

BWSC North Lincs Limited

Annual report and financial statements

Registered number 6337326

31 December 2016

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Contents

Company information	1
Strategic Report	2
Directors' report	3
Statement of directors' responsibilities in respect of the Strategic Report, the Directors' Report and the financial statements	4
Independent auditor's report to the members of BWSC North Lincs Limited	5
Profit and Loss Account	7
Balance Sheet	8
Statement of Changes in Equity	9
Notes	10

Company information

Directors

C Grundtvig
C Grumstrup Sorensen
K Larsen

Registered office

20-22 Bedford Row
London
WC1R 4JS

Auditor

KPMG LLP
3 Assembly Square
Britannia Quay
Cardiff
CF10 4AX

Company secretary

Jordan Company Secretaries Limited

Strategic Report

Principal activities

The principal activity of BWSC North Lincs Limited is to develop and operate a straw burning power plant.

Business review

The company initiated in November 2013 the Engineering, Procurement and Construction (EPC) project of a 40MW biomass power plant.

The power plant was taken over in January 2016, and subsequently became operational.

Loss for the year derives from continuing operation.

The Company has in the year incurred a loss before taxation of £18,977k (2015: £2,871k) which is fully in line with the directors' expectations and business plans. The loss derives from continuing operations.

Future outlook

The Company is well positioned to generate profit within a foreseeable future in accordance with the business plan.

There are, however, a number of risks and uncertainties that could affect the level of business and profitability. These are discussed below.

Principal risks and uncertainties

Power prices

The power prices have through most of 2016 been lower than compared to plan. However in the end of 2016 and into 2017 the power prices have recovered slightly.

External factors

An external factor that could impact the Company is the level of inflation in the UK, which at the moment seem to be at a lower level than compared to plan.

Furthermore the governmental plan on the need for power production could have an impact on the capacity provided.

Key performance indicators

The principal performance indicators used by the Board are as follows:

KPI – percentage of sales	2016 %	2015 %
Gross profit	38	-
Operating profit (EBIT)	7	-

Financial risk management

Price risk

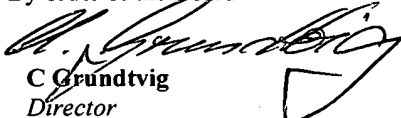
The nature of the Companys business exposes it to fluctuations in raw material prices. To minimise this exposure a large part of the raw material contracts are long term contracts from 2 to 12 years with fixed prices.

Cash flow and interest rate risk

The Company monitors the level of funds held within the business to ensure that there are sufficient funds available for working capital requirements. The Company is in operation and is financed by the power sales.

The Company has interest bearing liabilities. Interest bearing liabilities are subject to contractual interest rate levels.

By order of the Board


C Grundtvig
Director

21 March 2017

Directors' report

The directors present their directors' report and financial statements for the year ended 31 December 2016.

Principal activities

The principal activity of BWSC North Lincs Limited is to develop and operate a straw burning power plant.

Business Review

The results for the year are set out on page 7.

Proposed dividend

The directors do not recommend the payment of a dividend (2015: £nil).

Directors

The directors who held office during the year were as follows:

C Grumstrup Sorensen
C Grundtvig
D Jensen - resigned 3 March 2016
K Larsen – appointed 29 April 2016

Political donations

The Company made no political donations or incurred any political expenditure during the year (2015: £nil).


Disclosure of information to auditor

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

By order of the board


C Grundtvig
Director

20- 22 Bedford Row
London
WC1R 4JS

21 March 2017

Statement of directors' responsibilities in respect of the Strategic Report, the Directors' Report and the financial statements

The directors are responsible for preparing the Strategic Report, the Directors' 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 they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS102 *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 judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.



KPMG LLP
3 Assembly Square
Britannia Quay
Cardiff Bay
CF10 4AX
United Kingdom

Independent auditor's report to the members of BWSC North Lincs Limited

We have audited the financial statements of BWSC North Lincs Limited for the year ended 31 December 2016 set out on pages 7 to 20. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) including FRS102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

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.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2016 and of its loss for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year is consistent with the financial statements.

Based solely on the work required to be undertaken in the course of the audit of the financial statements and from reading the Strategic Report and the Directors' report:

- we have not identified material misstatements in those reports; and
- in our opinion, those reports have been prepared in accordance with the Companies Act 2006.

Independent auditor's report to the members of BWSC North Lincs Limited *(continued)*

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.



Emma Holiday
(Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
3 Assembly Square
Britannia Quay
Cardiff
CF10 4AX

11th April 2017

Profit and Loss Account
for the year ended 31 December 2016

	<i>Note</i>	2016 £000	2015 £000
Turnover	2	30,628	-
Cost of Sales		(18,941)	-
Gross profit		11,687	-
Administrative expenses	3	(9,515)	(947)
Operating profit/(loss)		2,172	(947)
Other interest receivable and similar income	6	5	12
Interest payable and similar expenses	7	(21,154)	(1,936)
Loss before taxation		(18,977)	(2,871)
Tax on loss	8	3,115	544
Loss for the financial year		(15,862)	(2,327)

The company's loss for the current year and the preceding financial year derives from continuing operations.

The profit and loss account presents all items of income and expense recognised in both 2016 and 2015. There are no items of other comprehensive income in either year.

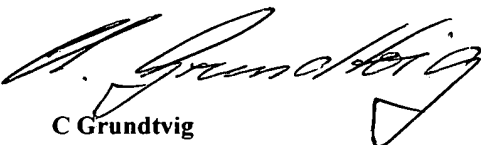
Balance Sheet
at 31 December 2016

	Note	2016 £000	2015 £000
Fixed assets			
Tangible assets	9	150,912	149,373
Current assets			
Stocks	11	1,699	3,119
Debtors	12	16,236	5,787
Cash at bank and in hand		5,115	885
		<u>23,050</u>	<u>9,791</u>
Creditors: amounts falling due within one year	13	<u>(3,563)</u>	<u>(3,078)</u>
Net current assets		<u>19,487</u>	<u>6,713</u>
Total assets less current liabilities		<u>170,399</u>	<u>156,086</u>
Creditors: amounts falling due after more than one year	14	(191,782)	(161,478)
Provisions for liabilities			
Deferred tax liability	15	-	(129)
Net liabilities		<u>(21,383)</u>	<u>(5,521)</u>
Capital and reserves			
Called up share capital	16	1	1
Profit and loss account		(21,384)	(5,522)
Deficit on shareholders' funds		<u>(21,383)</u>	<u>(5,521)</u>

These financial statements were approved by the board of directors on
and were signed on its behalf by:

21 March

2017


C Grundtvig
Director

Registered Company Number 6337326

The notes on pages 10 to 20 form part of these financial statements.

Statement of Changes in Equity

	Called up share capital £000	Profit & loss account £000	Total equity £000
Balance at 1 January 2015	1	(3,195)	(3,194)
Total comprehensive income	-	(2,327)	(2,327)
Balance at 31 December 2015	<u>1</u>	<u>(5,522)</u>	<u>(5,521)</u>

	Called up share capital £000	Profit & loss account £000	Total equity £000
Balance at 1 January 2016	1	(5,522)	(5,521)
Total comprehensive income	-	(15,862)	(15,862)
Balance at 31 December 2016	<u>1</u>	<u>(21,384)</u>	<u>(21,383)</u>

Notes

(forming part of the financial statements)

1 Accounting policies

BWSC North Lincs Limited is a company limited by shares and incorporated and domiciled in the UK.

The Company is exempt by virtue of Section 400 of the Companies Act 2006 from the requirement to prepare group financial statements. These financial statements present information about the Company as an individual undertaking and not about its group.

These financial statements were prepared in accordance with Financial Reporting Standard 102 *The Financial Reporting Standard* applicable in the UK and Republic of Ireland ("*FRS 102*") as issued in August 2014. The amendments to FRS 102 issued in July 2015 and effective immediately have been applied. The presentation and functional currency of these financial statements is sterling.

The financial statements are prepared on the historical cost basis. All amounts in the financial statements have been rounded to the nearest £1,000.

The Company's parent undertaking, BWSC Power Corporation Limited, includes the Company in its consolidated financial statements. The consolidated financial statements of BWSC Power Corporation Limited are prepared in accordance with Financial Reporting Standard 102 and are available to the public and may be obtained from the address stated in note 19. In these financial statements, the company is considered to be a qualifying entity (for the purposes of this FRS) and has applied the exemptions available under FRS 102 in respect of the following disclosures:

- Cash Flow Statement and related notes;

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

The company has taken advantage of the exemption under FRS 102 "Related Party Disclosures" from the requirement to disclose transactions with BWSC Power Corporation Limited and its 100% owned subsidiary undertakings on the basis that the company is a wholly owned subsidiary and the accounts of BWSC Power Corporation Limited are publicly available.

Going concern

The Company for the year ended 31 December 2016 made a loss before taxation of £18,977,000 (2015: £2,871,000) and has net liabilities of £21,383,000 (2015: £5,521,000). The power plant became operational on January 21 2016 and under its 30 year operational and financial model the power plant expects to generate profit within a foreseeable future. The financial model forecasts overall profitability.

The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis in preparing the annual financial statements.

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Where parts of an item of tangible fixed assets have different useful lives, they are accounted for as separate items of tangible fixed assets, for example land is treated separately from buildings.

The company assesses at each reporting date whether tangible fixed assets are impaired.

Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. The estimated useful lives are as follows:

- No depreciation is provided on freehold land.
- No depreciation is charged on assets under construction. Cost includes directly attributable finance costs.
- Power plant – 25 years

Notes *(continued)*

1 **Accounting policies** *(continued)*

Tangible fixed assets and depreciation *(continued)*

Depreciation methods, useful lives and residual values are reviewed if there is an indication of a significant change since last annual reporting date in the pattern by which the company expects to consume an asset's future economic benefits.

A review for impairment is undertaken at the end of each reporting period.

Foreign currencies

Transactions in foreign currencies are translated to the Company's functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined. Foreign exchange differences arising on translation are recognised in the profit and loss account.

Expenses

Interest receivable and Interest payable

Interest payable and similar expenses include interest payable, finance charges and net foreign exchange losses. Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that takes a substantial time to be prepared for use, are capitalised as part of the cost of that asset.

Other interest receivable and similar income include interest receivable on funds invested and net foreign exchange gains.

Interest income and interest payable are recognised in profit or loss as they accrue, using the effective interest method. Foreign currency gains and losses are reported on a net basis.

Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. The following timing differences are not provided for: differences between accumulated depreciation and tax allowances for the cost of a fixed asset if and when all conditions for retaining the tax allowances have been met; and differences relating to investments in subsidiaries, to the extent that it is not probable that they will reverse in the foreseeable future and the reporting entity is able to control the reversal of the timing difference. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is provided in respect of the additional tax that will be paid or avoided on differences between the amount at which an asset (other than goodwill) or liability is recognised in a business combination and the corresponding amount that can be deducted or assessed for tax. Goodwill is adjusted by the amount of such deferred tax.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax balances are not discounted.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Notes *(continued)*

1 Accounting policies *(continued)*

Basic financial instruments

Trade and other debtors / creditors

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of interest for a similar debt instrument.

Interest-bearing borrowings classified as basic financial instruments

Interest-bearing borrowings are recognised initially at the present value of future payments discounted at a market rate of interest. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

Investments

In the Company's financial statements, investments in subsidiary undertakings are measured at cost less impairment.

Cash and cash equivalents

Cash and cash equivalents comprises cash balances and call deposits.

Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost is based on the weighted average principle and includes expenditure incurred in acquiring the stocks, production or conversion costs and other costs in bringing them to their existing location and condition.

Turnover

Turnover is recognised upon distribution of power. This is settled on a monthly selfbilling invoice containing Power, ROC's and Triads if any. Power volume is based on a reading from an online portal. ROC's are based on the same readings and official, published, marked rate is applied.

Notes (continued)

2 Analysis of loss before taxation

All losses before taxation are derived from operations in the United Kingdom.

3 Expenses and auditor's remuneration

	2016 £000	2015 £000
<i>Loss before taxation is stated after charging</i>		
Fixed asset depreciation	5,818	-
 Auditor's remuneration:		
Audit of these financial statements	11	12
Other services – relating to taxation	2	4
	<hr/>	<hr/>
	13	16
	<hr/>	<hr/>

4 Directors' remuneration

No director received emoluments from the company in either year. There are no retirement benefits accruing to the directors. Directors are only representing the directorship as the management of the corporate and contractual setup is covered under a Corporate Service Agreement between CII PCL, BWSC A/S and BWSC Power Corporation Limited.

5 Staff numbers and costs

The average number of persons employed by the Company during the year, analysed by category, was as follows:

	Number of employees	
	2016	2015
Administrative	3	3
	<hr/>	<hr/>

The aggregate payroll costs of these persons were as follows:

	2016 £000	2015 £000
Wages and salaries	283	195
Social security costs	15	6
	<hr/>	<hr/>
	298	201
	<hr/>	<hr/>

Notes *(continued)*

6 Other interest receivable and similar income

	2016 £'000	2015 £'000
Bank interest	5	9
Exchange gain	-	3
	<u>5</u>	<u>12</u>

7 Interest payable and similar expenses

	2016 £'000	2015 £'000
Interest payable on Group loan	21,136	1,935
Interest payable – bank charges	4	1
Exchange loss	14	-
	<u>21,154</u>	<u>1,936</u>

Notes (continued)

8 Taxation

	2016 £000	2015 £000
<i>Current tax</i>		
Current tax on income for the period	-	-
Total current tax	-	-
<i>Group relief</i>		
Amounts received for group relief	(589)	(781)
Adjustments in respect of prior year	-	(677)
	(589)	(1,458)
<i>Deferred tax (see note 15)</i>		
Origination and reversal of timing differences	(2,526)	207
Adjustments in respect of prior year	-	707
	(2,526)	914
Total tax	(3,115)	(544)

Reconciliation of effective tax rate

	2016 £000	2015 £000
Loss for the year	(15,862)	(2,327)
Total tax credit	(3,115)	(544)
Loss excluding taxation	(18,977)	(2,871)
Tax using the UK corporation tax rate of 20% (2015 : 20%)	(3,796)	(574)
Prior year movement in deferred tax	-	707
Expenses not deductible for tax purposes	257	-
Group relief surrendered without charge	-	(677)
Movement in rate of deferred tax	424	-
Total tax credit included in profit or loss	(3,115)	(544)

A reduction in the UK corporation tax rate from 21% to 20% (effective from 1 April 2015) was substantively enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015, and an additional reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the company's future current tax charge accordingly. The deferred tax asset/liability at 31 December 2016 has been calculated based on these rates.

Notes (continued)

9 Tangible fixed assets

	Land £000	Power plant £000	Assets under construction £000	Total £000
Cost				
Balance at 1 January 2016	2,426	-	146,947	149,373
Additions	-	-	7,357	7,357
Transfer	-	154,304	(154,304)	-
	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 31 December 2016	2,426	154,304	-	156,730
	<hr/>	<hr/>	<hr/>	<hr/>
Depreciation				
Balance at 1 January 2016	-	-	-	-
Depreciation charge for the year	-	(5,818)	-	(5,818)
	<hr/>	<hr/>	<hr/>	<hr/>
	-	(5,818)	-	(5,818)
	<hr/>	<hr/>	<hr/>	<hr/>
Net book value				
At 31 December 2015	2,426	-	146,947	149,373
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2016	2,426	148,486	-	150,912
	<hr/>	<hr/>	<hr/>	<hr/>

Included in the cost of tangible fixed assets is £21,365,000 (2015: £21,218,000) in respect of capitalised finance costs.

10 Fixed asset investments

	Investment in subsidiary company £
Cost or valuation	
At 1 January 2016 and 31 December 2016	2
	<hr/>
Net book value	
At 31 December 2016	2
	<hr/>
At 31 December 2015	2
	<hr/>

The following was a subsidiary undertaking of the company:

Subsidiary undertaking	Country of incorporation	Principal activity	Class and percentage of shares held
BWSC Northern Fuels Limited	England and Wales	Fuel handling	100% ordinary

Notes *(continued)*

11 Stocks

	2016	2015
	£000	£000
Raw materials	1,699	3,119

12 Debtors

	2016	2015
	£000	£000
Trade debtors	7,761	780
Amounts owed by group undertakings	2,010	169
Other debtors	-	7
Deferred tax (note 15)	2,397	-
Other taxation	865	950
Prepayments	2,614	2,423
Group relief recoverable	589	1,458
	16,236	5,787

Deferred tax assets of £2,397,000 (2015: £nil) are due after more than one year.

13 Creditors: amounts falling due within one year

	2016	2015
	£000	£000
Trade creditors	557	2,084
Amounts owed to group undertakings	348	126
Other creditors	11	26
Accruals and deferred income	2,647	842
	3,563	3,078

Notes (continued)

14 Creditors: amounts falling due after more than one year

	2016 £000	2015 £000
Loan due to parent company	191,782	161,478

The loan from parent company is secured on the assets of the company and bears interest at 12%.

Repayment to be made in accordance with contractual Redemption schedule until new negotiations will be made during 2017. Since the year end on 21st March 2017 the directors of the Company approved a new schedule of loan repayments proposed by its parent company, BWSC Power Corporation Limited, under which £16m of repayments would be due during 2017.

15 Deferred taxation asset/(liability)

Deferred tax assets / (liabilities) are attributable to the following:

	2016 £000	2015 £000
Fixed asset timing difference	(5,512)	(4,244)
Unused tax losses	7,909	4,115
Net tax asset/(liability)	2,397	(129)

16 Called up share capital

	2016 £	2015 £
<i>Authorised, called up and fully paid</i>		
70,000 A ordinary shares of £0.01 each	700	700
30,000 B ordinary shares of £0.01 each	300	300
	1,000	1,000

Notes (continued)

17 Commitments

Capital commitments at the end of the financial year for which no provision has been made, are as follows:

	2016 £000	2015 £000
Contracted	-	6,297

The contracted capital commitments are in relation to the construction of the power plant.

18 Related party disclosures

The Company has taken advantage of the exemption available under paragraph 33.1a of the provisions of FRS 102 Related Party Disclosures, on the grounds that it is a wholly owned subsidiary of the BWSC Power Corporation Group.

A trading balance of £nil (2015: £nil) was advanced from BWSC A/S to BWSC North Lincs Limited. Purchases of £132,939,000 (2015: £85,047,000) were made from BWSC A/S in relation to the construction of the power plants in BWSC North Lincs Limited

19 Ultimate parent company and parent undertaking

The company is a wholly owned subsidiary of BWSC Power Corporation Limited. BWSC Power Corporation Limited is a company registered in England and Wales, which heads the largest and only group in which the results of the company are consolidated and is a joint venture owned by Burmeister & Wain Scandinavian Contractor A/S, and CII PCL APS both incorporated in Denmark.

The consolidated financial statements of BWSC Power Corporation Limited are available to the public and may be obtained from Registrar of Companies, Companies House, Crown Way, Cardiff, CF1 3UZ.

The ultimate parent company is PensionDanmark, a company incorporated in Denmark. The registered address of the entity is:

PensionDanmark A/S
Langelinie Allé 43
DK-2100 København Ø

20 Accounting estimates and judgements

Key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimation of useful economic life for assets

The useful lives of the Company's assets are determined by management at the time the asset is acquired and reviewed at least annually for appropriateness. Changes to the useful lives could result in changes to the annual depreciation charges in the profit and loss account and the carrying values of the assets.

Net realisable value of stock

The company makes an estimate of the net realisable values of stock which is based on assessments of current costs and prevailing market conditions. These are re-assessed annually and amended where necessary to reflect current estimates. Changes to these estimates could result in changes to profit or loss for the period and to the carrying value of the stock.

Notes *(continued)*

20 Accounting estimates and judgements *(continued)*

Recognition of deferred tax assets and liabilities

A deferred tax asset is recognised when it has become probable that future taxable profit will allow the deferred tax asset to be recovered. Recognition, therefore involves judgement regarding the forecasting of future taxable profits of the business. At the balance sheet date, a net deferred tax asset in relation to losses and fixed asset timing differences of £2,397,000 (2015: £129,000 liability) had been recognised as there was sufficient evidence that enough taxable profits would be achieved that the losses could be offset against those profits.