Multifuel Energy Limited

Annual report and financial statements

for the Year ended 31 March 2019

Registered Number: SC286672

Multifuel Energy Limited

Contents

Multifuel Energy Limited

Officers and professional advisers

Directors	W. Roberts M. O'Friel M. Hayward J. Watsford (Appointed 03 December 2019) S. Wheeler (Appointed 03 December 2019) A. Gray (Appointed 20 November 2019) A. Gray (Resigned 9 December 2019) A. Honeyman (Appointed 09 December 2019)
Registered office	Inveralmond House 200 Dunkeld Road Perth PH1 3AQ Scotland
Secretary	T. Bastianelli
Auditor	Deloitte LLP Statutory auditor One Trinity Gardens Broad Chare Newcastle upon Tyne NE1 2RF United Kingdom
Banker	National Westminster Bank 13 Market Place Reading RG1 2EG
Registered number	SC286672

Multifuel Energy Limited

Strategic Report

This Strategic report has been prepared in accordance with the requirements of s414C of the Companies Act 2006. Its purpose is to inform shareholders and help them assess how the Directors have performed their duty to promote the success of the Group.

The strategic and financial review sets out the main trends and factors underlying the development and performance of Multifuel Energy Limited (the "Company") together with its subsidiaries ("the Group") during the year ended 31 March 2019, as well as those matters which are likely to affect its future development and performance.

The Group's objectives are to foster a strong safety culture, comply with environmental and planning permits, maintain the plants to the highest standard, ensure staff are fully trained, foster good relationships with customers, suppliers and the local community and deliver shareholders a value that exceeds the business plan. This will be achieved by following the business plan using the frameworks in place.

During the year, management identified an error relating to the accounting treatment of a non-interest-bearing loan in the prior year. Under IAS 8, certain prior year balances have been restated. See note 30 for further details.

1 Principal activities

The principal activity for the Group is to develop, construct and operate multi-fuel power stations.

The principal activity of the Company is to act as the holding Company for investments in subsidiaries tasked with constructing and operating said multi-fuel power stations.

The Company has two subsidiaries: Ferrybridge MFE Limited, which operates a multi-fuel power station (FM1) based at Ferrybridge in West Yorkshire, with an electricity capacity of 68.8MW; and Ferrybridge MFE 2 Limited, which is in the process of constructing a second multi-fuel power station (FM2) also based at Ferrybridge.

2 Business review

The Consolidated Income Statement for the year ended 31 March 2019 is set out on page 10. The profit for the year for the Group after taxation amounted to £14.1m *(2018: £10.7m)* and the loss for the year for the Company was (£0.1m) *(2018 profit of £0.2m)*. The balance sheet at 31 March 2019 is set out on page 12 and indicates net assets for the Group of £118.9m *(2018: net assets of £102.7m)* and net assets for the Company of £6.3m *(2018: net assets of £6.4m)*.

FM1

The plant completed its third year of being fully operational. During the year there were two Lost Time Injuries (LTI's). Both injuries were not reportable to the Health and Safety Executive (HSE) due to the duration being less than 7 days. One impacting a Company employee and one impacting a contractor. The plant did not exceed any emission limits during the year which resulted in the Operational Risk Appraisal (OPRA) score moving from B to A. ISO14001:2015 was audited successfully. The grate replacement carried out on Line 2 was changing existing grates back to water cooled grates, which resulted in 41 outage days, 15 of which were unscheduled. All three TRIADS were achieved at loads over 100% output.

The plant has taken on capacity obligations from 2019 through to 2022 and in the year, processed 652,829 tonnes of waste (Including 85,878 at spot rate) supplying 587 GWh of energy to the grid. Profit before tax is up 63% due to increased revenue from higher electricity prices, and the plant improved availability allowing more spot fuel to be delivered whilst operating costs increased by 6%.

FM2

On the 20th May 2016, Multifuel Energy Limited agreed to sell the multifuel development project Ferrybridge Multifuel 2 to SSE Generation Limited for £3.2m. SSE Generation Ltd retained a contractual agreement, subject to various contingent matters, to sell Ferrybridge MFE 2 Limited back to Multifuel Energy Limited and this transaction took place in September 2017.

The plant became operational on 20 December 2019.

Multifuel Energy Limited

Strategic Report *(continued)*

3 Key performance indicators

The Directors believe that the following indicators will provide shareholders with sufficient information to assess how effectively the Group is performing.

Financial	**2019**	2018
Gross profit (£m)	**68**	60
Revenue (£m)	**80**	71
Net assets (£m)	**119**	103

The results illustrate revenue growth of 12% to £80m (*2018: £71m*). This is due to increased plant throughput, increased deliveries allowing more waste to be delivered from spot suppliers at a higher £ per tonne and higher electricity rates.

Net assets for the year are £119m (*2018: £103m*), an increase of 16%.

Future developments
FM2 began commercial operations. On 20 December 2019. Recruitment is complete for the new plant and the current FM1 management team will also manage FM2.

The Group does not have any sales contracts up for renewal during the forthcoming year and maintains a strong and loyal customer base. Contracts are reviewed annually to ensure prices reflect the market rates.

4 Principal risks and uncertainties

The Directors acknowledge that they have responsibility for the Group's systems of internal control and risk management and for monitoring their effectiveness. The purposes of these systems are to manage, rather than eliminate, the risk of failure to achieve business objectives, to provide reasonable assurance as to the quality of management information and to maintain proper control over the income, expenditure, assets and liabilities of the Group.

No system of control can, however, provide absolute assurance against material misstatement or loss. Accordingly, the Directors have regard to what controls, in their judgement, are appropriate to the Group's business and to the relative costs and benefits of implementing specific controls.

The main financial risks that the Group could face have been considered by the Directors. These include mechanical failure at the plants, competition, availability of fuel, wholesale market prices of electricity, economic regulation and government policies and other factors.

To mitigate these risks, regular maintenance work is performed at the power station to avoid unplanned outage; competitor activity is monitored; long term fuel contracts have been entered into and effectiveness of performance in all key risk areas is regularly reviewed by management.

The Group is aware of the political uncertainty following the announcement of Brexit. This is being closely monitored but is not considered to have a significant impact on the accounts for the year ended 31 March 2019.

Financial risk management
The Group's operations expose it to a variety of financial risks: market risk, credit risk and liquidity risk. The Group's overall risk management programme focuses on minimising potential adverse effects on the Group and parent Group's financial performance.

Multifuel Energy Limited

Strategic Report *(continued)*

Market risk
Market risk is the risk that changes in prices will affect the Group's income or the value of its holdings of financial instruments. Due to the nature of the Power Purchase Agreements the Group has entered into, the Group Company is not significantly exposed to electricity price risk.

Credit risk
Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Group's receivables from customers. To mitigate this risk aged analysis is performed on trade receivable balances and reviewed on a regular basis.

Liquidity risk
Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. As part of the annual budgeting and long-term planning process, the Group's cash flow is reviewed. The cash flow forecast is amended for any material changes identified during the year.

Brexit
The United Kingdom's decision to invoke Article 50 of the Lisbon Treaty to notify the European Union of its decision to withdraw from the European Union ("Brexit") by 31 January 2020 could impact the Group. The commercial, regulatory and legal environment existing at the time scheduled for Brexit, and to which the Group would be subject is uncertain. Any new commercial, regulatory or legal arrangements arising out of Brexit may result in certain changes in the way the Group conducts its business, which could result in increased costs. The effect of Brexit on the UK or wider European Union economy generally remains unknown but could cause a reduced rate of growth in the United Kingdom or in the European Union, which could impact interest rates, foreign currency exchange rates, equity markets and cause increased volatility in the markets in which the Group operates. The political uncertainty is being monitored by the Group but is not considered to have a significant impact on the accounts for the year ended 31 March 2019.

The report is authorised for issue by the board of directors

Mark Hayward

M. Hayward
Director
07 February 2020

Multifuel Energy Limited

Directors' Report

The Directors present their report together with the audited financial statements for the year ended 31 March 2019.

Reporting requirements on the Group's principal activities and future developments, its principal risks and uncertainties, its financial risk management and its key performance indicators can be found in the strategic report on pages 2 to 4.

1 Proposed dividend

The Directors do not recommend the payment of a dividend *(2018: nil)*.

2 Directors

The Directors and secretary who held office during the year and at the date of signing were as follows:

W. Roberts
M. O'Friel
M. Hayward
J. Watsford (Appointed 03 December 2019)
S. Wheeler (Appointed 03 December 2019)
A. Gray (Appointed 20 November 2019)
A. Gray (Resigned 9 December 2019)
A. Honeyman (Appointed 09 December 2019)
T. Bastianelli (Secretary)

In accordance with the Articles of Association of the Company the Directors are not required to retire by rotation.

3 Political and charitable donations

The Group made a charitable donation of £4.7k during the year *(2018: £2k)*. The Group did not make any political donations in the year *(2018: nil)*.

4 Post balance sheet events

FM2 became operational on 20 December 2019.

5 Disclosure of information to auditor

The Directors who held office at the date of approval of this Directors' report confirm that, so far as he/she are each aware, there is no relevant audit information of which the Group and Company's auditor is unaware; and each director has taken all the steps that he/she ought to have taken as a director to make himself/herself aware of any relevant audit information and to establish that the Group and Company's auditor is aware of that information. This confirmation should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

6 Going concern

The Directors have assessed that the Group and Company will prepare its financial statements on a going concern basis, see note 2 for details.

7 Auditor

Deloitte LLP have expressed their willingness to continue in office as auditor and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting. The report is authorised for issue by the board of Directors

Mark Hayward

M. Hayward
Director
07 February 2020

Multifuel Energy Limited

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 year. Under that law the Directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. 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 Company and of the profit or loss of the Group and Company for that period. In preparing these financial statements, International Accounting Standard 1 requires that Directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Company's ability to continue as a going concern.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and 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.

Multifuel Energy Limited

Independent Auditor's Report to the Members of Multifuel Energy Limited

Opinion

In our opinion:

- the financial statements of Multifuel Energy Limited (the 'parent Company') and its subsidiaries (the 'Group') give a true and fair view of the state of the Group's and of the parent company's affairs as at 31 March 2019 and of the Group's profit 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 parent 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.

We have audited the financial statements which comprise:

- the consolidated income statement;
- the consolidated statement of comprehensive income;
- the consolidated and parent Company balance sheets;
- the consolidated and parent Company statements of changes in equity;
- the consolidated and parent Company cash flow statement; and
- the related notes 1 to 30.

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

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Group and the parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (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.

Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

- the Directors' use of the going concern basis of accounting in 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 Group and Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in respect of these matters.

Responsibilities of Directors
As explained more fully in the Directors' responsibilities statement, 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 Group and 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 Group and Company or to cease operations, or have no realistic alternative but to do so.

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

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

Report on other legal and regulatory requirements

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

Multifuel Energy Limited

Independent Auditor's Report to the Members of Multifuel Energy Limited *(continued)*

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters 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.

We have nothing to report in respect of these matters.

Use of our report

This report is made solely to the Group and 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 Group and 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 Group and Company and the Group and Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

David M Johnson, BA FCA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Newcastle, United Kingdom
7 February 2020

Multifuel Energy Limited

Consolidated Income Statement
For the year ended 31 March 2019

	Note	Group 2019 £m	Restated 2018 £m
Revenue	5	**79.9**	71.3
Cost of sales		**(12.2)**	(11.8)
Gross profit		**67.7**	59.5
Operating costs		**(26.9)**	(23.6)
Operating profit		**40.8**	35.9
Finance costs	9	**(20.6)**	(22.2)
Profit before tax		**20.2**	13.7
Tax	10	**(6.1)**	(3.0)
Profit for the financial year		**14.1**	10.7

The accompanying notes are an integral part of these financial statements.

All activity in both years is derived wholly from continuing operations.

Under section 408 of the Companies Act 2006 the Company is exempt from the requirement to present its own income statement and related notes.

During the year, management identified an error relating to the accounting treatment of a non-interest-bearing loan. Under IAS 8, certain prior year balances have been restated. See note 30 for further details.

Multifuel Energy Limited

Consolidated Statement of Comprehensive Income
For the year ended 31 March 2019

	Note	2019 £m	Restated 2018 £m
Profit for the financial year		**14.1**	10.7
Items that may be subsequently reclassified to profit or loss:			
(Loss)/gain on effective portion of cash flow hedges (net of tax)		**(2.9)**	3.8
Other comprehensive (loss)/gain relating to the financial year		**(2.9)**	3.8
Total comprehensive income relating to the financial year		**11.2**	14.5

The accompanying notes are an integral part of these financial statements.

Multifuel Energy Limited

Consolidated and Company Balance Sheet
As at 31 March 2019

	Note	Group 2019 £m	Group Restated 2018 £m	Company 2019 £m	Company 2018 £m
Non-current assets					
Investments in subsidiaries	11	-	-	**6.3**	6.3
Property, plant and equipment	12	**546.9**	513.9	-	-
Derivative asset	26	**1.6**	-	-	-
		548.5	513.9	**6.3**	6.3
Current assets					
Inventories	13	**4.1**	3.0	-	-
Contract assets	14	**7.2**	9.7	-	-
Trade and other receivables	14	**11.2**	12.2	-	-
Derivative financial instruments	26	**1.1**	4.5	-	-
Cash and bank balances	15	**19.9**	31.9	-	0.1
		45.1	61.3	-	0.1
Total assets		**592.0**	575.2	**6.3**	6.4
Current liabilities					
Trade and other payables	16	**(15.0)**	(31.4)	-	-
Current tax liabilities	16	**(2.8)**	(1.5)	-	-
Borrowings - current portion	17	**(13.1)**	(23.3)	-	-
Derivative financial instruments		-	(0.4)	-	-
		(30.9)	(56.6)	-	-
Non-current liabilities					
Borrowings	17	**(424.5)**	(398.1)	-	-
Provisions	18	**(10.9)**	(11.4)	-	-
Deferred tax liabilities	19	**(6.8)**	(6.5)	-	-
		(442.2)	(416.0)	-	-
Total liabilities		**(473.1)**	(472.6)	-	-
Net assets		**118.9**	102.7	**6.3**	6.4
Equity					
Share capital	22	**3.6**	3.6	**3.6**	3.6
Retained earnings/(losses)		**29.9**	15.8	**(0.6)**	(0.5)
Cash flow hedge reserve	20	**0.9**	3.8	-	-
Capital contribution	21	**84.5**	79.5	**3.3**	3.3
Total equity		**118.9**	102.7	**6.3**	6.4

During the year, management identified an error relating to the accounting treatment of a non-interest-bearing loan. Under IAS 8, certain prior year balances have been restated. See note 30 for further details. The accompanying notes form an integral part of these financial statements.

As permitted by Section 408 of the Companies Act 2006, no separate profit and loss account or statement of comprehensive income is presented in respect of the parent Company. The Company's loss for the year is £0.1m *(2018: profit of £0.2m)*.

These financial statements of Multifuel Energy Limited (Registered number SC286672) were approved by the Directors on 07 February 2020 and signed on their behalf by:

Mark Hayward

M. Hayward
Director

Multifuel Energy Limited

Consolidated and Company Statements of Changes in Equity
For the year ended 31 March 2019

Group

	Note	Share capital £m	Restated Retained earnings £m	Restated Capital contribution £m	Cash flow hedge reserve £m	Restated Total equity £m
Balance as at 1 April 2017 (restated)		3.6	5.1	45.1	-	53.8
Profit for the financial year (restated)		-	10.7	-	-	10.7
Other comprehensive income	20	-	-	-	3.8	3.8
Capital contribution (restated)		-	-	34.4	-	34.4
Balance at 31 March 2018 (restated)		3.6	15.8	79.5	3.8	102.7
Balance as at 1 April 2018		3.6	15.8	79.5	3.8	102.7
Profit for the financial year		-	14.1	-	-	14.1
Other comprehensive expense	20	-	-	-	(2.9)	(2.9)
Capital contribution	21	-	-	5.0	-	5.0
Balance at 31 March 2019		**3.6**	**29.9**	**84.5**	**0.9**	**118.9**

Company

	Share capital £m	Retained losses £m	Capital contribution £m	Total equity £m
Balance at 1 April 2017	3.6	(0.7)	-	2.9
Profit for the financial year	-	0.2	-	0.2
Capital contribution	-	-	3.3	3.3
Balance at 31 March 2018	3.6	(0.5)	3.3	6.4
Balance at 1 April 2018	3.6	(0.5)	3.3	6.4
Loss for the financial year	-	(0.1)	-	(0.1)
Balance at 31 March 2019	**3.6**	**(0.6)**	**3.3**	**6.3**

During the year, management identified an error relating to the accounting treatment of a non-interest-bearing loan. Under IAS 8, certain prior year balances have been restated. See note 30 for further details.

The accompanying notes form an integral part of these financial statements.

Multifuel Energy Limited

Consolidated and Company Cash Flow Statement
For the year ended 31 March 2019

	Note	Group		Company	
			Restated		
		2019	2018	**2019**	2018
		£m	£m	**£m**	£m
Net cash from operating activities	27a	**22.1**	14.6	**(0.1)**	-
Investing activities					
Purchases of property, plant and equipment		**(32.1)**	(72.5)	-	-
Cash acquired		-	1.0	-	-
Net cash used in investing activities		**(32.1)**	(71.5)	-	-
Financing activities	27b				
Repayment of borrowings		**(36.7)**	(31.7)	-	-
Receipt of funding from related parties		**34.7**	98.3	-	-
Net cash (used in)/from financing activities		**(2.0)**	66.6	-	-
(Decrease)/increase in cash and cash equivalents in the year		**(12.0)**	9.7	-	-
Cash and cash equivalents at start of the year		**31.9**	22.2	**0.1**	0.1
Cash and cash equivalents at end of the year	15	**19.9**	31.9	-	0.1

An adjustment has been made to reclassify interest paid from financing activities to operating activities to bring this in line with IAS 1 *Presentation of Financial Statements* and IAS 7 *Statement of cash flows*. The financial statements presented for the year ended 31 March 2019 have been prepared with correcting adjustments to the comparative figures for the prior period. The purpose of the adjustment is to provide more reliable and relevant information about the operating activities of the Group and Company. In line with the reporting requirements of IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*, further detail on the impact of the adjustment is set out in Note 30. The adjustment is not material.

The accompanying notes form an integral part of these financial statements.

1 General information

Multifuel Energy Limited ("the Company") is a private Company limited by shares and incorporated, domiciled and registered in England in the United Kingdom. The address of the Company's registered office is shown on page 1.

The principal activities of the Group and Company and the nature of the Group and Company's operations are set out in the strategic report on pages 2 to 4.

These financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the Group and Company operates.

2 Basis of preparation

Basis of accounting

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs). The financial statements have also been prepared in accordance with IFRSs adopted by the European Union and therefore the Group and Company financial statements comply with Article 4 of the EU IAS Regulation.

The financial statements have been prepared on the historical cost basis, except for the revaluation of certain financial instruments that are measured at revalued amounts or fair value as at the end of each reporting period, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services. The investments in subsidiaries are recorded at cost.

The principal accounting policies adopted are set out below.

New and amended standards that are mandatorily effective for the current year

In the current year, the Group has applied a number of amendments to IFRSs issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2018. Their adoption has not had any material impact on the disclosures, or the amounts reported in these financial statements.

- IFRS 9 "Financial Instruments";
- IFRS 15, "Revenue from Contracts with Customers"and
- Annual Improvements 2014-2016 cycle.

IFRS 9

IFRS 9 replaces IAS 39 and combines all three aspects of accounting for financial instruments: classification and measurement, impairment and hedge accounting. The impact of adopting this standard on the Group is summarised below.

(i) Classification and measurement

The standard adopts a principles based approach to classifying financial assets into three categories based upon the business model within which they are held and their contractual cash flow characteristics. Financial assets will be classified as measured at i) amortised cost; ii) fair value through profit and loss; and iii) fair value through other comprehensive income.

The Group has adopted IFRS 9 retrospectively. The adoption of IFRS 9 has not resulted in changes in classification and measurement of the Group's reported financial assets.

(ii) Impairment

IFRS 9 requires all financial assets held at amortised cost to be subject to the expected credit loss model for impairment purposes, this requirement removes the requirement for a "trigger event" to have occurred and this may result in earlier recognition of credit losses.

2 Basis of preparation *(continued)*

The expected credit loss model has not been applied to the Group's financial assets held at amortised cost. No impairment losses have been recognised during the period on the grounds of materiality.

(iii) Hedge accounting

The adoption of this standard has not had an impact on amounts recognised in relation to existing cash flow hedging arrangements but does simplify the requirements for measuring hedge effectiveness, and thus the eligibility conditions for hedge accounting. The new hedge accounting model is intended to enable companies to reflect better their risk management activities in the financial statements.

The Group's review of the IFRS 9 hedge accounting model concluded that whilst adoption would not change the treatment of existing cash flow hedging arrangements, the changes would not result in any additional hedge designations either. As such, the existing hedge accounting model under IAS 39 is considered to appropriately reflect the Group's risk management activities in the financial statements. Therefore, as permitted by IFRS 9, the Group has elected to continue to apply the hedge accounting requirements of IAS 39. The Group will periodically review this policy choice to consider any changes in risk management activities.

IFRS 15

IFRS 15 replaces IAS 18 and establishes a single framework for revenue recognition. For all of the Group's revenue streams the nature and timing of satisfaction of performance obligations and the amount and timing of revenue recognised under IFRS 15 is the same as that under IAS 18. The Group adopted the full retrospective method of adoption; however, the adoption of this standard has not had an impact on the financial performance or position of the Group for the year or the comparative period.

The adoption of the standards and amendments listed above did not have an impact on the amounts recognised in the current or prior periods and are not expected to significantly affect future periods.

New standards, amendments and interpretations which are in issue but not yet effective

At the date of authorisation of these financial statements, the following Standards and Interpretations, which have not yet been applied in these financial statements, were in issue but not yet effective:

Standard or Interpretation	**Description**	**Effective date for accounting period beginning on or after**
IFRS 16 "Leases"	Specifies how a company will recognise, measure, present and disclose leases. IFRS 16 requires lessees to account for all leases, under a single on balance sheet model in a similar way to finance leases.	1 January 2019
IAS 1 & IAS 8	Amendments to the definition of material. Information is deemed material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.	1 January 2020
IFRIC 23	IFRIC 23 clarifies the accounting for uncertainties in income taxes and is to be applied to the determination of taxable profit or tax loss, tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12.	1 January 2019

The Group does not expect to early adopt the above standards.

IFRS 16 requires the recognition of a right-of-use asset and a related liability in respect of leased assets. From 1 April 2019 the Group will be required to account for the operating leases disclosed in Note 23 on its balance sheet.

2 Basis of preparation *(continued)*

There are no other standards, amendments or interpretations that are not yet effective and that would be expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

Basis of consolidation

The consolidated financial statements comprise those of the Company and its subsidiaries (together referred to as the Group). The Company financial statements present information about the Company as a separate entity and not about the Group. Under section 408 of the Companies Act 2006 the Company is exempt from the requirement to present its own income statement and related notes.

Going concern

The Directors have, at the time of approving the financial statements, a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing the financial statements.

The Company's have entered long term contracts to accept waste and a contract for the export of the electricity produced by the plants. The Group, is owned by WTI Ferrybridge Limited and SSE Generation Limited, and relies on these companies to support its activities through the provision of shareholders loans and other operational support. Management have considered the relevant uncertainties and do not believe there are any that significantly impact the adoption of the going concern basis of the Group.

3 Significant accounting policies

Revenue recognition

Revenue from contracts with customers

Revenue mainly comprises income from the generation of electricity and income from gate fees, which is from receiving and incinerating waste from local authorities which would otherwise be destined for landfill.

Revenue is recognised at the fair value of the consideration received or receivable for services provided in the normal course of business under contracts with customers. Revenue is shown net of discounts and sales related taxes.

Revenue is recognised as performance obligations are satisfied. The Group determines whether performance obligations are satisfied at a "point in time" or "over time" based upon consumption of benefits, control of assets and enforceable payment rights associated with each separable obligation under the contract. If the criteria for revenue to be recognised "over time" are not met, then the performance obligation is deemed to be satisfied at a "point in time".

The Group's policies for recognising revenue for each stream are detailed below:

Revenue recognised at a point in time:

i) Electricity revenue is recognised when electricity is recognised on the meter and is measured at the market price. Electricity revenue is invoiced monthly.

ii) Gate fee revenue is recognised when waste has been delivered to the plant. Revenue is measured based upon prices as specified in the customer contracts and is invoiced monthly.

iii) Electricity CFD revenue is recognised when electricity is recognised on the metre and is measured at the difference in the contract price and the N2EX price.

3 Significant accounting policies *(continued)*

Revenue recognised over time:

i) TRIADS revenue is revenue earned during the 3 peak demand hours during winter and is calculated based on the output of MW's exported during that time. Revenue is estimated based upon market prices and average MW's exported during the peak demand hours. TRIADS revenue is invoiced annually.

ii) Embedded benefits are revenue earned as a result of the plant being embedded into the system and are calculated based on the MW's exported during the period. Revenue is recognised at the market price and is invoiced annually.

As the period between satisfaction of performance obligations and receipt of the consideration from the customer is expected to be less than one year, the Group has applied the practical expedient not to adjust revenue for the effect of any financing components and the incremental costs of obtaining contracts have been recognised as an expense when incurred.

The Group does not apply any significant judgements in determining the incremental costs of obtaining contracts.

Property, plant and equipment

Assets are stated at cost, net of accumulated depreciation and any provisions for impairment. Assets under construction are recorded at cost.

Items of property, plant and equipment are stated at cost less accumulated depreciation and impairments. Where an item of property, plant and equipment comprises major components having different useful lives, the components are accounted for as separate items of property, plant and equipment, and depreciated accordingly.

Assets under construction are not subject to a deprecation charge.

Depreciation is charged to the income statement to write off cost, less residual values, on a straight-line basis over their estimated useful lives. Depreciation policy, useful lives and residual values are reviewed at least annually, for all asset classes to ensure that the current method is the most appropriate. Depreciation commences following the asset commissioning period and when the asset is available for commercial operation. The estimated useful lives for assets depreciated on a straight-line basis are as follows:

	Years
Generation assets	3 to 25
Decommissioning assets	25

Expenditure incurred to replace a component of property, plant & equipment that is accounted for separately is capitalised. Other subsequent expenditure is capitalised only when it increases the future economic benefit of the asset to which it relates.

Impairment of tangible assets

At each balance sheet date, the entity reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any).

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a re-valued amount, in which case the impairment loss is treated as a revaluation decrease.

3 Significant accounting policies *(continued)*

Inventories

Inventories comprise spare parts and are valued at the lower of cost and net realisable value. Net realisable value is defined as estimated selling price less costs. The Group and Company uses an average cost formula.

Cash and cash equivalents

Cash and cash equivalents include cash in hand and deposits held on call with banks.

Borrowing Costs

Borrowing costs directly attributable to the construction of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use are added to the cost of those assets, until such time as the assets are substantially ready for their intended use.

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

Capitalised interest

Interest directly attributable to the acquisition, construction or production of major capital projects, are added to the cost of those assets and depreciated as part of the total cost over the useful life of the asset.

Decommissioning provision

Provision is made for the estimated cost of decommissioning certain assets at the end of their useful lives. A corresponding decommissioning asset is recognised and is included within property, plant and equipment. The unwinding of the discount on the provision is included in finance costs and the depreciation for the asset is straight-line over the expected useful life of the asset. The estimated cost of decommissioning at the end of the useful lives of certain assets is reviewed periodically. Changes in the anticipated decommissioning cost estimates are dealt with by recording an adjustment to the provision and to the related asset.

Financial instruments

Financial assets and financial liabilities are recognised in the balance sheet when the Group becomes a party to the contractual provisions of the instrument.

Financial assets

Financial assets are classified at initial recognition into specified categories depending on their nature and purpose, and are subsequently measured at:

i) Amortised cost;

ii) Fair value through profit or loss; or

iii) Fair value through other comprehensive income.

Financial assets are initially measured at transaction price plus costs, other than those classified at fair value, which are measured at fair value.

All financial assets are recognised and derecognised on a trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned.

3 Significant accounting policies *(continued)*

Financial assets at amortised cost

Financial assets at amortised cost include trade receivables and other loans and receivables. Financial assets that are debt instruments are measured at amortised cost only if both of the following conditions are satisfied:

i) Business model: the objective of the business model is to hold the financial asset for the collection of the contractual cash flows; and

ii) Contractual cash flows: the contractual cash flows under the instrument relate solely to payments of principal and interest.

Financial assets at amortised cost are subsequently measured at amortised cost using the effective interest method, less any impairment.

Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial. The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating the interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the debt instrument to the net carrying amount at initial recognition.

Impairment of financial assets at amortised cost

The expected credit loss model has not been applied to the Group's financial assets held at amortised cost as the Directors have no expectation of impairment. No impairment losses have been recognised during the period.

Financial liabilities and equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Financial liabilities

Financial liabilities are classified at initial recognition, and are subsequently measured at:

i) Amortised cost; or

ii) Fair value through profit or loss.

The Group's financial liabilities comprise derivative financial instruments used for hedging, trade and other payables and loans and borrowings at amortised cost.

Financial liabilities are derecognised when, and only when, the Group's obligations are discharged, cancelled, or they expire.

Financial liabilities at amortised cost

Financial liabilities at amortised cost are initially measured at fair value, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method, with the interest expense recognised on an effective yield basis and included within finance costs in the income statement.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Equity instruments

Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the Group. Incremental costs directly attributable to the issue of equity instruments are deducted, net of tax, from the proceeds.

3 Significant accounting policies *(continued)*

Derivative financial instruments

Derivative financial instruments are recognised at fair value. The gain or loss on re-measurement to fair value is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

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 forecasted transaction, the effective part of any gain or loss on the derivative financial instrument is recognised directly in the hedging reserve, rather than in the income statement. Any ineffective portion of the hedge is recognised immediately in the income statement.

Financial derivative instruments are used by the Group to hedge foreign currency exposures. All such derivatives are recognised at fair value and are re-measured to fair value in each reporting period. Certain derivative financial instruments are designated as being held for hedging purposes. The designation of the hedge relationship is established at the inception of the contract and procedures are applied to ensure the derivative is highly effective in achieving its objective and that the effectiveness of the hedge can be reliably measured.

As permitted by IFRS 9, the Group has elected to continue to apply the hedge accounting requirements of IAS 39 and as such basis adjustments continue to be recognised through other comprehensive income. The Group will periodically review this policy choice to consider any changes in risk management activities.

Capital Contribution

The capital contribution comprises the difference between the initial fair value of shareholder loans and their face value, the loans bearing no interest, and the long-term funding now considered to be a capital contribution.

Interest bearing loans and borrowings

All such loans and borrowings are initially recognised at fair value, including transaction costs and are subsequently measured at amortised cost using the effective interest method.

Leases

Leases are classified as finance or operating leases only if the Group is the lessor. Whenever the terms of the lease transfers substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases. If the Group acts as lessee all contracts are recognised in the balance sheet in accordance with the lessee's guidance in IAS 17.

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

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

3 Significant accounting policies *(continued)*

Foreign currencies

The financial statements of the Group and Company are presented in the currency of the primary economic environment in which it operates (its functional currency), pounds sterling.

Transactions in currencies other that the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Exchange differences are recognised in profit or loss in the period in which they arise.

Finance costs

Finance income comprises interest receivable on funds invested in short term deposits. Finance costs comprise the interest expense on the shareholder loans; unwind of interest on non-interest-bearing loans and the release of discounting on provisions. Interest expense is recognised as an expense in the year in which it is incurred.

Taxation

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

A provision is recognised for those matters for which the tax determination is uncertain, but it is considered probable that there will be a future outflow of funds to a tax authority. The provisions are measured at the best estimate of the amount expected to become payable. The assessment is based on the judgement of tax professionals within the Group and Company supported by previous experience in respect of such activities and in certain cases based on specialist independent tax advice.

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled, or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited in other comprehensive income, in which case the deferred tax is also recognised within other comprehensive income.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group and Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

3 Significant accounting policies *(continued)*

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group and Company intends to settle its current tax assets and liabilities on a net basis.

Current tax and deferred tax for the year
Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

Retirement benefit costs

The Group operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. Once the contributions have been paid the Group has no further payment obligations. The assets of the plan are held separately from the Group in independently administered funds.

4 Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group and Company's accounting policies, which are described in note 3, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily available from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. 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 period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The Directors do not consider there to be any material uncertainties in relation to BREXIT.

Critical judgements in applying the Group's accounting policies

The following are the critical judgements, apart from those involving estimations (which are dealt with separately below), that the Directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in financial statements.

i) Discount rate used to determine the carrying amount of the decommissioning provision
The Group's decommissioning provision is discounted at a rate set by reference to market yields on high quality corporate bonds. Significant judgement is required when setting the criteria for bonds to be included in the population from which the yield curve is derived. The most significant criteria considered for the selection of bonds include the issue size of the corporate bonds, quality of the bonds and the identification of outliers which are excluded.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

i) Useful lives of property, plant and equipment
The Group recognised assets in relation to the plant on a component basis. The Group regularly reviews the estimated useful lives applied to the plant and its components. The Directors have determined that the useful lives of all items for the current period are acceptable and do not require lengthening or shortening.

4 Critical accounting judgements and key sources of estimation uncertainty (continued)

See note 12 for the carrying amount of property, plant and equipment, and note 3 for the estimated useful lives for each class of asset.

ii) Valuation of the decommissioning provision

A provision of £10.9 million has been recognised for decommissioning costs. These costs are expected to be incurred in 2040; however, there is a possibility that decommissioning will not take place until 2051. If the costs were measured based upon the expectation that they would not have been incurred until 2051, the provision would increase to £11.3 million. The provision has been estimated using existing technology, at current prices with an estimate for inflation, and discounted at a rate of 1.7%.

The Group engaged with an expert to value the decommissioning costs. The estimated value is based upon the quote from the third party expert engaged.

See note 18 for the carrying value of the decommissioning provision.

5 Revenue

The Group's revenue, all of which arises in the United Kingdom is split in the table below:

	Group	
	2019	2018
Revenue from contracts with customers	**£m**	£m
Revenue recognised at a point in time		
Electricity sales	**33.1**	27.0
Gate fees	**41.9**	38.7
Other revenue	**0.6**	0.5
Revenue recognised over time		
TRIADS	**2.2**	3.5
Embedded benefits	**2.1**	1.6
Revenue	**79.9**	71.3

Revenue from contracts with customers reflects the value of revenue arising from contracts with customers within the scope of IFRS 15.

Other revenue is from ferrous sales.

6 Profit for the year

Profit for the year has been arrived at after charging:

	Group	
		Restated
	2019	2018
	£m	£m
Depreciation of property, plant and equipment (note 12)	**16.4**	15.8
Staff costs (note 8)	**5.3**	2.9

7 Auditor's remuneration

The analysis of the auditor's remuneration is as follows:

	Group 2019 £k	2018 £k	Company 2019 £k	2018 £k
Fees payable to the Group's auditor and its associates for the audit of the Company and consolidated financial statements	**89.4**	128.7	**20.7**	33.7
	89.4	128.7	**20.7**	33.7

8 Staff costs and numbers

Average number employed by the Group during the year	Group 2019	2018
Managers	**5**	5
Safety, health & environment	**1**	-
Operations	**44**	27
Engineers	**19**	13
General & admin	**3**	2
Total	**72**	47

The increased number of employees is a result of the recruitment for the Ferryrbridge MFE 2 Limited employees.

	Group 2019 £m	2018 £m
Staff costs:		
Wages and salaries	**4.6**	2.6
Social security costs	**0.5**	0.2
Other costs	**0.2**	0.1
Total	**5.3**	2.9

No director received remuneration in respect of their service to the Group in either year. The Directors are remunerated by the shareholder Company that employees them.

The Company has no employees.

9 Finance costs

	Group 2019 £m	Restated 2018 £m
Interest payable on shareholder loans	**38.0**	27.9
Decommissioning provision - unwind of discount (note 18)	**0.3**	0.3
Foreign translation of monetary assets and liabilities	**0.2**	-
Interest capitalised	**(17.9)**	(6.0)
Total	**20.6**	22.2

During the year, management identified an error relating to the accounting treatment of a non-interest-bearing loan. Under IAS 8, certain prior year balances have been restated. See note 30 for further details.

10 Taxation

	Group 2019 £m	2018 £m
UK corporation tax:		
Current year	(5.2)	(1.8)
Total current tax charge	**(5.2)**	(1.8)
Total deferred tax (see note 19)	**(0.9)**	(1.2)
Total tax on profit	**(6.1)**	(3.0)

Corporation tax calculated at 19% *(2018: 19%)* of the estimated taxable profit for the year.

The charge for the year can be reconciled to the profit in the income statement as follows:

	Group 2019 £m	Restated 2018 £m
Profit before tax	**20.2**	13.7
Tax on profit on at standard UK corporation tax rate of 19% *(2018: 19%)*	**(3.8)**	(2.6)
Effects of:		
Tax effect of expenses that are not deductible in determining taxable profit	**(0.6)**	(1.9)
Tax effect of items not recognised in deferred tax	**-**	(0.3)
Tax effect of Income not taxable for tax purposes	**0.2**	-
Transfer pricing adjustments	**(0.4)**	-
Effect of rate change	**-**	0.3
Deferred tax adjustment in respect of previous periods	**(1.1)**	1.2
Other differences	**(0.4)**	0.3
Total tax charge for year	**(6.1)**	(3.0)

A reduction to 17% (effective from 1 April 2020) was announced in the budget on 16 March 2016. This will reduce the Group's future current tax charge accordingly. The deferred tax liability at 31 March 2019 has been calculated based on these rates.

During the year, management identified an error relating to the accounting treatment of a non-interest-bearing loan. Under IAS 8, certain prior year balances have been restated. See note 30 for further details.

11 Investment in subsidiaries

	Investment in subsidiary undertakings £m
Cost	
At 1 April 2018	6.3
At 31 March 2019	**6.3**
Net book value	
At 31 March 2019	**6.3**
At 31 March 2018	6.3

All investments are recorded at cost.

The Company has the following investments in subsidiaries:

	Country of incorporation	Class of shares held	Holding	Activities
Ferrybridge MFE Limited	UK	Ordinary Shares	100% direct	Operation of a multifuel electricity generation plant
Ferrybridge MFE 2 Limited	UK	Ordinary Shares	100% direct	Construction of a multifuel electricity generation plant

The registered office of Ferrybridge MFE Limited and Ferrybridge MFE 2 Limited is No. 1 Forbury Place, 43 Forbury Road, Reading, RG1 3JH.

12 Property, plant and equipment

	Group			
	Decommissioning Assets £m	Generation Assets £m	Assets Under Construction (AUC) £m	Total £m
Cost:				
At 1 April 2018 (restated)	10.8	314.9	230.9	556.6
Additions	-	0.1	50.0	50.1
Provision adjustment	(0.7)	-	-	(0.7)
At 31 March 2019	**10.1**	**315.0**	**280.9**	**606.0**
Accumulated depreciation:				
At 1 April 2018	0.8	41.9	-	42.7
Charge for the year	0.5	15.9	-	16.4
At 31 March 2019	**1.3**	**57.8**	**-**	**59.1**
Net book value:				
At 31 March 2019	**8.8**	**257.2**	**280.9**	**546.9**
At 31 March 2018 (restated)	10.0	273.0	230.9	513.9

The Group created decommissioning assets based on the estimated net present cost of decommissioning the Group's operating generation assets. Estimates are based on forecast clean-up costs at the time of decommissioning, discounted for the time value of money.

The above assets under construction includes £16,107K *(2018: £7,997K)* of capitalised interest. Borrowing costs capitalised during the year total £8,110K *(2018: £6,007K)*. Borrowing costs have been capitalised at a rate of 8.5%.

During the year, management identified an error relating to the accounting treatment of a non-interest-bearing loan. Under IAS 8, certain prior year balances have been restated. See note 30 for further details.

13 Inventories

	Group		Company	
	2019 £m	2018 £m	**2019 £m**	2018 £m
Spares and consumables	**4.1**	3.0	-	-
Total	**4.1**	3.0	-	-

The cost of inventories recognised as an expense during the year in respect of continuing operations was £1.0m *(2018: £1.3m)*.

14 *Trade and other receivables*

	Group		Company	
	2019	2018	**2019**	2018
	£m	£m	**£m**	£m
Amounts falling due within one year:				
Trade receivables	**9.6**	7.1	**-**	-
Prepayments and accrued income	**0.5**	0.5	**-**	-
Other receivables	**1.1**	4.6	**-**	-
	11.2	12.2	**-**	-

The Directors consider that the carrying amount of trade and other receivables is approximately equal to their fair value.

Trade receivables
Trade receivables disclosed above are measured at amortised cost.

The Group's credit risk management policies in respect of trade receivables are detailed in note 26.

The average credit period taken on sales of services is 35 days *(2018: 33 days)*.

Trade receivables disclosed above include amounts (see below for aged analysis) which are past due at the reporting date but against which the Group has not recognised a credit loss allowance because there has not been a significant change in credit quality and the amounts (which include interest accrued after the receivable is over 30 days outstanding) are still considered recoverable. The average age of these receivables is 34 days *(2018: 34 days)*.

Trade receivables can be analysed as follows:

	Group		Company	
	2019	2018	**2019**	2018
	£m	£m	**£m**	£m
Amount receivable not past due	**5.2**	5.9	**-**	-
Amount receivable past due but not impaired	**4.4**	1.2	**-**	-
Total	**9.6**	7.1	**-**	-

Ageing of past due but not impaired receivables:

	2019	2018	**2019**	2018
	£m	£m	**£m**	£m
31-60 days	**4.4**	1.2	**-**	-
Total	**4.4**	1.2	**-**	-

Contract assets
Contract assets are unbilled balances as a result of the Group's contracts with customers within the scope of IFRS 15 and are measured at amortised cost.

14 Trade and other receivables *(continued)*

Contract assets relate to the following revenue streams:

	Group		Company	
	2019	2018	**2019**	2018
	£m	£m	**£m**	£m
TRIADS	**2.2**	3.4	**2.2**	3.4
Electricity sales	**4.7**	5.4	**4.7**	5.4
Embedded benefits	**0.3**	0.2	**0.3**	0.2
Other	**-**	0.7	**-**	0.7
	7.2	9.7	**7.2**	9.7

The timing of satisfaction of performance obligations in respect of these contract assets in relation to the typical timing of billing is set out in note 3 (revenue recognition).

Contracts are not impaired in the current or prior years.

The decrease in the contract asset balance from 31 March 2018 to 31 March 2019 is principally attributable to the decrease in TRIAD £/MWH as set by the UK government.

The opening balance of the prior year contracts assets was £4.9m.

15 Cash and cash equivalents

	Group		Company	
	2019	2018	**2019**	2018
	£m	£m	**£m**	£m
Cash at bank and in hand	**19.9**	31.9	**-**	0.1
Total	**19.9**	31.9	**-**	0.1

16 Trade and other payables

	Group		Company	
	2019	2018	**2019**	2018
	£m	£m	**£m**	£m
Trade payables	**3.5**	1.1	-	-
Other payables (loan interest)	**4.7**	5.4	-	-
Accruals and deferred income	**4.1**	24.1	-	-
Corporation tax	**2.8**	1.5	-	-
VAT	**2.7**	0.8	-	-
Total	**17.8**	32.9	-	-

Trade payables disclosed above are measured at amortised cost.

Trade payables and accruals principally comprise amounts outstanding for trade purchases and on-going costs. The average credit period taken for trade purchases is 12 days *(2018: 15 days)*. The Group and Company have financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms as detailed in note 27.

The Directors consider that the carrying amount of trade payables approximates to their fair value.

Accruals and deferred income relate to the difference between costs incurred on the construction project FM2 and management estimate of work done on the project.

17 Borrowings

	Group		Company	
		Restated		
	2019	2018	**2019**	2018
	£m	£m	**£m**	£m
Loans from related parties	**437.6**	421.4	-	-
Total	**437.6**	421.4	-	-

Loans from both related parties are provided by the joint shareholders of Multifuel Energy Limited, SSE Generation Limited and WTI/EFW Holdings Limited (until September 2017). The WTI loans have been transferred to WTI Ferrybridge Limited from September 2017, a related party of the Group.

17 Borrowings *(continued)*

As at 31 March 2019 the balances owing to SSE Generation Limited and WTI Ferrybridge Limited were as follows:

	Group 2019 £m	Restated 2018 £m
Amounts owed to WTI Ferrybridge		
Non-interest bearing loan	**37.1**	36.6
Interest bearing loan	**177.1**	169.6
Accrued interest	**4.6**	4.5
Amounts owed to SSE Generation Limited		
Non-interest bearing loan	**37.1**	36.6
Interest bearing loan	**177.1**	169.6
Accrued interest	**4.6**	4.5
Total	**437.6**	421.4

Analysis of borrowings

The Group's interest-bearing and non-interest bearing loans and borrowings are held at amortised cost.

	Group 2019 £m	Group Restated 2018 £m	Company 2019 £m	Company 2018 £m
Less than one year	**13.1**	23.3	**-**	-
Between two and five years	**141.4**	150.9	**-**	-
More than five	**283.1**	247.2	**-**	-
Total	**437.6**	421.4	**-**	-

The loans are split into an interest-bearing element (70% of the total loan), which is charged at an interest rate of 8.5% and a non-interest-bearing element (30% of the total loan). The non-interest-bearing element has been shown at fair value with a discount rate of 8.5% applied; resulting in a capital contribution of £5.0m in the year ended 31 March 2019.

The loans are repayable from the date of completion of construction of the Ferrybridge Multifuel 2 Power Station, estimated at December 2019, for a period no longer than 11 years (estimated 2030). The loans are unsecured and contain no compliance covenants.

18 Provisions

	Group 2019 £m	2018 £m
At 1 April 2018	**11.4**	11.1
Unwind of discount	**0.3**	0.3
Adjustment to provision	**(0.8)**	-
31 March 2019	**10.9**	11.4

In accordance with the Group's accounting policy a provision has been made for the decommissioning of the multi-fuel plant FM1. FM2 is still under construction and no decommissioning cost provision has been recognised in relation to it. A discount rate of 2.3% *(2018: 2.3%)* has been applied to discount the decommissioning cost provision to present values. The unwinding of discount rate in relation to decommissioning costs is a finance cost recognised in the profit for the year. Total expected costs to be incurred are £15.7m (*2018: £19.0m*).

Management have updated the estimate on the decommissioning provision after engaging a third-party expert to provide a quote.
An adjustment of £0.8m has been made to the decommissioning provision during the year ended 31 March 2019 as a result of the work completed for the quote.

19 Deferred tax liabilities

Movement in deferred tax during the year

	Group			
	At 1 April 2018 £m	**Recognised in equity £m**	**Recognised in income £m**	**At 31 March 2019 £m**
Derivative financial assets	(0.8)	0.6	-	**(0.2)**
Unused tax losses for utilisation against future trading profits			0.3	**0.3**
Tangible fixed assets	(5.9)	-	(1.4)	**(7.3)**
Provisions	0.2	-	0.2	**0.4**
Total	(6.5)	0.6	(0.9)	**(6.8)**

Deferred tax assets and liabilities are attributable to the following:

	Group					
	Assets		**Liabilities**		**Net**	
	2019 £m	2018 £m	**2019 £m**	2018 £m	**2019 £m**	2018 £m
Derivative financial assets	-	-	**(0.2)**	(0.8)	**(0.2)**	(0.8)
Unused tax losses for utilisation against future trading profits	**0.4**	-	-	-	**0.4**	-
Tangible fixed assets	-	-	**(7.3)**	(5.9)	**(7.3)**	(5.9)
Provisions	**0.4**	0.2	-	-	**0.4**	0.2
Net tax liabilities	**0.8**	0.2	**(7.5)**	(6.7)	**(6.7)**	(6.5)

20 Cash flow hedge reserve

	Group £m	Company £m
Cumulative balance at 1 April 2017 in hedging reserve	11.4	-
Loss on cash flow hedges:		
Change in fair value of hedging instruments recognised in OCI (net of tax)	(9.1)	-
Deferred tax	1.5	-
Cumulative balance at 1 April 2018 in hedging reserve	3.8	-
Loss on cash flow hedges:		
Change in fair value of hedging instruments recognised in OCI (net of tax)	(3.5)	-
Deferred tax	0.6	-
Cumulative balance at 31 March 2019 in hedging reserve	**0.9**	**-**

The hedging reserve represents the cumulative amount of gains and losses on hedging instruments deemed effective in cash flow hedges. The cumulative deferred gain or loss on the hedging instrument is recognised in profit or loss only when the hedged transaction impacts the income statement (e.g. from a settlement of a contract), or is included as a basis adjustment to the non-financial hedged item, consistent with the applicable accounting policy.

21 Capital contribution

	Group £m	Company £m
Balance as at 1 April 2018 (restated)	79.5	3.3
Additions	5.0	-
Balance as at 31 March 2019	**84.5**	**3.3**

The capital contribution within the Group relates to effective interest calculated based on the non-interest-bearing loan at 8.5%.

In the 2018, the Company acquired 100% of the shares of Ferrybridge MFE 2 Limited from SSE Generation Ltd. This transaction led to the creation of a capital contribution within the Company of £3.3m.

During the year, management identified an error relating to the accounting treatment of a non-interest-bearing loan. Under IAS 8, certain prior year balances have been restated. See note 30 for further details.

22 Share capital

	2019 £m	2018 £m
Authorised, issued and fully paid:		
3,604,750 ordinary shares of £1.00 each	**3.6**	3.6
Total	**3.6**	3.6

The Company has one class of ordinary shares which carries no right to fixed income.

23 Operating lease arrangements

The Group is a lessee, with each subsidiary leasing the site on which they operate. The lease is with SSE Generation Limited a related party. At the balance sheet date, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	Group		Company	
	2019	2018	**2019**	2018
	Land & Buildings	Land & Buildings	**Land & Buildings**	Land & Buildings
	£m	£m	**£m**	£m
Operating leases which expire:				
Within one year	**0.9**	0.8	-	-
In the second to fifth years inclusive	**3.7**	3.3	-	-
After five years	**22.6**	23.1	-	-
Total	**27.2**	27.2	-	-

Operating lease payments represent rentals payable by the Group for the sites upon which the subsidiary companies of the Group operate. The leases have been negotiated for terms of 34-35 years, with an annual rent review.

Total expenses recognised during the year in respect of under non-cancellable operating leases are as follows:

	Group		Company	
	2019	2018	**2019**	2018
	Land & Buildings	Land & Buildings	**Land & Buildings**	Land & Buildings
	£m	£m	**£m**	£m
Lease payments under operating leases recognised as an expense in the year	**0.5**	0.2	-	-
Total	**0.5**	0.2	-	-

During the construction phase, the Group is capitalising the site rent expense in the costs of assets being constructed.

Total amounts capitalised during the year in respect of payments under non-cancellable operating leases are as follows:

	Group		Company	
	2019	2018	**2019**	2018
	Land & Buildings	Land & Buildings	**Land & Buildings**	Land & Buildings
	£m	£m	**£m**	£m
Lease payments under operating leases capitalised during the year	**0.5**	0.5	-	-
Total	**0.5**	0.5	-	-

24 Capital commitments

As at 31 March 2019, the Group had capital commitments of £40.0m *(2018: £71.7m)*.

Capital expenditure contracted for at the reporting date but not recognised in the financial statements is as follows:

	Group		**Company**	
	2019	2018	**2019**	2018
	£m	£m	**£m**	£m
Property, plant & equipment (Ferrybridge MFE 2 Ltd)	**40.0**	71.7	-	-

25 Retirement benefit scheme

The Group operates defined contribution retirement benefit schemes for all qualifying employees. The assets of the scheme are held separately from those of the Group in funds under the control of trustees. Where there are employees who leave the schemes prior to vesting fully in the contributions, the contributions payable by the Group are reduced by the amount of the forfeited contributions.

The Group is required to contribute a specified percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit scheme is to make the specified contributions.

The total cost charged to income of £157k *(2018: £101k)* represents contributions payable to those schemes by the Group at rates specified in the rules of the schemes. As at 31 March 2019, contributions of £35k *(2018: £20k)* due in respect of the current reporting period had not been paid over to the scheme.

26 Financial instruments and financial risk management

(a) Categories of financial instruments

The Group holds the following financial instruments:

	2019	Restated 2018
Financial assets	**£m**	£m
Financial assets at fair value through profit or loss:		
Derivative financial instruments	**2.7**	4.5
Financial assets at amortised cost:		
Trade receivables	**9.6**	7.1
Other loans and receivables (contract assets)	**7.2**	9.7
Cash and cash equivalents	**19.9**	31.9
	36.7	48.7
Total	**39.4**	53.2
Financial liabilities		
Financial liabilities at fair value through profit or loss		
Derivative financial instruments	**-**	0.5
Financial liabilities at amortised cost		
Trade and other payables	**12.3**	30.6
Loans and borrowings	**437.6**	421.4
	449.9	452.5
Total	**449.9**	452.5

The Group's financial assets and liabilities at fair value through profit or loss were designated as such upon initial recognition.

The restatement relates to an accounting error in respect of the capitalisation of interest on the non-interest-bearing loans. Under IAS 8, certain prior year balances have been restated. See note 30 for further details.

(b) Significant accounting policies

Details of the significant accounting policies and methods adopted (including the criteria for recognition, the basis of measurement and the bases for recognition of income and expenses) for each class of financial asset, financial liability and equity instrument are disclosed in note 3.

26 Financial instruments and financial risk management *(continued)*

(c) Derivatives

The Group has the following derivative financial instruments:

	2019	2018
	£m	£m
Current derivative financial assets		
Foreign currency forward contracts – cash flow hedges	**1.1**	4.5
Electricity CFD's	**1.6**	-
	2.7	4.5
Current derivative financial liabilities		
Electricity CFD's	**-**	0.5

All balances are stated gross of associated deferred taxation.

Please see Note 30 for a reconciliation of the impact on the consolidated income statement and balance sheet of a prior period accounting error relating to a fair value adjustment to the non-interest-bearing loans with related parties.

Classification of derivatives
Derivatives are only used for economic hedging purposes and not as speculative investments. Where derivatives do not meet the hedge accounting criteria, they are accounted for at fair value through profit or loss. They are presented as current assets or liabilities to the extent they are expected to be settled within 12 months after the end of the reporting period.

The Group's accounting policy for its cash flow hedges is set out in note 3.

Cash flow hedges
The Group utilises forward foreign currency contracts to mitigate the foreign exchange rate risk arising on highly probable forecast transactions; these arrangements are accounted for as cash flow hedges. The Group's hedging reserves disclosed in note 20 relate to these hedging instruments.

The forward currency contracts are measured at fair value which is determined using valuation techniques that utilise observable inputs. The key assumptions used in valuing the derivatives are the exchange rates for GBP: EUR and GBP: CHF.

Hedge effectiveness
Hedge effectiveness is determined at the inception of the hedge relationship, and through periodic prospective effectiveness assessments to ensure that an economic relationship exists between the hedged item and hedging instrument. Hedge effectiveness is assessed at the end of each reporting period by comparing the changes in the mark-to-market value of the contractual cash flows to changes in the mark-to-market value of the forward contracts.

There was no hedge ineffectiveness during 2019 or 2018 in relation to forward currency contracts.

(d) Financial risk management

The Group's activities expose it to a variety of financial risks. The Group's risk management policies in respect of these financial risks are set out in the notes below.

There has been no change to the Group's exposure to financial risks or the manner in which these risks are managed and measured.

26 Financial instruments and financial risk management *(continued)*

(d) i) Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. A counterparty is considered to have defaulted on its contractual obligations when its payments are overdue by more than 60 days.

The gross carrying amount of financial assets recorded in the financial statements, which represents the Group's maximum exposure to credit risk at the year-end is set out in the table at note 26(a) above. The expected credit loss model has not been applied to these financial assets at amortised cost on the basis that the Directors have no expectation of material impairment to these assets. No impairment losses have been recognised during the year *(2018: nil)* in respect of financial assets held at amortised cost. No financial assets at amortised cost acquired during the year *(2018: nil)* originated credit impaired.

Risk management
The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate as a means of mitigating the risk of financial loss from defaults.

The Group only transacts with entities that are suitably rated. This information is supplied by an independent rating agency where available and, if not available, the Group uses other publicly available financial information and its own trading records to rate its major customers.

Before accepting any new customer, the Group uses an internal credit scoring system to access the potential customer's credit quality and defines credit limits by customer. Limits and scoring attributed to customers are reviewed annually.

Credit risk concentrations
The Group is exposed to the following significant concentrations of credit risk:

- 76% of trade and other receivables with top 3 customers *(2018: 86%)*
- 100% of accrued income with 1 counterparty *(2018: 100%)*
- The Company's cash and cash equivalents are held with one bank.

Impairment of financial assets
The Expected Credit Loss model has not been applied to the Group's trade receivables and other loans and receivables balances as the Directors have no expectation of material impairment in respect of these balances. On-going credit evaluation is performed on the financial condition of accounts receivable.

(d) ii) Liquidity risk management

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as and when they fall due.

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has established an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves and banking facilities by continuously monitoring forecast and actual cash flows, and by matching maturity profiles of financial assets and liabilities.

26 Financial instruments and financial risk management *(continued)*

Maturity of financial liabilities
The table below details the remaining contractual maturity for the Group's derivative and non-derivative financial liabilities with agreed repayment periods. The contractual maturity is based on the earliest date on which the Group may be required to pay.

	Contractual maturity – undiscounted cash flows			
	0-1 year	**1-5 years**	**Over 5 years**	**Total**
	£m	**£m**	**£m**	**£m**
At 31 March 2018				
Non-derivative liabilities:				
Loans and borrowings	19.6	63.0	402.4	485.0
Trade and other payables	30.6	-	-	30.6
Derivative financial liabilities	0.5	-	-	0.5
	50.7	**63.0**	**402.4**	**516.1**
At 31 March 2019				
Non-derivative liabilities:				
Loans and borrowings	27.3	117.7	342.8	487.8
Trade and other payables	12.3	-	-	12.3
	39.6	**117.7**	**342.8**	**500.1**

(d) iii) Market risk sensitivity

Interest rate risk

The Group's borrowings are at fixed rate and therefore the Group's exposure to interest rate risk is nil.

Price risk

Price risk is the risk that changes in prices will affect the Group's income or the value of its holdings of financial instruments.

The Group manages its exposure to commodity price risk under its Power Purchase Agreement by entering into contracts for difference ("CFD's"). The Group hedges a proportion of its electricity sales by fixing prices using CFD's – at a level determined by members of the board. The Group has not applied hedge accounting in relation to these contracts.

(d) iv) Foreign exchange risk management

The Group's exposure to foreign currency risk at the end of the reporting period was as follows:

	2019	**2019**	2018	2018
	EUR	**CHF**	EUR	CHF
	£m	**£m**	£m	£m
Foreign currency forwards:				
Buy foreign currency (cash flow hedges)	**25.8**	**8.3**	25.8	8.3

26 Financial instruments and financial risk management *(continued)*

The Group uses forward contracts to hedge foreign currency purchases relating to the construction of the Ferrybridge MFE 2 Limited asset. Ferrybridge MFE 2 Limited has a contract to construct a power plant, under which it is required to make payments in Euros and Swiss Francs at various dates in the future. These transactions are contractual and are therefore highly probable to occur. The Group seeks to minimise cash flow exposure to fluctuations in the spot exchange rates in respect of this contract through the use of forward purchases of Euros and Swiss Francs (versus sterling) to match the payment requirements of this contract.

At 31 March 2019, the outstanding contracts all mature within 6 months of the year end *(2018: 18 months of the year end)*. At 31 March 2019 the Group is committed to buy CHF 8.3m and EUR 25.8m *(2018: CHF 8.3m and EUR 25.8m)*.

(e) The effects of hedge accounting on financial position and performance

The effects of foreign currency related hedging instruments on the Group's financial position and performance are as follows:

	2019	2018
Foreign currency forwards		
Carrying amount (asset)	**1.1m**	4.5m
Notional amount	**See note 26 (d) ii)**	See note 26 (d) ii)
Maturity date	**April 2019 to September 2019**	April 2019 to September 2019
Average forward rate of hedging instrument	**£/€1.13**	£/€1.29
	£/CHF 1.31	£/CHF 1.29
Hedge ratio	**1:1**	1:1
Change in value of hedged item used to determine hedge effectiveness	**(2.9m)**	(7.6m)
Balance in the cash flow hedge reserve relating to continuing hedges	**0.9m**	3.8m
Hedge effectiveness during the year	**100%**	100%

(f) Capital management

The Group's capital comprises:

	2019	Restated 2018
	£m	£m
Total loans and borrowings	**437.7**	421.3
Less: cash and cash equivalents	**19.9**	31.9
Net debt and total capital	**457.6**	453.2

The Group manages its capital to ensure that Group will be able to continue as a going concern while maximising the return to shareholders. The Group's overall strategy remains unchanged from 2018.

The Group is not subject to any externally imposed capital requirements.

(g) Fair value estimation

The Group's financial instruments carried at fair value at 31 March 2019 and 31 March 2018 have been valued with reference to inputs other than quoted prices included within Level 1 that are observable for asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).

27 Notes to the cash flow statement

	Group	Restated	Company	
	2019	2018	**2019**	2018
	£m	£m	**£m**	£m
a) Reconciliation of profit to operating cash flows				
Profit/(loss) for the year	**14.1**	10.7	**(0.1)**	0.2
Adjustments for:				
Depreciation of property, plant and equipment	**16.4**	15.8	**-**	-
Fair value movement on derivatives held for trading	**(1.8)**	-	**-**	-
Finance costs	**20.6**	22.2	**-**	-
Income tax expense	**6.1**	3.0	**-**	-
Operating cash flows before movements in working capital	**55.4**	51.7	**(0.1)**	0.2
Increase in inventories	**(1.1)**	(0.6)	**-**	-
Decrease/(increase) in trade and other receivables	**3.5**	(7.2)	**-**	-
Decrease in trade and other payables	**(16.5)**	(12.8)	**(0.1)**	(0.2)
Cash generated/(used) by operations	**41.3**	31.1	**(0.1)**	-
Income taxes paid	**(3.9)**	(0.4)	**-**	-
Interest paid	**(15.3)**	(16.1)	**-**	-
Net cash from operating activities	**22.1**	14.6	**(0.1)**	-

The restatement relates to the capitalisation of interest on the non-interest-bearing loan and the recognised imputed interest expense. Under IAS 8, certain prior year balances have been restated. See note 30 for details.

	Loans and borrowings £m
b) Changes in liabilities from financing activities (Group)	
Liabilities from financing activities at 1 April 2017 (restated)	262.5
Cash flows – receipt of borrowings	98.3
Cash flows – repayments of borrowings	(31.7)
Cash flows – interest paid	(16.1)
Income statement – interest payable	21.9
Interest capitalised	6.0
Capital contribution	80.4
Liabilities from financing activities at 31 March 2018 (restated)	**421.3**
Liabilities from financing activities at 1 April 2018 (restated)	421.3
Cash flows – receipt of borrowings	34.7
Cash flows – repayments of borrowings	(36.7)
Cash flows – interest paid	(15.3)
Income statement – interest payable	20.1
Interest capitalised	8.1
Capital contribution	5.0
Other changes	0.5
Liabilities from financing activities at 31 March 2019	**437.7**

The Company has no liabilities from financing activities at 31 March 2019 and 31 March 2018.

28 Related party transactions

Balances and transactions between the Group and related parties have been disclosed below.

Trading transactions

During the year, the Group entered into the following transactions with related parties:

Group only

	2019		Restated 2018	
	Sale of goods and services	**Purchase of goods and services**	Sale of goods and services	Purchase of goods and services
	£m	**£m**	£m	£m
SSE Generation Limited	**38.4**	**0.7**	20.2	0.5
WTI Ferrybridge Limited	**-**	**0.2**	-	0.7
Ferrybridge MFE 2 Limited	**2.2**	**-**	-	-
	40.6	**0.9**	20.2	1.2

The following amounts were outstanding at the balance sheet date:

Group only

	2019		2018	
	Amounts owed by related parties	**Amounts owed to related parties**	Amounts owed by related parties	Amounts owed to related parties
	£m	**£m**	£m	£m
SSE Generation Limited	**7.5**	**-**	8.9	0.1
Ferrybridge MFE 2 Limited	**0.2**	**-**	-	0.1
	7.7	**-**	8.9	0.2

The amounts owed by SSE Generation Limited are for electricity exported and the embedded benefits that the Group previously exported electricity to Smartest Energy Limited. In November 2017 a contract was entered to supply SSE Generation Limited. The amounts owed to SSE Generation Limited are for the leases of Ferrybridge MFE Limited and Ferrybridge MFE 2 Limited land.

SSE Generation Limited is a related party of the Group and Company because SSE Generation Limited owns 50% of Multifuel Energy Limited, Ferrybridge MFE Limited's Company. WTI/EFW Holdings Limited is a related party of the Group because WTI/EFW Holdings Limited owns 50% of Multifuel Energy Limited. WTI Ferrybridge Limited is a related party of the Group because it is a wholly owned subsidiary of WTI/EFW Holdings Limited.

Sales of goods to related parties were made at the Group's usual list prices. Purchases were made at market price.

28 Related party transactions *(continued)*

The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received. No provisions have been made for doubtful debts in respect of the amounts owed by related parties. These amounts are included within trade receivables at the year-end (note 14).

Loans from related parties outstanding at the year-end:	2019 £m	Restated 2018 £m
SSE Generation Limited	**218.8**	210.6
WTI Ferrybridge Limited	**218.8**	210.6

The loans are a combination of interest and non-interest-bearing facilities. The effective rate of interest is 8.5%. They are repayable from the date completion of construction of the plant for a period no longer than 11 years (estimated 2026 for FM1 and 2030 for FM2). The loans are unsecured and are all in pounds sterling. See note 17 for further details.

During the year, management identified an error relating to the accounting treatment of a non-interest-bearing loan. Under IAS 8, certain prior year balances have been restated. See note 30 for further details.

29 Ultimate controlling party

The share capital of the Company is held jointly by SSE Generation Limited, registered in England and Wales and WTI Ferrybridge Limited, registered in England and Wales.

The ultimate parent of SSE Generation Limited is SSE plc, registered in Perth, UK. The ultimate parent of WTI Ferrybridge Limited is Wheelabrator Technologies, Inc. registered in Delaware, United States of America, which is controlled by funds managed by Macquarie Infrastructure Partners.

The largest Group in which the results of the Group and Company are equity accounted is that headed by SSE plc whose registered office is 200 Dunkeld Road, Perth, PH1 3AQ, Scotland. The consolidated financial statements are available to the public and may be obtained from the registered office.

The smallest Group in which the Company is a member for which consolidated accounts are prepared is Multifuel Energy Limited whose registered office is 200 Dunkeld Road, Perth, PH1 3AQ, Scotland.

Wheelabrator Technologies Inc. is a private Company based in the United States and its financial statements are not publicly available.

30 Correction of prior year accounting error

During the year a mechanical calculation error was identified regarding the valuation of the fair value adjustment to the non-interest-bearing loans with related parties.

30 Correction of prior year accounting error *(continued)*

Consequently, under IAS 8, the Group shall adjust all comparative amounts presented in the current year's financial statements affected by the accounting error as below:

Consolidated Income Statement for year ended 31 March 2018

	Note	Reported £m	Adjustments £m	Adjusted £m
Finance Costs	9	23.6	(1.4)	22.2

Consolidated Balance Sheet as at 31 March 2018

	Note	Reported £m	Adjustments £m	Adjusted £m
Property, plant & equipment	12	514.5	(0.6)	513.9
Borrowings	17	432.6	(11.3)	421.3
Capital Contribution	21	73.3	6.2	79.5
Retained Earnings		11.3	4.5	15.8

Consolidated Statement of Changes in Equity As at 31 March 2018

	Note	Reported £m	Adjustments £m	Adjusted £m
Capital Contribution	21	73.3	6.2	79.5
Retained Earnings		11.3	4.5	15.8

The prior year error noted above did not impact the income statement, balance sheet or statement of changes in equity of the Company.