Company Registration No. SC403396 (Scotland)

SPEYSIDE RENEWABLE ENERGY PARTNERSHIP LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2020

SPEYSIDE RENEWABLE ENERGY PARTNERSHIP LIMITED

COMPANY INFORMATION

Directors	M Aitken	
	R Nodder	(Appointed 13 October 2020)
	J Doshi	(Appointed 13 October 2020)
	A Dixon	(Appointed 3 September 2020)
	C McLeod	(Appointed 3 September 2020)
Secretary	HCP Management Services Limited	
Company number	SC403396	
Registered office	13 Queen's Road Aberdeen Scotland AB15 4YL	
Auditor	Deloitte LLP Statutory Auditor London EC4A 3BZ	
Banker	Barclays Bank Plc Level 28 1 Churchill Place London E14 5HP	

SPEYSIDE RENEWABLE ENERGY PARTNERSHIP LIMITED

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SPEYSIDE RENEWABLE ENERGY PARTNERSHIP LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 MARCH 2020

The Directors present the strategic report for the year ended 31 March 2020.

Business Review

The principal activity of the Company is the design, build, financing and operation of a Combined Heat and Power (CHP) plant in Speyside, Scotland. Financial close (the date of signing of all material project documents and the start of the project) took place on 28 August 2014.

A fellow Group subsidiary, Speyside Renewable Energy Finance Plc ('SREF') issued £48.2million listed guaranteed secured bonds, which are guaranteed by HM Government through the UKGS (UK Guarantee Scheme) to fund the construction and operational expenditure.

The plant generates renewable electricity and heat. Functional takeover of the plant by the Operating and Maintenance contractor was on 5 January 2017 and legal take-over was achieved on 5 August 2020. Contracted performance tests have been carried out and passed successfully.

Financial Performance and Position

The Company's loss after taxation for the year is £22,434,000 (2019: £6,132,000) and net liabilities are £39,683,000 at the balance sheet date (2019: £17,249,000). The higher loss is driven by an impairment charge of £7,346,000 and the write off of a deferred tax asset of £4,221,000.

Higher fuel prices than originally forecast, and lower power (output) prices have meant that Annual Debt Cover Ratio have not been met. As a result the Company was in default of banking covenants at the balance sheet date. The Lender waived the requirement for the Debt Service Reserve Account to be fully funded so that the March 2020 bond payment could be made in full.

Additional funding by the investors was received in the year to bridge the cashflow until September 2020 when a restructure of the debt was expected to be agreed. A restructuring proposal was not agreed and consequently the immediate parent, Speyside Renewable Energy Partnership Hold Co Limited ('SREPH') was placed into administration on 5 October 2020. A new three year funding facility was put in place in October 2020.

An assessment has been performed of the carrying value of the plant. That assessment determined that the carrying value should be reduced from historic, to a lower value based on the forecast economic value expected to be generated by the plant during its lifetime. Further detail is provided in notes 2 and 9, the impairment charge recorded was £7,346,000.

Reference should also be made to the Directors' report and note 1 in relation to going concern.

Principal risks and uncertainties
The Company's activities expose it to several financial risks including liquidity risk, movement in market prices, performance risk and credit risk. These risks are further explained in the Directors' Report.

Covid-19

The Company is exposed to risks in relation to the COVID-19 outbreak which the World Health Organisation declared as a health emergency on 30 January 2020 and a global pandemic on 11 March 2020.

Due to COVID-19 the Company has been exposed to a decrease in power prices as there has been low demand for the output of the plant from the national grid. Also, a key heat offtaker closed for four months as a result of the COVID-19 pandemic. Both changes have impacted revenue and increased cashflow risk.

There is a risk to the Company that the service provider, BWSC Generation Services UK Ltd, could experience financial difficulties and therefore not be able to provide services on site to keep the plant running. BWSC's December 2019 financial statements were published in January 2021 on a going concern basis and it appears to have an appropriately strong balance sheet, so this risk is assessed as low.

Other risks that affect plant availability and therefore revenue include workforce illness; however, the plant can operate with some reduced workforce. Fuel supply could be reduced; however, there has been no impact on fuel deliveries since the pandemic started.

There is a business continuity plan in place that looks at the best possible mitigations to the impacts to the above risks. Due to the evolving nature of the risk environment, the board will continue to actively monitor these risks and any other developments.

Future Developments
At the date of this report, no major changes in the Company's activities are expected in the next year. As noted elsewhere the immediate holding Company was placed into administration post year-end. This may have implications for the ownership of the Company in due course.

Key Performance Indicators
Heat (MWhTh) and electricity (MWh) produced during the year and sold to the respective heat and electricity offtakers are the key performance indicators for the Company.

For the year ended 31 March 2020 the Company generated 31,938 MWhTh (2019: 25,772 MWhTh) of heat and 85,612 MWh (2019: 77,690 MWh) of electricity.

On behalf of the board

....
A Dixon
Director
22-03-2021........

SPEYSIDE RENEWABLE ENERGY PARTNERSHIP LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 MARCH 2020

The Directors present their annual report and audited financial statements for the year ended 31 March 2020.

Principal activities
The principal activity of the Company is the design, build, finance and operation of a CHP Biomass Plant in Craigellachie, Scotland.

There have been no significant changes to the Company's principal activities in the year under review.

Directors
The Directors who held office during the year and up to the date of signature of the financial statements were as follows:

D R Bradbury	(Resigned 3 September 2020)
D A Whitehurst	(Resigned 3 September 2020)
B M Cashin	(Resigned 8 April 2019)
P J Ireland	(Resigned 26 October 2020)
M Aitken	
E D Archer	(Appointed 11 April 2019 and resigned 26 October 2020)
R Nodder	(Appointed 13 October 2020)
J Doshi	(Appointed 13 October 2020)
A Dixon	(Appointed 3 September 2020)
C McLeod	(Appointed 3 September 2020)

Results
The results for the year are set out on page 9.

No ordinary dividends were paid. The Directors do not recommend payment of a final dividend.

Financial risk management objectives and policies

Liquidity risk
The Company manages its cash and borrowing requirements to maximise interest income and minimise interest expense, whilst ensuring the Company has sufficient liquid resources to meet the operating needs of the business.

At the start of the project SREF issued a bond with an external party and subordinated debt was injected by related parties to provide sufficient funds were available over the life of the project.

It became apparent post year end that there is a developing liquidity mis-match between the free cash generated by the Company and the bond payment obligations of SREF. Discussions are ongoing with bond representatives at the date of this report to better align liquidity.

A three-year term loan was put in place post year end. This substantially reduces short term liquidity risk.

Exposure to market prices

The Company is exposed to long term electricity market prices. The Company is currently monitoring the electricity market and the Company has entered into a twelve year Power Purchase Agreement which sets the selling price of electricity generated by the biomass plant. This in turn mitigates risk and reduces exposure to changes in market prices.

A proportion of fuel is purchased on the spot market and is therefore subject to fluctuations in fuel costs. This risk is mitigated through entering into short term fixed priced contracts and through purchasing fuel in the summer when the cost is generally lower.

These markets are monitored closely by the Board.

Performance risk

CHP plant performance risk is managed by sub-contracting the operations and management of the plant to an expert third party provider. That provider is required to perform to a contractual set of performance requirements minimising the risk to the project.

Credit risk

The Company's principal financial assets are cash, trade, and other receivables. Counterparty financial standing is monitored in order to manage credit risk.

Brexit risk

There is some risk of disruption to aspects of the operations now that to Brexit has taken place. The Company is exposed to changes in the cost and speed of supply of parts sourced from Europe that are required to keep the plant running. No disruption has become apparent at the date of signing the accounts.

Future developments

The Directors are not aware, at the date of this report, of any major changes in the Company's operational activities in the next year. Post year-end the immediate holding company was placed into administration. In due course the administrators will need to determine how they treat their holding in the Company.

Going Concern

The financial statements have been prepared on the going concern basis. In assessing whether the going concern basis is appropriate management has considered available information about the future, which is set at least twelve months from the date the financial statements are signed.

In particular, careful consideration was given to the difficult market conditions faced by the Company, continuing losses and negative net assets.

Operational improvements are being made, short term liquidity is supported by a new loan with a three year maturity and discussions are taking place in relation to the longer term bond financing. As a consequence the Directors have concluded that the Company is a going concern at the date of signing the financial statements and therefore these accounts have been prepared on a going concern basis.

More information is provided in note 1 of the financial statements.

Auditor

The auditor, Deloitte LLP, is deemed to be reappointed under section 487(2) of the Companies Act 2006.

SPEYSIDE RENEWABLE ENERGY PARTNERSHIP LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2020

Statement of disclosure to auditor
Each of the Directors in office at the date of approval of this annual report confirms that:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware, and
- the Director has taken all the steps that he / she ought to have taken as a director in order to make himself / herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

Covid-19
The World Health Organisation declared the COVID-19 outbreak a health emergency on 30 January 2020 and a global pandemic on 11 March 2020. Contingency measures have been put in place to ensure the financial management of the Company continues through the crisis. See the Strategic report for details on the related risks and note 22 for the financial impact of this event.

On behalf of the board

....
A Dixon
Director
Date: 22.3.21

SPEYSIDE RENEWABLE ENERGY PARTNERSHIP LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 31 MARCH 2020

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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

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

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

SPEYSIDE RENEWABLE ENERGY PARTNERSHIP LIMITED

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF SPEYSIDE RENEWABLE ENERGY PARTNERSHIP LIMITED

Opinion

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2020 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the statement of comprehensive income;
- the balance sheet;
- the statement of changes in equity;
- the statement of cash flows; and
- the related notes 1 to 24.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

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

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the 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 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.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF SPEYSIDE RENEWABLE ENERGY PARTNERSHIP LIMITED

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 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.

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.

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 Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

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

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

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

Claire Faulkner

Claire Faulkner FCA (Senior Statutory Auditor)
For and on behalf of Deloitte LLP, Statutory Auditor
London, United Kingdom
22 March 2021

SPEYSIDE RENEWABLE ENERGY PARTNERSHIP LIMITED

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2020

	Notes	2020 £'000	2019 £'000
Turnover	3	13,551	13,321
Cost of sales		(10,918)	(9,628)
Gross profit		2,633	3,693
Administrative expenses		(11,891)	(3,986)
Operating loss	4	(9,258)	(293)
Interest receivable and similar income	7	3	6
Interest payable and similar expenses	8	(8,962)	(8,138)
Loss before taxation		(18,217)	(8,425)
Tax on loss	9	(4,217)	2,293
Loss for the financial year		(22,434)	(6,132)

The Statement of Comprehensive Income has been prepared on the basis that all operations are continuing operations.

SPEYSIDE RENEWABLE ENERGY PARTNERSHIP LIMITED

BALANCE SHEET

AS AT 31 MARCH 2020

		2020		2019	
	Notes	£'000	£'000	£'000	£'000
Fixed assets					
Tangible assets	11		54,731		63,910
Current assets					
Stocks	12	211		244	
Debtors falling due after more than one year	13	-		4,221	
Debtors falling due within one year	13	4,134		4,002	
Cash at bank and in hand		1,064		2,528	
		5,409		10,995	
Creditors: amounts falling due within one year	14	(50,684)		(8,629)	
Net current (liabilities)/assets			(45,275)		2,366
Total assets less current liabilities			9,456		66,276
Creditors: amounts falling due after more than one year	15		(48,895)		(83,311)
Provisions for liabilities	17		(244)		(214)
Net liabilities			(39,683)		(17,249)
Capital and reserves					
Called up share capital	19		-		-
Profit and loss reserves	19		(39,683)		(17,249)
Total shareholders' funds			(39,683)		(17,249)

The financial statements were approved by the board of directors and authorised for issue on 22.3.21 and are signed on its behalf by:

A Dixon
Director

Company Registration No. SC403396

SPEYSIDE RENEWABLE ENERGY PARTNERSHIP LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2020

	Share capital	Profit and loss reserves	Total
	£'000	£'000	£'000
Balance at 1 April 2018	-	(11,117)	(11,117)
Year ended 31 March 2019:			
Loss and total comprehensive income for the year	-	(6,132)	(6,132)
Balance at 31 March 2019	-	(17,249)	(17,249)
Year ended 31 March 2020:			
Loss and total comprehensive income for the year	-	(22,434)	(22,434)
Balance at 31 March 2020	-	(39,683)	(39,683)

SPEYSIDE RENEWABLE ENERGY PARTNERSHIP LIMITED

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2020

		2020		2019	
	Notes	**£'000**	**£'000**	**£'000**	**£'000**
Cash flows from operating activities					
Cash generated from operations	**24**		2,199		2,748
Investing activities					
Interest received		3		6	
Net cash generated from investing activities			3		6
Financing activities					
Interest paid		(2,418)		(2,533)	
Repayment of borrowings		(2,248)		(2,180)	
Subordinated loan injection		1,000		-	
Net cash used in financing activities			(3,666)		(4,713)
Net decrease in cash and cash equivalents			(1,464)		(1,959)
Cash and cash equivalents at beginning of year			2,528		4,487
Cash and cash equivalents at end of year			1,064		2,528

1 Accounting policies

Company information

Speyside Renewable Energy Partnership Limited is a private company limited by shares, domiciled and incorporated in the United Kingdom and registered in Scotland. The registered office is 13 Queen's Road, Aberdeen, Scotland, AB15 4YL.

1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in pounds sterling, which is the functional currency of the Company. Monetary amounts in these financial statements are rounded to the nearest £'000.

The financial statements have been prepared under the historical cost convention, modified to include certain financial instruments at fair value and in accordance with FRS 102. The principal accounting policies adopted are set out below.

1.2 Going concern

As at 31 March 2020 the Company is in a net liability position. Higher fuel prices and lower output prices have meant that the annual debt cover ratio (ADCR) has not been met. In the year the immediate parent SREPH was put into administration. The Directors have reviewed the Company's cash flow forecast for the period to June 2022, along with appropriate sensitivities to those cashflows. In particular a sensitivity was reviewed which showed that should revenues fall by 10%, the Company still has sufficient liquidity to maintain payments to SREF. SREF is a captive funding vehicle for the Company and has issued bonds to provide funding.

There are breaches of bond covenants at the date of this report, principally a shortfall in the DSRA reserve which were subsequently waived. Discussions are ongoing with representatives of the bondholders and the board has a reasonable expectation that these will not lead to acceleration or other action by the bondholders. The bonds benefit from a guarantee from HM Treasury which would cover non-payment by SREF.

An important component of the ability of the Company to maintain payments and to continue to meet its liabilities as they fall due is a three year loan put in place in October 2021. The quantum of the facility and date of repayment allow for adequate funding for at least twelve months from the date of signing of the financial statements, such that the Company is forecast to meet its liabilities as they fall due. For this reason the financial statements have been prepared on a going concern basis.

1.3 Turnover

Turnover is recognised at the fair value of the consideration received or receivable for goods and services provided in the normal course of business, and is shown net of VAT and other sales related taxes. The fair value of consideration takes into account trade discounts, settlement discounts and volume rebates.

Revenue is entirely derived in the United Kingdom through the sales of brown power generated to the National Grid through the PPA agreement and heat to Macallan with government environmental incentives in the form of ROC and RHI.

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer (usually on dispatch of the goods), the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

1 Accounting policies **(Continued)**

Revenue from contracts for the provision of professional services is recognised by reference to the stage of completion when the stage of completion, costs incurred and costs to complete can be estimated reliably. The stage of completion is calculated by comparing costs incurred, mainly in relation to contractual hourly staff rates and materials, as a proportion of total costs. Where the outcome cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that it is probable will be recovered.

1.4 Tangible fixed assets

Tangible fixed assets are stated at cost. Assets in the course of construction are not depreciated. Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost, less estimated residual value, of each asset on a straight lined basis over its expected useful life as follows:

Plant and machinery: 20 years straight line

Residual value represents the estimated amount which would currently be obtained from disposal of an asset, after deducting estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life.

Development costs are capitalised in the year as part of the tangible fixed asset. This includes all costs relating to the build, financing of the debt and grid connection fees.

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

1.5 Impairment of fixed assets

At each reporting period end date, the Company 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 in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell 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 revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

1.6 Stocks

Stocks are stated at the lower of cost and net realisable value.

1 Accounting policies **(Continued)**

1.7 Cash and cash equivalents

Cash and cash equivalents are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

1.8 Financial instruments

The Company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the Company's balance sheet when the Company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the balance sheet, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets

Basic financial assets, which include debtors, cash and bank balances and other financial assets, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

Trade debtors, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment.

Interest 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 on initial recognition.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the Company transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

1 Accounting policies **(Continued)**

Classification of financial liabilities
Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities.

Basic financial liabilities
Basic financial liabilities, including creditors, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

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

Other financial liabilities
Other financial liabilities, are initially measured at fair value, net of transaction costs. They are subsequently measured at amortised costs using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of financial liability and of allocating the 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 to the net carrying amount on recognition.

Derecognition of financial liabilities
Financial liabilities are derecognised when the Company's contractual obligations expire or are discharged or cancelled.

1.9 Equity instruments
Equity instruments issued by the Company are recorded at the proceeds received, net of transaction costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the Company.

1.10 Taxation
The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax
The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the statement of comprehensive income 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 Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

1 Accounting policies **(Continued)**

Deferred tax

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end 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. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the Company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

1.11 Provisions

Decommissioning

Provisions for future decommissioning costs is made in full when the Company has an obligation to dismantle and remove a facility and to restore the site on which it is located, and when a reasonable estimate of that liability can be made.

The amount recognised is the present value of the estimated future expenditure. An amount equivalent to the discounted initial provision for decommissioning costs is capitalised as part of the underlying fixed asset and depreciated over the life of that asset. Any change in the present value of the estimated expenditure resulting from changes in expected cash flows, inflation or discount rate is reflected as an adjustment to the provision and the underlying asset.

The unwinding of the discount is recognised as a finance cost in profit or loss in the period it arises.

1.12 Leases

Rentals payable under operating leases, including any lease incentives received, are charged to profit or loss 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 leased asset are consumed.

2 Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, the Directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent 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.

Critical Judgements
The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements.

Power Purchase Agreement
The Directors have considered whether the Power Purchase Agreement entered into by the Company meets the definition of a derivative under FRS 102 in the context of characteristics of derivative contracts set out within the definition. The Power Purchase Agreement was entered into and continues to be held for the purpose of the Company delivering electrical output to be received by the offtaker in accordance with the requirements set out in the contract, and therefore is not considered to be a financial instrument.

Deferred tax asset
The Directors have used their judgement, based on long term projections, in estimating whether there will be sufficient taxable profits in the future to recognise a deferred tax asset in relation to tax losses carried forward. The Directors have also made estimates, based on those projections, about the expected timing or reversal of the deductible and taxable temporary differences when considering whether the deferred tax asset can be recognised and concluded that it is not appropriate. No deferred tax asset has therefore been recognised.

Key sources of estimation uncertainty
The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are as follows.

Impairment of fixed assets
Following recent operational performance, the Directors performed an impairment review. Following this impairment review, an impairment charge of £7,346,000 has been recorded. The impairment review was calculated on the basis of value in use. The key assumptions in assessing value in use (those assumptions to which the impairment review is most sensitive) are the discount rate of 7.76%, forward power prices, forecast wood costs and a forecast increase in forward ROC prices in 2027. A change in any of these assumptions would lead to an increase or decrease in the impairment charge. Power price curves from quarter three 2020 were reviewed to see what the potential impact to impairment could be, see Note 22 for further details.

Decommissioning provision
The Company has a decommissioning provision resulting from its obligation at the end of the license period to return the site to its original state and condition. The calculation used to estimate the future expected cost of decommissioning the site is based on a historic estimate provided by a qualified third party consultant, discounted back to present value at a suitable discount rate. The net present value of the provision at the balance sheet date was £244,000 (2019: £214,000). Details of the provision are set out in Note 17. The Directors will continue to monitor market prices for decommissioning works for indications of material changes to the assumptions underlying the decommissioning provision calculation.

3 Turnover and other revenue

An analysis of the Company's turnover is as follows:

	2020 £'000	2019 £'000
Turnover analysed by class of business		
Renewable Obligations Certificate (ROC) Income	6,811	6,115
Power Purchase Agreement Income	3,112	4,330
Triads Income	2	115
Heat Contract Income	1,157	545
Renewable Heat Income	2,098	2,216
Other income	371	-
	13,551	13,321

	2020 £'000	2019 £'000
Turnover analysed by geographical market		
United Kingdom	13,551	13,321

4 Operating loss

Operating loss for the year is stated after charging:	2020 £'000	2019 £'000
Fees payable to the company's auditor for the audit of the company's financial statements	20	19
Depreciation of owned tangible fixed assets	3,662	3,587
Impairment of owned tangible fixed assets	7,346	-
Operating lease charges	84	84

5 Employees

The Company had no employees during the period (2018: nil)

6 Directors' remuneration

No Directors received any remuneration for services to the Company during the current or prior year. The Company is managed under General Management Services Agreement by Estover Energy Limited and Financial Management Services Agreement by HCP Management Services Limited.

7 Interest receivable and similar income

	2020 £'000	2019 £'000
Interest income		
Interest on bank deposits	3	6

8 Interest payable and similar expenses

	2020 £'000	2019 £'000
Interest on financial liabilities measured at amortised cost:		
Interest on bank overdrafts and loans	2,423	2,538
Interest on subordinated loan	6,515	5,573
Other finance costs:		
Unwinding of discount on provisions	2	3
Amortised debt issue costs	22	24
Total interest expense	8,962	8,138

9 Taxation

	2020 £'000	2019 £'000
Current tax		
UK corporation tax on losses for the current period	(1)	-
Adjustments in respect of prior periods	(3)	-
Total UK current tax	(4)	-
Deferred tax		
Origination and reversal of timing differences	1,859	(4,042)
Changes in tax rates	(196)	-
Adjustment in respect of prior periods	2,558	1,749
Total deferred tax	4,221	(2,293)
Total tax charge/(credit)	4,217	(2,293)

For the year ended 31 March 2020, the UK corporation tax rate of 19% is applied.

A reduction in the UK corporation tax rate from 19% to 17% (effective 1 April 2020) was substantively enacted on 15 September 2016. The March 2020 Budget announced that a rate of 19% would continue to apply with effect from 1 April 2020, and this change was substantively enacted on 17 March 2020. The deferred tax asset as at 31 March 2020 has been calculated based on a rate of 19%.

9 Taxation (Continued)

The actual charge/(credit) for the year can be reconciled to the expected credit for the year based on the profit or loss and the standard rate of tax as follows:

	2020 £'000	2019 £'000
Loss before taxation	(18,217)	(8,425)
Expected tax credit based on the standard rate of corporation tax in the UK of 19.00% (2019: 19.00%)	(3,460)	(1,601)
Tax effect of expenses that are not deductible in determining taxable profit	1,508	71
Adjustments in respect of prior years	3	(924)
Effect of change in corporation tax rate	(196)	161
Depreciation on assets not qualifying for tax allowances	72	-
Amortisation on assets not qualifying for tax allowances	(5)	-
Deferred tax adjustments in respect of prior years	2,554	-
Deferred tax not provided	3,741	-
Taxation charge/(credit) for the year	4,217	(2,293)

10 Impairments

Impairment tests have been carried out where appropriate and the following impairment losses have been recognised in profit and loss:

	Notes	2020 £'000	2019 £'000
In respect of:			
Property, plant and equipment	11	7,346	-
Recognised in:			
Administrative expenses		7,346	-

11 Tangible fixed assets

	£'000
Cost	
At 1 April 2019	71,957
Additions	1,829
At 31 March 2020	73,786
Depreciation and impairment	
At 1 April 2019	8,047
Depreciation charged in the year	3,662
Impairment losses	7,346
At 31 March 2020	19,055
Carrying amount	
At 31 March 2020	54,731
At 31 March 2019	63,910

More information on impairment movements in the year is given in notes 2 and 10.

12 Stocks

	2020 £'000	2019 £'000
Raw materials and consumables	211	244

13 Debtors

Amounts falling due within one year:	2020 £'000	2019 £'000
Trade debtors	671	77
Other debtors	206	177
Prepayments and accrued income	3,257	3,748
	4,134	4,002

13 Debtors (Continued)

Amounts falling due after more than one year:	Notes	2020 £'000	2019 £'000
Deferred tax asset	18	-	4,221
Total debtors		4,134	8,223

14 Creditors: amounts falling due within one year

	Notes	2020 £'000	2019 £'000
Intercompany loans	16	41,930	2,225
Trade creditors		1,699	917
Amounts payable to Group company		22	17
Other creditors		84	-
Accruals and deferred income		6,949	5,470
		50,684	8,629

15 Creditors: amounts falling due after more than one year

	Notes	2020 £'000	2019 £'000
Intercompany loans	16	-	41,931
Subordinated loan	16	48,895	41,380
		48,895	83,311

Intercompany loans
SREF, a fellow group company, has a listed bond from The Bank of New York Mellon for £48.2 million. The proceeds raised from this Bond has been provided to the Company on back to back terms except for interest as set out in note 15.

The bond has been classified as a creditor due within one year at the balance sheet date as the bond agreement requires the amounts to be repayable on demand due to a breach in bond covenants.

Amounts included above which fall due after five years are as follows:

	2020 £'000	2019 £'000
Payable by instalments	41,930	44,156
Payable other than by instalments	48,895	41,380
	90,825	85,536

16 Loans and overdrafts

	2020 £'000	2019 £'000
Intercompany loans	41,930	44,156
Subordinated loan	48,895	41,380
	90,825	85,536
Payable within one year	41,930	2,225
Payable after one year	48,895	83,311
	90,825	85,536

Intercompany loan

SREF, a fellow group company has a listed bond from The Bank of New York Mellon for £48.2 million. The bond is repayable in line with agreed repayment schedules paid semi-annually for both principal repayment and interest over the next eight years. The proceeds raised from this Bond has been provided to the Company on back to back terms except for interest as set out below.

Interest is charged at the same terms as the bond issued by SREF plus an annual issuer Profit of £5,000 per annum. Interest on the public bond is fixed at 3%. The bond is guaranteed by HM Government's Infrastructure and Projects at an annual guarantee fee of 2.5%.

Subordinated debt

The principal amount of the Company's unsecured subordinated debt fixed rate loan notes is limited to £30,985,572 plus any unpaid interest added to the loan at the option of the borrower under the terms of the facility. The principal amount of the Group's unsecured subordinated debt fixed rate loan notes outstanding at 31 March 2020 is £48,895,077 (2019: £41,380,272). Unpaid interest of £6,514,805 (2019: £5,572,571) was added to the principal during the period. The loan is only due for repayment in 2041 and is owed to SREPH which is currently in administration.

17 Provisions for liabilities

	2020 £'000	2019 £'000
Decommissioning provision	244	214

Movements on provisions:

	Decommissioning provision £'000
At 1 April 2019	214
Movement in the year	30
At 31 March 2020	244

17 Provisions for liabilities **(Continued)**

The Company's decommissioning provision is as a result from its obligation at the end of the rental period to return the biomass site to an agreed state and condition. The Company has estimated the present value of the decommissioning provision to be £244,000 (2019: £214,000).

18 Deferred taxation

Deferred tax assets and liabilities are offset where the Company has a legally enforceable right to do so. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	Assets	Assets
	2020	2019
Balances:	£'000	£'000
Tax losses	-	4,221

	2020
Movements in the year:	£'000
Asset at 1 April 2019	(4,221)
Charge to profit or loss	4,221
Liability at 31 March 2020	-

The Directors have assessed whether the deferred tax on losses would be recovered and have concluded that there is uncertainty around future profits and so no deferred tax has been recognised for tax losses.

19 Share capital

	2020	2019
	£'000	£'000
100 Ordinary Shares of £1 each	-	-

The share capital of Speyside Renewable Energy Partnership Limited of £100 was issued and fully paid on the 16th August 2014.

Other Reserves
The profit and loss reserve represents cumulative profits or losses.

20 Operating lease commitments

Lessee

The landlord permits the use of its premises for the build and operation of a CHP plant for the commercial generation of heat and electricity.

The initial term of the lease is 27 years with an option to extend for a further 25 years.

At the reporting end date, the company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2020 £'000	2019 £'000
Within one year	95	89
Between two and five years	396	357
In over five years	1,605	1,609
	2,096	2,055

21 Related party transactions

Transactions with related parties

During the year the Company entered into the following transactions with related parties:

	2020 £'000	2019 £'000
Laing Investments Management Services Limited: Tax compliance and Director fees	-	6
John Laing Investments Limited: Subordinated debt	3,323	2,842
Estover Energy Limited: Management services fee	440	460
UK Green Investment Bank Limited: Director Travel Expenses	-	1
UK Green Investment Bank Limited: Subordinated debt	-	1,283
Equitix ESI CHP 2 Limited: Subordinated debt	3,192	1,447
Speyside Renewable Energy Partnership Limited: PLC Loan Issuer Fee	5	5
	6,960	6,044

Amounts due to related parties	2020 £'000	2019 £'000
Estover Energy Limited: Management services fees	133	129
Laing Investments Management Services Limited: Tax Compliance fees and Director fees	-	12
John Laing Investments Limited: Subordinated debt	24,936	21,104
UK Green Investment Bank Plc: Director expenses	13	11
Equitix ESI CHP 2 Limited: Subordinated debt	23,959	20,276
	49,041	41,532

Other than those disclosed in note 15 no guarantees have been given or received.

The principal amount of the fellow Group Company's unsecured subordinated debt fixed rate loan notes outstanding at 31 March 2020 is £48,895,077 (2019: £41,380,272) this in inclusive of unpaid interest of £6,514,805 (2018: £5,572,592) which was added to the principal during the period.

22 Ultimate controlling party

The Company's immediate and ultimate parent company and controlling entity is SREPH, a Company incorporated in Great Britain and registered in Scotland, with a registered address of Suite 26, Johnston House, 52-54 Rose Street, Aberdeen, AB10 1UD.

SREPH is a joint venture between John Laing Investments Limited (43.35%), Equitix ESI CHP 2 Limited (41.65%) and Estover Energy Limited (15%). The Directors consider there to be no ultimate controlling party.

Administrators were appointed for SREPH on 25 October 2020, the Administrators are David Shambrook and Geoffrey Roley of FRP Advisory Trading Limited and can be contacted at 110 Cannon Street, London, EC4N 6EU.

23 Post Balance Sheet Events

The World Health Organisation declared the COVID-19 outbreak a health emergency on 30 January 2020 and a global pandemic on 11 March 2020. At balance sheet date the pandemic was known about but had not fully developed. Most of the impact of COVID-19 has been post balance sheet date.

Many actions taken by the UK Government and the private sector to respond to the outbreak followed these announcements. A review of the risks due to COVID-19 can be found in the Strategic report, based on those risks the financial impact on the Group due to the Governments actions in responding to COVID-19 has been a £1m reduction in revenue due to the shutdown of the key offtaker and a decrease in revenue due to lower than forecast power prices. Lower prices are expected to persist and have contributed to the need for an asset impairment.

As noted above, administrators were appointed for SREPH on 5 October 2020.

The impairment review used forecast power prices as at balance sheet date. Forecast power prices are issued quarterly. The quarter three 2020 curve indicates that forecast power prices may continue to fall. If the quarter three 2020 forecast had been used to calculate impairment it would have increased the impairment by £3,145,000.

A new three year funding facility was put in place in October 2020.

24 Cash generated from operations

	2020 £'000	2019 £'000
Loss for the year after tax	(22,434)	(6,132)
Adjustments for:		
Taxation charged/(credited)	4,217	(2,293)
Finance costs	8,940	8,132
Investment income	(3)	(6)
Depreciation, amortisation and impairment	11,031	3,587
Fixed asset addition accrued	(1,829)	-
Decrease/(increase) in stocks	33	(100)
(Increase) in debtors	(134)	(811)
Increase in creditors	2,348	371
Movement in decommissioning provision	30	-
Cash generated from operations	2,199	2,748