies Act 2006 and applicable United Kingdom accounting standards, including FRS 102 Section 1A, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland".

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 4.

Related parties

The company is exempt from disclosing transactions with related entities, these being other 100% owned subsidiaries of Fern Trading Limited, as required by FRS 102 paragraph 33.1A.

Turnover

Turnover represents the invoiced value of goods and services for electricity supplied, net of value added tax and trade discounts. Turnover is derived from and recognised when electricity generated is exported to third party customers.

Income from recycled renewable obligation certificates ("Recycled ROC income") is recognised on an accruals basis and based on an estimate of the declared prices for each compliance period.

Accrued income comprises income relating to the current year, which has not been invoiced as at the balance sheet date.

Notes to the financial statements

for the year ended 30 June 2023

3. Accounting policies (continued)

Tangible fixed assets

Tangible fixed assets are stated at historic purchase cost less accumulated depreciation. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use.

Finance costs incurred during the development stage of a project are capitalised, along with site preparation costs, installation costs and connection costs. Once the project is commissioned, these costs are depreciated over the estimated useful economic life of the asset constructed.

Depreciation is calculated to write off the cost of tangible fixed assets, less their residual values, over their expected useful lives from commissioning using the straight line basis. The expected useful lives of the assets to the business are reassessed periodically in the light of experience.

Straight line annual rates of depreciation most widely used are:

Plant and machinery 6.67% and 25%

Current tax

Current tax is the amount of corporation tax payable in respect of the taxable profit for the year or prior periods. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the year end.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax, with the following exception:

- Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Group relief

Amounts receivable/payable in respect of tax losses surrendered to/by group companies are recognised in the year in which the losses are surrendered.

Share capital

Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis.

Notes to the financial statements

for the year ended 30 June 2023

3. Accounting policies (continued)

Financial instruments

The company has chosen to adopt sections 11 and 12 of FRS 102 in respect of financial instruments.

Financial assets

Basic financial assets, including trade and other receivables are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

Such assets are subsequently carried at amortised cost using the effective interest method.

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in the statement of income and retained earnings.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (c) control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

Financial liabilities

Basic financial liabilities, including trade and other payables and loans from fellow group companies, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

Offsetting

Financial assets and liabilities are offset and the net amounts presented in the financial statements 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 to liability simultaneously.

Notes to the financial statements

for the year ended 30 June 2023

4. Critical accounting judgements and estimation uncertainty

Estimates and judgements are continually evaluated and based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances.

(a) Critical judgements in applying the company's accounting policies

The directors consider that there are no critical judgements in the application of the company's accounting policies which would have a material impact on the financial statements.

(b) Key accounting estimates and assumptions

i) Useful economic life of tangible assets

The annual depreciation charge for tangible assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed periodically.

ii) Recycled ROC income

Recycled ROC income is recognised on an accruals basis using an estimate of the declared value per ROC for each compliance year ending 31 March. The company utilises the latest available external forecast information to derive its estimate of the value. The actual value per ROC for each compliance year is confirmed in arrears during the quarter ended 31 December.

5. Turnover

Turnover arises solely from the company's principal activities in the United Kingdom, net of value added tax.

6. Other operating income

Other operating income of £320,250 represents the value of a rebate in non-domestic rates charges for the period from 1 April 2017 to 31 March 2022. The reduction in rateable value arose following a reduction in the total generating capacity due to engine moves.

7. Profit before taxation

Profit before taxation is stated after charging:

	2023	2022
	£	£
Depreciation of tangible assets	1,710	3,572

Notes to the financial statements

for the year ended 30 June 2023

8. Employee information

The company paid no remuneration or wages to its directors during the financial year (2022: £nil) and had no other employees during the financial year (2022: nil). The emoluments of E J Wilkinson are paid by other group companies and recharged to CLP Envirogas Limited as part of a management charge. This management charge also includes a recharge of administration costs borne by the parent companies on behalf of the company and it is not possible to identify separately the amount of directors' emoluments.

M J Bullard and E W Fellows did not receive any payment for their services to the Melton Renewable Energy UK Limited group.

9. Taxation

a) Analysis of tax charge in the year

	2023 £	2022 £
Current tax		
Group relief payable/(receivable)	62,993	(888)
Total current tax	62,993	(888)
Deferred tax		
Origination and reversal of timing differences	1,566	1,488
Change in tax rate	344	470
Total deferred tax (note 9(c))	1,910	1,958
Total tax charge	64,903	1,070

b) Reconciliation of tax charge

The tax assessed on the profit before taxation for the year is higher than (2022: higher than) the standard rate of corporation tax in the UK of 20.5% (2022: 19%). The differences are explained below:

	2023 £	2022 £
Profit before taxation	314,987	3,159
Profit before taxation multiplied by standard rate of corporation tax of 20.5% (2022: 19%)	64,559	600
Effect of: Change in tax rate	344	470
Tax charge for the year	64,903	1,070

Notes to the financial statements

for the year ended 30 June 2023

9. Taxation (continued)

c) Deferred tax

	2023 £	2022 £
Deferred tax asset comprises:		
Decelerated capital allowances	10,569	12,479
Total deferred tax asset	<u>10,569</u>	<u>12,479</u>
At 1 July	12,479	14,437
Deferred tax charge in statement of income and retained earnings for the year (note 9(a))	(1,910)	(1,958)
At 30 June	<u>10,569</u>	<u>12,479</u>

Deferred tax is calculated at 25% (2022: 25%). The company had no deferred tax provision as at 30 June 2023 (2022: £nil).

d) Factors that may affect future charges

The Finance Act 2021 included measures to increase the standard rate of UK corporation tax from 19% to 25%, effective from 1 April 2023. The Finance Act 2021 was enacted in June 2021 and accordingly, these rates are applicable to the measurement of deferred tax balances at 30 June 2023.

10. Tangible assets

	<i>Plant and machinery</i> £
Cost:	
At 1 July and 30 June 2023	<u>666,892</u>
Accumulated depreciation:	
At 1 July 2022	664,860
Charge for the year	1,710
At 30 June 2023	<u>666,570</u>
Net book value:	
At 30 June 2023	<u>322</u>
At 30 June 2022	<u>2,032</u>

Notes to the financial statements

for the year ended 30 June 2023

11. Debtors

	2023	2022
	£	£
Trade debtors	9	2,007
Amounts owed by parent undertaking	2,667,157	2,355,516
Deferred tax asset (note8(c))	10,569	12,479
Prepayments and accrued income	33,707	26,611
	<u>2,711,442</u>	<u>2,396,613</u>

The amounts owed by parent undertaking are unsecured, do not bear interest, and are repayable on demand.

12. Creditors: amounts falling due within one year

	2023	2022
	£	£
Amounts owed to group undertakings for group relief	89,214	26,221
Taxation and social security	2	334
Accruals and deferred income	2,807	2,433
	<u>92,023</u>	<u>28,988</u>

The amounts owed to group undertakings are unsecured, do not bear interest, and are repayable on demand.

13. Called up share capital

	2023	2022
	£	£
<i>Allotted, called up and fully paid</i>		
1 (2022: 1) ordinary share of £1	<u>1</u>	<u>1</u>

14. Retained earnings

	£
At 1 July 2022	2,369,656
Profit for the financial year	250,084
At 30 June 2023	<u>2,619,740</u>

Notes to the financial statements

for the year ended 30 June 2023

15. Reconciliation of movements in total shareholders' funds

	2023	2022
	£	£
Opening total shareholders' funds	2,369,657	2,367,568
Profit for the financial year	250,084	2,089
Closing total shareholders' funds	2,619,741	2,369,657

16. Contingent liabilities

At 30 June 2023 the company was guarantor with other group companies for a bank loan facility provided by the group's financiers. The outstanding loan balance as at 30 June 2023 was £74,852,000 (2022: £88,422,000).

The company has no other off balance sheet arrangements.

17. Ultimate parent undertaking and controlling party

CLPE Projects 3 Limited is the immediate parent undertaking and is registered in England, United Kingdom. The ultimate parent undertaking as at the year ended 30 June 2023 was Fern Trading Limited, a company limited by shares incorporated in the United Kingdom with its registered office at 6th Floor, 33 Holborn, London, England EC1N 2HT.

Melton Renewable Energy UK Limited, registered in England, United Kingdom, is the holding company of the smallest group of undertakings for which group financial statements are drawn up and Fern Trading Limited is the holding company of the largest group of undertakings for which group financial statements are drawn up. Copies of the group financial statements may be obtained from the address above.

18. Events since the balance sheet date

There have been no material adjusting or disclosable events since the financial year end.