

Company Registration No. SC403396 (Scotland)

SPEYSIDE RENEWABLE ENERGY PARTNERSHIP LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021

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SPEYSIDE RENEWABLE ENERGY PARTNERSHIP LIMITED

COMPANY INFORMATION

Directors	M Aitken A Dixon C McLeod	(Appointed 3 September 2020) (Appointed 3 September 2020)
Secretary	Vercity Management Services Limited	
Company number	SC403396	
Registered office	13 Queen's Road Aberdeen Scotland AB15 4YL	
Auditor	Deloitte LLP 1 New Street Square London EC4A 3HQ	
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 2021

The Directors present the strategic report for the year ended 31 March 2021.

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 £29,517,000 (2020: £22,434,000) and net liabilities are £69,200,000 at the balance sheet date (2020: £39,683,000).

Higher fuel prices than originally forecast, and lower power (output) prices have meant that Annual Debt Cover Ratio has 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 investor of £400,000 was received in August 2020, this was 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. The administration will provide financial stability and facilitate the transfer of the project to new ownership through a sales process. 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 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 £15,504,000 (2020: £7,346,000).

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

SPEYSIDE RENEWABLE ENERGY PARTNERSHIP LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2021

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, the key heat off-taker closed for three 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

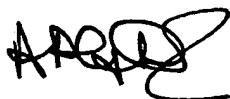
At the date of this report, discussions with interested parties are taking place on the sale of the Company. A successful sale seems likely. As noted elsewhere the immediate holding Company was placed into administration on 5 October 2020. This may have implications for the ownership of the Company in due course.

Key Performance Indicators

Heat (MWhTh) and electricity (MWh) produced during the year and sold to the respective heat and electricity off-takers are the key performance indicators for the Company.

For the year ended 31 March 2021 the Company generated 26,239 MWhTh (2020: 31,938 MWhTh) of heat and 85,055 MWh (2020: 85,612 MWh) of electricity. Heat generation is lower due to a key heat off-taker closing for three months due to the COVID-19 pandemic.

Approved/authorised for issue by the board of directors



A Dixon
Director

24 January 2022

SPEYSIDE RENEWABLE ENERGY PARTNERSHIP LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 MARCH 2021

The Directors present their annual report and audited financial statements for the year ended 31 March 2021.

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)
P J Ireland	(Resigned 26 October 2020)
M Aitken	
E D Archer	(Resigned 26 October 2020)
R Nodder	(Appointed 13 October 2020 and resigned 20 October 2021)
J Doshi	(Appointed 13 October 2020 and resigned 20 October 2021)
A Dixon	(Appointed 3 September 2020)
C McLeod	(Appointed 3 September 2020)

Results

The results for the year are set out on page 11.

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 during the year that there was a developing liquidity mis-match between the free cash generated by the Company and the bond payment obligations of SREF.

A three-year term loan was put in place during the year.

Exposure to market prices

There is exposure to long term electricity market prices. A 12 year Power Purchase Agreement has been entered into, effective from the start of commercial operations. The electricity market is monitored and short term fixes can be entered into to reduce risk.

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.

SPEYSIDE RENEWABLE ENERGY PARTNERSHIP LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2021

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.

Other risks

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.

Liquidated damages

A claim for liquidated damages of £5.1m was issued by the Company in September 2020. This offsets the final outstanding milestone payment of £5m and has not been recognised in the accounts as recovery is not certain.

Generation risk

The Company is exposed to generation risk due to optimisation of the plant performance and off-taker requirement for heat and power. Plant performance is monitored closely and optimised on a continuous basis.

Heat off-take is currently limited to one off-taker and planned needs are obtained from the parties in forecasting the requirement from the plant.

Power generation is first provided to the private wire off-taker and excess is then fed to the national grid. Where private wire off-taker requirement reduces, more power is fed to the national grid.

Future developments

At the date of this report, discussions with interested parties are taking place on the sale of the Company. A successful sale seems likely. The immediate holding company was placed into administration during the year. In due course the administrators will need to determine how they treat their holding in the Company.

Going Concern

The Company is in a net liability position at 31 March 2021. The Directors have reviewed the cashflow forecast and existing banking facilities and cashflows will not allow the Company to make the March 2022 debt payments due to a fall in power prices and increased fuel prices, as well as the impact of the Covid-19 crisis. SREPH, the immediate parent has been placed into administration and a sale process has commenced. Speyside Renewable Energy Finance plc (SREF) a fellow group company, has a listed bond from the Bank of New York Mellon with the proceeds provided to the Company on back to back terms. Performance in the year has also meant that SREF's debt service cover ratio had not been met at March 2021 and consequently the Collateral Deed requires the amounts to be repayable on demand. The inability to meet future debt payments indicates a material uncertainty in relation to Going Concern.

The ability of the Company to remain a Going Concern relies on a successful sale of the Company or a revised debt package. Discussions with interested parties on a sale of the Company and with the lenders remain positive and either of these routes remain viable options as at the date of signing these financial statements. For this reason, at the date of signing these financial statements, the Directors have prepared the financial statements on a going concern basis however there is material uncertainty that casts significant doubt about the Company's ability to continue as a going concern such that the Company may be unable to realise its assets and discharge its liabilities in the normal course of business.

SPEYSIDE RENEWABLE ENERGY PARTNERSHIP LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2021

Auditor

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

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.

Approved/authorised for issue by the board of directors



A Dixon
Director

24 January 2022

SPEYSIDE RENEWABLE ENERGY PARTNERSHIP LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 31 MARCH 2021

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 of Speyside Renewable Energy Partnerships Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 March 2021 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.

Material uncertainty relating to going concern

We draw attention to note 1.2 in the financial statements, which indicates that the Company will be unable to repay its March 2022 debt payments. The ability of the Company to remain a going concern relies on a successful sale of the Company or a revised debt package. As stated in note 1.2, these events or conditions, along with the other matters as set forth in note 1.2, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

In auditing the financial statements, we have concluded that the directors use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

SPEYSIDE RENEWABLE ENERGY PARTNERSHIP LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF SPEYSIDE RENEWABLE ENERGY PARTNERSHIP LIMITED

Other information

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

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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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 this regard.

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.

SPEYSIDE RENEWABLE ENERGY PARTNERSHIP LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF SPEYSIDE RENEWABLE ENERGY PARTNERSHIP LIMITED

Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We considered the nature of the company's industry and its control environment, and reviewed the company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management about their own identification and assessment of the risks of irregularities.

We obtained an understanding of the legal and regulatory framework that the company operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included UK Companies Act and tax legislation; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty.

We discussed among the audit engagement team including relevant internal specialists such as financial instrument specialists regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

As a result of performing the above, we identified the greatest potential for fraud in the area of revenue recognition, principally the accuracy of revenue recorded. We assessed the revenue controls in place and agreed a sample of revenue transactions to invoice and to the final payment made by the company's customers.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance.

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 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.

SPEYSIDE RENEWABLE ENERGY PARTNERSHIP LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF SPEYSIDE RENEWABLE ENERGY PARTNERSHIP LIMITED

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 on in respect of these matters.

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.


Daryl Winstone FCA (Senior Statutory Auditor)

For and on behalf of Deloitte LLP, Statutory Auditor
London,

24 January 2022

SPEYSIDE RENEWABLE ENERGY PARTNERSHIP LIMITED

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2021

	Notes	2021 £'000	2020 £'000
Turnover	3	11,119	13,551
Cost of sales		(11,130)	(10,918)
Gross (loss)/profit		(11)	2,633
Administrative expenses		(19,323)	(11,891)
Operating loss	4	(19,334)	(9,258)
Interest receivable and similar income	7	-	3
Interest payable and similar expenses	8	(10,184)	(8,962)
Loss before taxation		(29,518)	(18,217)
Tax on loss	9	1	(4,217)
Loss for the financial year		(29,517)	(22,434)

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

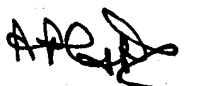
SPEYSIDE RENEWABLE ENERGY PARTNERSHIP LIMITED

BALANCE SHEET

AS AT 31 MARCH 2021

	Notes	2021 £'000	£'000	2020 £'000	£'000
Fixed assets					
Tangible assets	11		36,467		54,731
Current assets					
Stocks	12	157		211	
Debtors	13	3,881		4,134	
Cash at bank and in hand		1,652		1,064	
		<u>5,690</u>		<u>5,409</u>	
Creditors: amounts falling due within one year	14	<u>(49,954)</u>		<u>(50,684)</u>	
Net current liabilities			<u>(44,264)</u>		<u>(45,275)</u>
Total assets less current liabilities			<u>(7,797)</u>		<u>9,456</u>
Creditors: amounts falling due after more than one year	15		(61,175)		(48,895)
Provisions for liabilities	17		(228)		(244)
Net liabilities			<u>(69,200)</u>		<u>(39,683)</u>
Capital and reserves					
Called up share capital	19				-
Profit and loss reserves	19		(69,200)		(39,683)
Total shareholders' funds			<u>(69,200)</u>		<u>(39,683)</u>

The financial statements were approved by the board of directors and authorised for issue on 24 January 2022 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 2021

	Share capital £'000	Profit and loss reserves £'000	Total £'000
Balance at 1 April 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)
Year ended 31 March 2021:			
Loss and total comprehensive income for the year	-	(29,517)	(29,517)
Balance at 31 March 2021	-	(69,200)	(69,200)

SPEYSIDE RENEWABLE ENERGY PARTNERSHIP LIMITED

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2021

	Notes	2021 £'000	£'000	2020 £'000	£'000
Cash flows from operating activities					
Cash generated from operations	23		188		2,199
Investing activities					
Interest received		-		3	
Net cash (used in)/generated from investing activities			-		3
Financing activities					
Interest paid		(1,352)		(2,418)	
Injection/(repayment) of borrowings		1,352		(2,248)	
Subordinated loan injection		400		1,000	
Net cash generated from/(used in) financing activities			400		(3,666)
Net increase/(decrease) in cash and cash equivalents			588		(1,464)
Cash and cash equivalents at beginning of year			1,064		2,528
Cash and cash equivalents at end of year			<u>1,652</u>		<u>1,064</u>

SPEYSIDE RENEWABLE ENERGY PARTNERSHIP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021

1 Accounting policies

Company information

Speyside Renewable Energy Partnership Limited is a private company limited by shares incorporated 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 sterling, which is the functional currency of the Company. Monetary amounts in these financial statements are rounded to the nearest £'000.

1.2 Going concern

The Company is in a net liability position at 31 March 2021. The Directors have reviewed the cashflow forecast and existing banking facilities and cashflows will not allow the Company to make the March 2022 debt payments due to a fall in power prices and increased fuel prices, as well as the impact of the Covid-19 crisis. SREPH, the immediate parent has been placed into administration and a sale process has commenced. Speyside Renewable Energy Finance plc (SREF) a fellow group company, has a listed bond from the Bank of New York Mellon with the proceeds provided to the Company on back to back terms. Performance in the year has also meant that SREFs debt service cover ratio had not been met at March 2021 and consequently the Collateral Deed requires the amounts to be repayable on demand. The inability to meet future debt payments indicates a material uncertainty in relation to Going Concern.

The ability of the Company to remain a Going Concern relies on a successful sale of the Company or a revised debt package. Discussions with interest parties on a sale of the Company and with the lenders remain positive and either of these routes remain viable options as at the date of signing these financial statements. For this reason, at the date of signing these financial statements, the Directors have prepared the financial statements on a going concern basis however there is material uncertainty that casts significant doubt about the Company's ability to continue as a going concern such that the Company may be unable to realise its assets and discharge its liabilities in the normal course of business.

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.

SPEYSIDE RENEWABLE ENERGY PARTNERSHIP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2021

1 Accounting policies

(Continued)

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. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the stocks to their present location and condition.

Stocks held for distribution at no or nominal consideration are measured at the lower of replacement cost and cost, adjusted where applicable for any loss of service potential.

SPEYSIDE RENEWABLE ENERGY PARTNERSHIP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2021

1 Accounting policies

(Continued)

At each reporting date, an assessment is made for impairment. Any excess of the carrying amount of stocks over its estimated selling price less costs to complete and sell is recognised as an impairment loss in profit and loss. Reversals of impairment losses are also recognised in profit and loss.

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 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.

Other financial assets

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

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.

SPEYSIDE RENEWABLE ENERGY PARTNERSHIP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2021

1 Accounting policies

(Continued)

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.

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.

SPEYSIDE RENEWABLE ENERGY PARTNERSHIP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2021

1 Accounting policies

(Continued)

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.

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.

SPEYSIDE RENEWABLE ENERGY PARTNERSHIP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2021

1 Accounting policies

(Continued)

1.12 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

1.13 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.

SPEYSIDE RENEWABLE ENERGY PARTNERSHIP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2021

2 Critical accounting judgements and key sources of estimation uncertainty (Continued)

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 £15,504,000 has been recorded in the year (2020: £7,346,000). 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.

3 Turnover and other revenue

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

	2021 £'000	2020 £'000
Turnover analysed by class of business		
Renewable Obligations Certificate (ROC) Income	6,341	6,811
Power Purchase Agreement Income	2,656	3,112
Triads Income	-	2
Heat Contract Income	473	1,157
Renewable Heat Income	1,250	2,098
Other income	399	371
	<u>11,119</u>	<u>13,551</u>
	2021 £'000	2020 £'000
Turnover analysed by geographical market		
United Kingdom	<u>11,119</u>	<u>13,551</u>

4 Operating loss

	2021 £'000	2020 £'000
Operating loss for the year is stated after charging:		
Fees payable to the company's auditor for the audit of the company's financial statements	21	20
Depreciation of owned tangible fixed assets	3,339	3,662
Impairment of owned tangible fixed assets	15,504	7,346
Operating lease charges	<u>84</u>	<u>84</u>

5 Employees

The Company had no employees during the period (2020: nil)

SPEYSIDE RENEWABLE ENERGY PARTNERSHIP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2021

6 Directors' remuneration

Directors received remuneration for services to the company of £108,630 during the year (2020: nil)

7 Interest receivable and similar income

	2021 £'000	2020 £'000
Interest income		
Interest on bank deposits	-	3

8 Interest payable and similar expenses

	2021 £'000	2020 £'000
Interest on financial liabilities measured at amortised cost:		
Interest on bank overdrafts and loans	2,342	2,423
Interest on subordinated loan	7,646	6,515
Other finance costs:		
Unwinding of discount on provisions	3	2
Other charges	193	22
Total interest expense	10,184	8,962

9 Taxation

	2021 £'000	2020 £'000
Current tax		
UK corporation tax on losses for the current period	(1)	(1)
Adjustments in respect of prior periods	-	(3)
Total UK current tax	(1)	(4)
Deferred tax		
Origination and reversal of timing differences	-	1,859
Changes in tax rates	-	(196)
Adjustment in respect of prior periods	-	2,558
Total deferred tax	-	4,221
Total tax (credit)/charge	(1)	4,217

SPEYSIDE RENEWABLE ENERGY PARTNERSHIP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2021

9 Taxation

(Continued)

For the year ended 31 March 2021, the UK corporation tax rate of 19% is applied.

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 2021 has been calculated based on a rate of 19%. An intention to increase the corporation tax rate to 25% was announced in the March 2021 budget.

The actual (credit)/charge 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:

	2021 £'000	2020 £'000
Loss before taxation	(29,518)	(18,217)
Expected tax credit based on the standard rate of corporation tax in the UK of 19.00% (2020: 19.00%)	(5,608)	(3,460)
Tax effect of expenses that are not deductible in determining taxable profit	77	1,508
Adjustments in respect of prior years	-	3
Effect of change in corporation tax rate	-	(196)
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	5,530	3,741
Taxation (credit)/charge for the year	(1)	4,217

10 Impairments

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

	Notes	2021 £'000	2020 £'000
In respect of:			
Property, plant and equipment	11	15,504	7,346
Recognised in:			
Administrative expenses		15,504	7,346

SPEYSIDE RENEWABLE ENERGY PARTNERSHIP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2021

11 Tangible fixed assets

	£'000
Cost	
At 1 April 2020	73,785
Additions	580
At 31 March 2021	74,365
Depreciation and impairment	
At 1 April 2020	19,055
Depreciation charged in the year	3,339
Impairment losses	15,504
At 31 March 2021	37,898
Carrying amount	
At 31 March 2021	36,467
At 31 March 2020	54,731

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

12 Stocks

	2021 £'000	2020 £'000
Raw materials and consumables	157	211

13 Debtors

	2021 £'000	2020 £'000
Amounts falling due within one year:		
Trade debtors	296	671
Amounts owed by group undertakings	78	-
Other debtors	661	206
Prepayments and accrued income	2,846	3,257
	3,881	4,134

SPEYSIDE RENEWABLE ENERGY PARTNERSHIP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2021

14 Creditors: amounts falling due within one year

	Notes	2021 £'000	2020 £'000
Intercompany loan	16	39,070	41,930
Trade creditors		7,223	1,699
Amounts payable to Group company		-	22
Other creditors		677	84
Accruals and deferred income		2,984	6,949
		<u>49,954</u>	<u>50,684</u>

Intercompany loan

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 16. Bonds have been classified as a creditor due within one year at the balance sheet date as the Collateral Deed requires the amounts to be repayable on demand, due to a breach in bank covenants, the performance in the year has meant that the debt service cover ratio has not been met in March 2021.

15 Creditors: amounts falling due after more than one year

	Notes	2021 £'000	2020 £'000
IFU loan	16	4,233	-
Subordinated loan	16	56,942	48,895
		<u>61,175</u>	<u>48,895</u>

Amounts which fall due after five years are as follows:

	£'000	£'000
Payable other than by instalments	<u>56,942</u>	<u>48,895</u>

SPEYSIDE RENEWABLE ENERGY PARTNERSHIP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2021

16 Loans and overdrafts

	2021 £'000	2020 £'000
Intercompany loans	39,070	41,930
IFU loan	4,233	-
Subordinated loan	56,942	48,895
	<u>100,245</u>	<u>90,825</u>
Payable within one year	39,070	41,930
Payable after one year	61,175	48,895
	<u>100,245</u>	<u>90,825</u>

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 have 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 Company's unsecured subordinated debt of fixed rate loan notes, has a balance at 31 March 2021 of £56,941,533 (2020: £48,895,077). Unpaid interest of £7,646,456 (2020: £6,514,805) was added to the principal in the year and in August 2020 additional subordinated debt funding of £400,000 was received. The subordinated debt has interest at 15% and is repayable by 2041.

Infrastructure Finance Unit Ltd (IFU) Loan

A new funding facility was put in place in October 2020 with Infrastructure Finance Unit Ltd (IFU). The total loan available is £8.6m and can be drawn upon up until October 2021 and is repayable by October 2023. The interest rate is staggered, however in the year to 31 March 2021 it was 7%.

17 Provisions for liabilities

	2021 £'000	2020 £'000
Decommissioning provision	<u>228</u>	<u>244</u>

SPEYSIDE RENEWABLE ENERGY PARTNERSHIP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2021

17 Provisions for liabilities

(Continued)

Movements on provisions:

	Decommissioning provision £'000
At 1 April 2020	244
Movement in the year	16
At 31 March 2021	228

The Company's decommissioning provision results from its obligation at the end of the rental period to return the biomass 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 Company has estimated the net present value of the decommissioning provision at the balance sheet date to be £228,000 (2020: £244,000).

The Directors will continue to monitor market prices for decommissioning works for indications of material changes to the assumptions underlying the decommission provision calculation.

18 Deferred taxation

Deferred tax assets and liabilities are offset where the Company has a legally enforceable right to do so.

There were no deferred tax movements in the year.

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

	2021 £'000	2020 £'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.

SPEYSIDE RENEWABLE ENERGY PARTNERSHIP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2021

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:

	2021	2020
	£'000	£'000
Within one year	95	95
Between two and five years	411	396
In over five years	1,495	1,605
	<u>2,001</u>	<u>2,096</u>

SPEYSIDE RENEWABLE ENERGY PARTNERSHIP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2021

21 Related party transactions

Transactions with related parties

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

	2021	2020
	£'000	£'000
John Laing Investments Limited: Subordinated Loan Interest	3,899	3,323
John Laing Investments Limited: Additional Investment	204	-
Estover Energy Limited: Management services fee	293	440
Equitix ESI CHP 2 Limited: Subordinated Loan Interest	3,747	3,192
Equitix ESI CHP 2 Limited: Additional Investment	196	-
Speyside Renewable Energy Partnership Limited: PLC Loan Issuer Fee	5	5
	<u>8,344</u>	<u>6,960</u>

	2021	2020
	£'000	£'000
Amounts due to related parties		
Estover Energy Limited: Management services fees	74	133
John Laing Investments Limited: Subordinated debt	28,836	24,936
UK Green Investment Bank Plc: Director expenses	13	13
Equitix ESI CHP 2 Limited: Subordinated debt	27,705	23,959
	<u>56,628</u>	<u>49,041</u>

The terms and conditions of the Company's unsecured subordinated debt with John Laing Investments Limited and Equitix ESI CHP2 Limited is detailed in note 16.

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 5 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.

SPEYSIDE RENEWABLE ENERGY PARTNERSHIP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2021

23 Cash generated from operations

	2021	2020
	£'000	£'000
Loss for the year after tax	(29,517)	(22,434)
Adjustments for:		
Taxation (credited)/charged	(1)	4,217
Finance costs	9,991	8,940
Investment income	-	(3)
Depreciation, amortisation and impairment	18,864	11,031
Fixed asset addition accrued	(598)	(1,829)
Movement in decommissioning provision	(16)	30
Decrease in stocks	54	33
(Increase) in debtors	(381)	(134)
Increase in creditors	1,792	2,348
Cash generated from operations	188	2,199

SPEYSIDE RENEWABLE ENERGY PARTNERSHIP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2021

24 Analysis of changes in net debt

	1 April 2020	Cash flows	Acquisitions and disposals	New finance leases	Interest accrued movements	Exchange rate movements	31 March 2021
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cash at bank and in hand	1,064	588	-	-	-	-	1,652
Borrowings excluding overdrafts	(90,825)	(400)	-	-	(9,020)	-	(100,245)
	<u>(89,761)</u>	<u>188</u>	<u>-</u>	<u>-</u>	<u>(9,020)</u>	<u>-</u>	<u>(98,593)</u>