VPI Immingham OCGT Project

Document Ref: 3.3
PINS Ref: EN010097

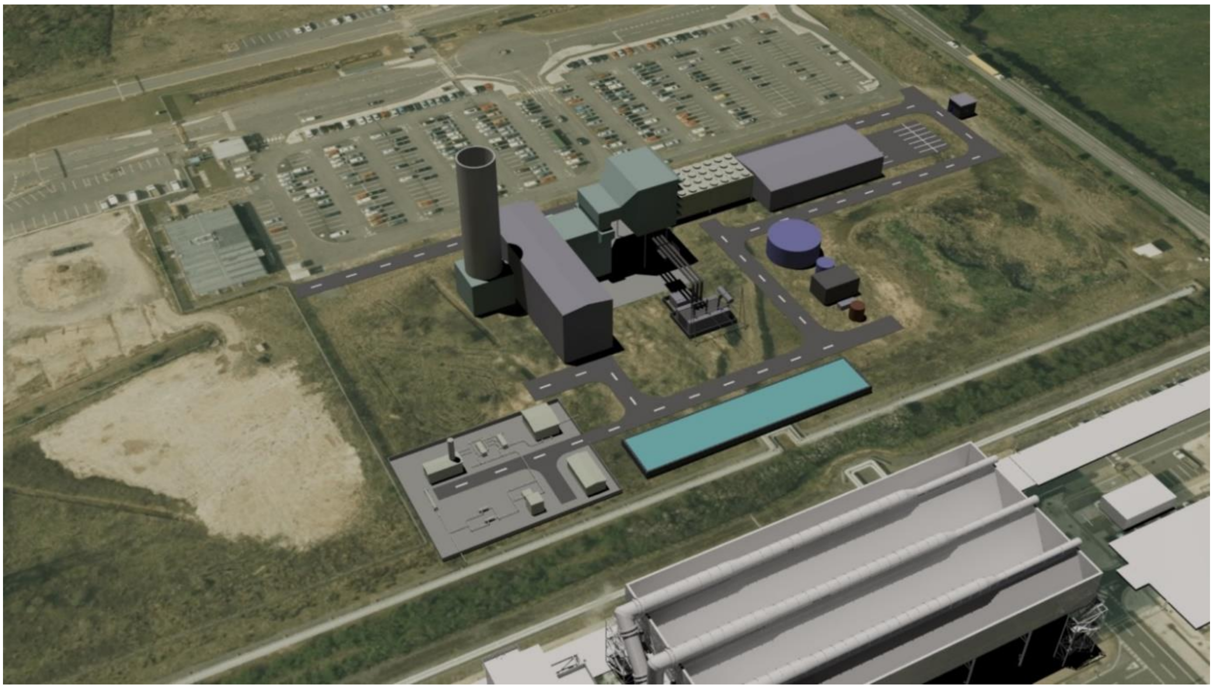
The Immingham Open Cycle Gas Turbine Order

Land to the north of and in the vicinity of the VPI Immingham Power Station, Rosper Road, South Killingholme, Lincolnshire, DN40 3DZ

Funding Statement

The Planning Act 2008

The Infrastructure Planning (Applications: Prescribed Forms and Procedure) Regulations 2009 - Regulation 5(2)(h)



Applicant: VPI Immingham B Ltd
Date: April 2019

DOCUMENT HISTORY

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Author	Marvin Seaman (MS)		
Signed	MS	Date	11.04.19
Approved By			
Signed		Date	
Document Owner	VPIB		

GLOSSARY

Abbreviation	Description
APFP Regulations	The Infrastructure Planning (Applications: Prescribed Forms and Procedures) Regulations 2009
Applicant	VPI Immingham B Ltd
Application	The Application for a Development Consent Order made to the Secretary of State under Section 37 of the Planning Act 2008 in respect of the Proposed Development, required pursuant to Section 31 of the Planning Act 2008 because the Proposed Development is a Nationally Significant Infrastructure Project under Section 14(1)(a) and Section 15 of the Planning Act 2008 by virtue of being an onshore generating station in England of more than 50 Megawatts electrical capacity.
CHP	Combined Heat and Power – A technology that puts to use the residual heat of the combustion process after generation of electricity that would otherwise be lost to the environment.
DCO	A Development Consent Order made by the relevant Secretary of State pursuant to The Planning Act 2008 to authorise a Nationally Significant Infrastructure Project. A DCO can incorporate or remove the need for a range of consents which would otherwise be required for a development. A DCO can also include powers of compulsory acquisition.
MW	Megawatts – unit of energy.
NSIP	Nationally Significant Infrastructure Project – Defined by the Planning Act 2008 and including projects relating to energy (including generating stations, electric lines and pipelines); transport (including trunk roads and motorways, airports, harbour facilities, railways and rail freight interchanges); water (dams and reservoirs, and the transfer of water resources); waste water treatment plants and hazardous waste facilities. These projects are only defined as nationally significant if they satisfy a statutory threshold in terms of their scale or effect. The Proposed Development is a NSIP.
OCGT	Open Cycle Gas Turbine – a combustion turbine plant fired by gas or liquid fuel to turn a generator rotor that produces electricity.
Order	Immingham Open Cycle Gas Turbine Order
PA 2008	Planning Act 2008. An Act which provides the need for and the powers to apply for and grant development consent orders (‘DCO’) for nationally significant infrastructure projects (‘NSIP’).
Proposed Development	The construction, operation and maintenance of a new gas-fired electricity generating station with a gross output capacity of up to

Abbreviation	Description
	299 MW, including electrical and gas supply connections, and other associated development.
SoS	The Secretary of State – the decision maker for DCO applications and head of a Government department. In this case the SoS for the Department for Business, Energy & Industrial Strategy (formerly the Department for Energy and Climate Change).
VPIB	VPI Immingham B Limited – the Applicant
Vitol	Vitol Group – the owner of VPI LLP and VPIB.

CONTENTS

1. INTRODUCTION

1.1 Overview

1.1.1 This Funding Statement (Document Ref. 3.3) has been prepared on behalf of VPI Immingham ('VPIB' or the 'Applicant'). It forms part of the application (the 'Application') for a Development Consent Order (a 'DCO'), that has been submitted to the Secretary of State (the 'SoS') for Business, Energy and Industrial Strategy, under Section 37 of 'The Planning Act 2008' (the 'PA 2008').

1.1.2 VPIB is seeking development consent for the construction, operation and maintenance of a new open cycle gas turbine ('OCGT') plant of up to 299 megawatts ('MW') gross capacity, including electrical and gas supply connections and other associated development (the 'Proposed Development' or 'Project') on land to the north of and in the vicinity of the existing VPI Immingham Power Station, Rosper Road, South Killingholme, Immingham, Lincolnshire, DN40 3DZ.

1.1.3 A DCO is required for the Proposed Development as it falls within the definition and thresholds for a 'Nationally Significant Infrastructure Project' (a 'NSIP') under Sections 14 and 15(2) of the PA 2008.

1.1.4 The DCO, if made by the SoS, would be known as 'The Immingham Open Cycle Gas Turbine Order' (the 'Order'). Subject to obtaining the necessary consents and financing, construction work on the Proposed Development would commence in early 2021. The overall construction programme is expected to last approximately 21 months and is anticipated to be completed in late 2022, with the Proposed Development entering commercial operation later that year or early the following year.

1.1.5 The Proposed Development will be designed to operate for an expected period of at least 40 years after which ongoing operation will be reviewed and a commercial decision made at that time whether or not to continue operation. Should operation cease at that time, the plant will be decommissioned.

1.1.6 This Statement has been produced pursuant to Regulation 5(2)(h) of the Infrastructure Planning (Applications: Prescribed Forms and Procedure) Regulations 2009 (the "APFP Regulations") and the Department of Communities and Local Government guidance, 'Planning Act 2008: Guidance related to procedures for the compulsory acquisition of land' (September 2013) (the "Guidance").

1.1.7 This Statement is required because the Development Consent Order for the Proposed Development, 'The Immingham Open Cycle Gas Turbine Order' (the 'Order') would authorise the compulsory acquisition of land or interests in land. This in turn gives rise to the requirement under Regulation 5(2)(h) of the APFP Regulations for the Applicant to provide a statement indicating how the Order containing these powers is to be funded.

1.1.8 This Statement is one of a number of documents accompanying the Application and submitted to the Secretary of State, and should be read alongside and is informed by those documents. In particular, this document supplements the Statement of Reasons (Document Reference 3.2).

1.2 VPI

1.2.1 VPI owns and operates the existing VPI Immingham Power Station, one of the largest combined heat and power (‘CHP’) plants in Europe, capable of generating 1,240 MW (about 2.5% of UK peak electricity demand) and up to 930 tonnes of steam per hour, which is used by nearby oil refineries to turn crude oil into products such as gasoline.

1.2.2 VPI is a wholly owned subsidiary of the Vitol Group (‘Vitol’), founded in 1966 in Rotterdam, the Netherlands. Since then Vitol has grown significantly to become a major participant in world commodity markets and is now the world’s largest independent energy trader. Its trading portfolio includes crude oil, oil products, LPG, LNG, natural gas, coal, electricity, agricultural products, metals and carbon emissions. Vitol trades with all the major national oil companies, the integrated oil majors and independent refiners and traders. For further information on VPI and Vitol please visit https://www.vpi-i.com/

2. CAPITAL FUNDING

2.1 Corporate Structure and Assets

2.1.1 VPI Immingham B Limited (Company Number 10630563) is the Applicant for the Order. It is registered in England and Wales and is a wholly owned subsidiary of VPI Holding Limited (incorporated in England and Wales with number 08484743), the ultimate holding company for the VPI group of companies ("the VPI Group").

2.1.2 The VPI Group currently owns and operates the existing CHP plant at South Killingholme, one of the largest CHP plants in Europe, providing both electricity and steam to the adjacent oil refineries and electricity to the National Grid.

2.1.3 Audited accounts up to 31 December 2017 for VPI Holding Limited stated total net assets in excess of £302MM. The accounts are included at **Appendix 1**.

2.2 Proposed Development Cost

2.2.1 The current cost estimate for the Proposed Development is approximately £120MM. This cost estimate includes development costs, construction costs, construction management costs, financing costs and land acquisition costs.

2.2.2 This is an estimate of the anticipated outturn cost and therefore includes an allowance for inflation and contingencies.

2.3 Proposed Development Funding

2.3.1 Through VPI Holding Limited, the Applicant has the ability to procure the financial resources, utilising a mix of shareholder equity and debt finance, necessary to fund the works to be authorised by the Order, subject to final Board and/or shareholder approval. Following approval by VPI Holding Limited, its shareholders and/or lenders to fund the cost of the Proposed Development, the funds are released directly to the Applicant to administer. There are no further internal pre-conditions associated with the release of funds towards the Proposed Development.

2.3.2 These funds will meet the capital expenditure for the cost of the Proposed Development, the cost of acquiring land for the Proposed Development which is identified in the Order (compulsorily or otherwise), and any compensation payable as a result of the Proposed Development and in accordance with the Order.

2.3.3 The Applicant has assessed and taken expert advice on the commercial viability of the Proposed Development and is confident that the Proposed Development will be commercially viable and can therefore be funded if development consent is granted.

2.3.4 The Applicant and VPI Holding Limited have already committed significant resources to date in order to bring forward the Proposed Development to meet the Government's recognised and urgent need for new electricity generating capacity and have thus demonstrated their commitment to the Proposed Development.

3. FUNDING FOR LAND ACQUISITION AND BLIGHT

3.1.1 The current cost estimates (see paragraph 2.2.1 above) include an amount to cover the total cost of the payment of compensation for the compulsory acquisition included in the Order and required for the Proposed Development.

3.1.2 It is not anticipated that any claims for blight will arise. Should such claims arise as a consequence of the Application, the costs of meeting claims that are upheld will be met by the Applicant.

3.1.3 The draft DCO (Application Document Ref. 2.1) includes an article requiring security for compulsory acquisition costs (in an amount and form to be approved by the Secretary of State) to be put in place before any powers of compulsory acquisition may be exercised by the Applicant.

APPENDIX 1 LATEST AUDITED ACCOUNTS FOR VPI HOLDING LIMITED

REGISTERED NUMBER: 08484743 (England and Wales)

Annual report and consolidated financial statements

for the year ended 31 December 2017

VPI Holding Limited

VPI Holding Limited

Contents of the consolidated financial statements
For the Year Ended 31 December 2017

Directors:	R D Hardy J Ahmed M Longstreth
Secretary:	E Essex
Registered office:	Belgrave House 76 Buckingham Palace Road London SW1W 9TQ
Registered number:	08484743 (England and Wales)
Auditor:	Deloitte LLP Statutory Auditor 1 City Square Leeds United Kingdom LS1 2AL

The Directors present their strategic report for VPI Holding Limited ('the Company') and its subsidiaries ('the Group') for the year ended 31 December 2017.

Cautionary statement
These financial statements contain certain forward-looking statements with respect to the financial condition and business of the Group. Statements or forecasts relating to events in the future necessarily involve risk and uncertainty and are made by the Directors in good faith based on the information available at the date of signing this report. The Group undertakes no obligation to update these forward-looking statements. Nothing in these financial statements should be construed as a profit forecast nor should past performances be relied upon as a guide to future performance.

Principal activities, business review and future developments
The principal activities of the Group comprise of the ownership and operation of a combined heat and power plant at Immingham, North Lincolnshire ("the CHP Plant"), which generates and supplies steam to the adjacent Humber and Lindsey Oil Refineries and electricity to the Humber Oil Refinery and the National Grid.

It is the intention that the principal activities of the Group will continue for the foreseeable future.

The Group loss for the year was £32,513,000 (2016 - loss £10,976,000) driven by the fair value movements on derivative financial instruments. Operating profit before movements on derivative financial instruments decreased to £87,194,000 (2016 - £94,535,000). The Group's Consolidated Statement of Financial Position, on pages 14 and 15, shows the Group has total assets of £710,094,000 (2016 - £806,935,000).

The Company profit for the year was £18,117,000 (2016 - £61,005,000). The underlying cash flow performance of the business was strong and the business intends to continue its prudent investment in the operating assets. During the year dividends totalling £30,000,000 were paid (2016 - £53,000,000).

Key performance indicators
The key financial indicators during the year were as follows:

	2017 £'000	2016 £'000	Change %
Revenue	618,380	583,776	6
Gross profit	159,110	156,784	1
EBITDA (See note 8)	117,664	120,537	(2)
Gross profit as % of fixed assets	33%	34%	(3)

All EBITDA is stated prior to movements in derivative financial instruments.

The Group has many non-financial performance indicators in place measuring health, safety and environment. Safety of personnel, coupled with a responsible, pro-active approach to managing the environment is core to the Group's business. The ultimate financial impact arising from environmental policies, laws and regulations is difficult to determine as current and new standards continue to evolve.

Principal risks and uncertainties
The principal risks and uncertainties facing the Group are those that impact the continuing business and profitability of the CHP Plant and its related contracts. The plant operates in the UK energy market, and as such, is exposed to fluctuations in wholesale energy prices. However, this exposure is managed through an active trading strategy. The Directors consider that the Group's exposure to market fluctuations, which are mitigated by the use of certain derivative contracts, remains at an acceptable level.

Liquidity risk
The Group monitors the risk of a shortage of funds using cash flow forecasts. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans and loans from related parties

Principal risks and uncertainties - continued

Health, safety and environment

Given the nature of the Group's activities, the health and safety of all our employees, contractors and the public is of paramount importance. The Group encourages a 'safety first' culture and operates its processes and procedures in all business areas in such a way as to ensure a safe working environment, and to comply with all relevant legal, environmental and regulatory requirements.

Energy and commodity risk

The Group operates in the UK power market and as such is exposed to movements in market prices for certain commodities and spreads together with energy output requirements. The Group has entered into certain supply and pricing arrangements which partially mitigate unfavourable movements in energy pricing.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults.

Credit risk from balances with banks and financial institutions is actively managed. Investment of surplus funds are made only with approved counterparties and within credit limits assigned to each counterparty.

Plant operating risk

Failure of an essential component of the CHP Plant may result in the loss of generation through a plant outage or reduced output capacity. This risk is mitigated through planned maintenance schedules, regular monitoring activities and outage planning. The Group maintains third party insurance cover to mitigate against significant operating risks.

Foreign currency risk

The Group is exposed to foreign currency exchange rate risk resulting from entering into certain transactions denominated in currencies other than pound sterling. The Group uses forward exchange rate contracts and options to hedge the risk of adverse foreign exchange rate movements.

Interest rate risk

The Group is exposed to interest rate risk resulting from the Group's loan and banking arrangements. The interest charged on Group loans is linked to LIBOR and therefore is exposed to the movements in the UK LIBOR rates. The Group uses interest rate swaps to reduce its exposure to adverse fluctuations in UK LIBOR interest rates.

Going concern

There are no material uncertainties relating to events or conditions that may cast significant doubt over the ability of the Group to continue as a going concern.

Although reporting a loss for the year driven by the fair value movement of derivatives, the Group's underlying cashflow is strong. After reviewing forward forecasts and loan facilities, principal risks and uncertainties on page 2, including applying appropriate sensitivities to those forecasts, the Directors are confident that the Group has adequate resources to continue operations for the foreseeable future. Accordingly, the Directors continue to adopt a going concern basis in preparing the Financial Statements

On behalf of the board:

Russell Hardy

R D Hardy – Director and Chairman

Date: 22/6/18

The Directors present their report with the audited financial statements of the Company and the Group for the year ended 31 December 2017.

Dividends
The total distribution of dividends for the year ended 31 December 2017 was £30,000,000 (2016 £53,000,000).

Directors
The directors shown below have held office during the whole of the period from 1 January 2017 to the date of this report.

J Ahmed
R D Hardy

Other changes in directors holding office are as follows:

M A V Pinho - resigned 21 November 2017
M Longstreth - appointed 21 November 2017

Principal activities and future developments
The principal activities of the Group and future developments are outlined in the Strategic Report, on page 2, which discusses the key issues of the business including going concern.

Employee involvement
The Group keeps its employees informed on matters affecting them. This is carried out in a number of ways, including formal and informal briefings and departmental meetings.

Equal opportunities
The Group is fully committed to ensuring that all current and potential future employees and contractors are treated fairly and equally, regardless of their gender, sexuality, marital status, disability, race, colour, nationality or ethnic origin. The Group provides equal opportunities for employment, training and development, having regard to particular aptitudes and abilities.

Going concern
As discussed within the Strategic Report on page 2, the financial statements have been prepared on a going concern basis.

Financial instruments
The Group uses derivative financial instruments, such as forward currency contracts, interest rate swaps and forward commodity contracts, to hedge its foreign currency, interest rate and commodity price risks. Such derivative financial instruments are initially recognised at fair value on the date on which such a derivative contract is entered into and are subsequently re-assessed at their fair value at each reporting period end.

Derivative financial instruments are used by the Group to manage exposure to the principal risks arising as set out within the Strategic Report on page 2.

Refinancing
During the year the Partnership successfully refinanced its bank debt (note 14).

Directors' liabilities
As in 2016, the Company has granted an indemnity to one or more of its Directors against liability in respect of proceedings brought by third parties, subject to the conditions set out in section 234 of the Companies Act 2006. Such qualifying third party indemnity provision remains in force as at the date of approving the Directors' Report.

Post balance sheet events
On 16 January 2018 VPI Distributed Generation Limited acquired 100% of the share capital of VPI Immingham Energy Park A Limited, a company incorporated in England and Wales on the same day.

VPI Holding Limited

Report of the Directors
For the Year Ended 31 December 2017

Statement as to disclosure of information to auditor
So far as the Directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the group's auditor is unaware, and each Director has taken all the steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the group's auditor is aware of that information.

Auditor
The auditor, Deloitte LLP, will be proposed for re-appointment at the forthcoming Annual General Meeting.

On behalf of the board:

R D Hardy – Director and Chairman

Date: 22/6/18

The Directors are responsible for preparing the Group strategic report, the Report of the Directors and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Group 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 that the financial statements comply with IFRS;
- 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 and the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group 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 the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Report on the audit of the financial statements

Opinion

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2017 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of VPI Holding Limited (the 'parent company') and its subsidiaries (the 'group') which comprise:

- the consolidated income statement;
- the consolidated and parent company statement of financial position;
- the consolidated and parent company statements of changes in equity;
- the consolidated statement of cash flows; and
- the related notes 1 to 26.

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

Basis for opinion

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

We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standards, 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.

Summary of our audit approach

Key audit matters	The key audit matters that we identified in the current year were: • Asset impairment • Valuation of derivatives
Materiality	The materiality that we used for the group financial statements was £5.9m. Our selected materiality represents 5% of EBITDA before movements on derivatives (see Note 8) for the year.
Scoping	All group entities have been subject to a full scope audit in the current period.

Conclusions relating to going concern

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

- the directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements for the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Asset impairment	
Key audit matter description	Property, plant and equipment of £478m (2016: £463m) is held on the statement of financial position at the year end, the majority of which relates to the power generation plant. Management are required to consider indicators of impairment in respect of each Cash Generating Unit (CGU) in accordance with the requirements of IAS 36 "Impairment of Assets". During the current period no indicators of impairment have been identified. We have considered indicators specific to VPI such as commodity prices, key contracts and a shift towards renewable energy.
How the scope of our audit responded to the key audit matter	We have challenged management's assessment of the indicators of impairment, taking into consideration our understanding of both the business and the environment and markets in which it operates. We evaluated the design and implementation of the key controls and processes in place in respect of the internal processes for assessing the risk of impairment. We have considered a range of available internal and external evidence including consideration of future commodity price forecasts, regulatory and political risks and internal changes within the business.
Key observations	We have concluded that management's assessment that no indicators of impairment exist is appropriate for the current period.

Key audit matters - continued

Valuation of derivatives	
Key audit matter description	As at 31 December 2017 derivative financial instruments are carried at £108m (2016: £206m) of the VPI Holding Limited consolidated statement of financial position. The valuation of derivative contracts is complex and requires judgement in areas including the selection of appropriate valuation methodologies, and assumptions in respect of future market prices and credit risk factors. Due to the large amount of data involved in the contract valuations, and the requirement for certain manual adjustments, we have identified a potential fraud risk relating to management or employees of the company valuing trades inappropriately. Further detail of the key judgements are disclosed in the Group's critical accounting judgements, estimates and assumptions set out on page 27 and note 2 of the financial statements.
How the scope of our audit responded to the key audit matter	We evaluated the design and implementation of key controls related to the valuation of derivative financial instruments. We used our internal financial instrument specialists to test management's key judgements and calculations, including testing a sample of trades undertaken to trade tickets to confirm key contractual terms such as volumes and contracted prices. We have analysed the appropriateness of management's assumptions by benchmarking these to third party sources and reviewed the consistency of the assumptions used across other areas of the financial statements. We have assessed the valuation models used by management, including any manual adjustments to determine the fair value of the derivative instruments and performed independent valuations across a sample of instruments.
Key observations	From our testing, we are satisfied that the valuation of derivative financial instruments is appropriate. We considered the valuation models used by management to be appropriate and the assumptions adopted are within an acceptable range.

Our application of materiality
We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	Parent company financial statements
Materiality	£5.9m	£5.6m
Basis for determining materiality	Our selected materiality represents 5% of EBITDA. We considered an alternative benchmark for materiality, being 1% of revenue. This would have provided a materiality of £6.2m.	Parent company materiality represents 1.4% of net assets which is capped at 95% of the Group materiality.
Rationale for the benchmark applied	When determining materiality, we have considered the size and scale of the business and the nature of its operations. We have also considered which benchmarks would be of relevance to the users of the financial statements, including management. 5% EBITDA has been selected as an appropriate measure as this is closely linked to the key measure which determining covenants on which the attention of the users of the entity's financial statements tend to be focused.	We considered net assets to be the most appropriate benchmark as its principal activity is as an investment holding company for the Group.

We agreed with the directors that we would report to them all audit differences in excess of £0.3m for the parent company and group, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We have reported to management and those charged with governance on disclosure matters that we identified when assessing the overall presentation of the financial statements.

Our overview of the scope of our audit
Our group audit was scoped by obtaining an understanding of the group and its environment, including group-wide controls, and assessing the risks of material misstatement at the group level. Based on that assessment and our understanding of the business we have determined that it is appropriate to complete a full scope audit on all Group entities. Audit work on all group entities is performed directly by the group engagement team.

We have used component materiality levels to reflect the scope and scale of each of the Group entities consolidated into the financial statements of VPI Holding Limited. These levels of materiality were lower than group materiality and ranged from £2.9m to £5.6m.

At the parent entity level we also tested the consolidation process by agreeing the respective numbers for each entity through to the consolidated financial statements and testing any consolidation adjustments.

Other information

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

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor 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 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.

Auditor responsibilities for the audit of the financial statements - continued

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

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor 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.

Independent auditor report to the members of VPI Holding Limited

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006
In our opinion the part of the directors' remuneration report to be audited has been properly prepared in accordance with 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 directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the group and of the parent company and their environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report and directors' report.

Matters on which we are required to report by exception
Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:
- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company 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
- the directors were not entitled to take advantage of the small companies' exemption in preparing the directors' report; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of these matters.

Directors' remuneration
Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made.

We have nothing to report in respect of these matters.

Anthony Matthews

Anthony Matthews FCA (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Statutory Auditor
London, UK

Date: 28 June 2018

Consolidated income statement
For the Year Ended 31 December 2017

	Notes	2017 £'000	2016 £'000
Revenue	3	618,380	583,776
Cost of sales		(459,270)	(426,992)
Gross profit		159,110	156,784
Operating and administrative expenses		(41,446)	(36,247)
Earnings before interest, tax, Depreciation and amortisation	8	117,664	120,537
Depreciation and loss on disposal		(30,470)	(26,002)
Total operating expenses		*(71,916)*	*(62,249)*
Operating profit		87,194	94,535
Derivative financial instrument movements	5	(98,343)	(84,194)
Share of loss from joint venture interests	6	(9)	-
Finance costs	7	(25,763)	(25,815)
Finance income	7	1,000	144
Loss before tax	8	(35,921)	(15,330)
Tax	9	3,408	4,354
Loss for the financial year		(32,513)	(10,976)

All amounts relate to continuing operations in both current and preceding years.

The Company has no other gains, losses or sources of other comprehensive income other than those presented above. As such no statement of other comprehensive income has been presented.

The notes form part of these financial statements

VPI Holding Limited (Registered number: 08484743)

Consolidated statement of financial position
31 December 2017

	Notes	2017 £'000	2016 £'000
Assets			
Non-current assets			
Property, plant and equipment	12	477,932	463,340
Derivative financial instruments	14	34,511	107,006
Investment in joint ventures	13	284	-
Trade and other receivables	16	11,820	-
		524,547	570,346
Current assets			
Inventories	15	5,152	3,739
Trade and other receivables	16	37,367	74,408
Derivative financial instruments	14	83,742	109,362
Cash and cash equivalents		59,289	49,080
		185,550	236,589
Total assets		710,097	806,935
Equity			
Shareholders' equity			
Called up share capital	17	-	-
Share premium		241,553	241,553
Retained earnings		(125,716)	(63,203)
Total equity		115,837	178,350
Liabilities			
Non-current liabilities			
Trade and other payables	18	188,786	244,051
Interest bearing loans and borrowings	19	158,794	125,062
Deferred tax	22	102,588	111,589
Provisions	21	16,361	15,769
		466,529	496,471
Current liabilities			
Trade and other payables	18	68,195	96,965
Interest bearing loans and borrowings	19	59,536	35,149
		127,731	132,114
Total liabilities		594,260	628,585
Total equity and liabilities		710,097	806,935

The notes form part of these financial statements

Consolidated statement of financial position - continued
31 December 2017

The financial statements were approved by the Board of Directors on 21 JUNE 2018 and were signed on its behalf by:

R D Hardy
Director and Chairman

The notes form part of these financial statements

Company statement of financial position
31 December 2017

	Notes	2017 £'000	2016 £'000
Assets			
Non-current assets			
Trade and other receivables	16	159,609	243,468
Investments	13	408,110	408,110
		567,719	651,578
Current assets			
Trade and other receivables	16	3,090	2,838
Cash and cash equivalents		21,799	8,394
		24,889	11,232
Total assets		592,608	662,810
Equity			
Shareholders' equity			
Called up share capital	17	-	-
Share premium		241,553	241,553
Retained earnings		152,819	164,702
Total equity		394,372	406,255
Liabilities			
Non-current liabilities			
Trade and other payables	18	186,788	243,468
Current liabilities			
Trade and other payables	18	11,448	13,087
Total liabilities		198,236	256,555
Total equity and liabilities		592,608	662,810

The Company reported a profit for the year ended 31 December 2017 of £18,117,000 (2016 – profit £61,005,000).

The financial statements were approved by the Board of Directors on 21 JUNE 2018 and were signed on its behalf by:

R D Hardy
Director and Chairman

The notes form part of these financial statements

VPI Holding Limited

Consolidated statement of changes in equity
For the Year Ended 31 December 2017

	Retained earnings £'000	Share premium £'000	Revaluation reserve £'000	Total equity £'000
Balance at 1 January 2016	1,007	241,553	(234)	242,326
Changes in equity				
Dividends (Note 11)	(53,000)	-	-	(53,000)
Transfers	(234)	-	234	-
Total comprehensive loss	(10,976)	-	-	(10,976)
Balance at 31 December 2016	(63,203)	241,553	-	178,350
Changes in equity				
Dividends (Note 11)	(30,000)	-	-	(30,000)
Total comprehensive loss	(32,513)	-	-	(32,513)
Balance at 31 December 2017	(125,716)	241,553	-	115,837

The notes form part of these financial statements

Company statement of changes in equity
For the Year Ended 31 December 2017

	Retained earnings £'000	Share premium £'000	Total equity £'000
Balance at 1 January 2016	156,697	241,553	398,250
Changes in equity			
Dividends (Note 11)	(53,000)	-	(53,000)
Total comprehensive income	61,005	-	61,005
Balance at 31 December 2016	164,702	241,553	406,255
Changes in equity			
Dividends (Note 11)	(30,000)	-	(30,000)
Total comprehensive income	18,117	-	18,117
Balance at 31 December 2017	152,819	241,553	394,372

The notes form part of these financial statements

VPI Holding Limited

Consolidated statement of cash flows
For the Year Ended 31 December 2017

	Notes	2017 £'000	2016 £'000
Cash flows from operating activities			
Cash generated from operations	1	128,754	116,151
Tax (paid)/received		(5,550)	2,157
Net cash from operating activities		123,204	118,308
Cash flows from investing activities			
Purchase of tangible fixed assets		(45,062)	(1,950)
Investment in joint venture		(293)	-
Loans to joint venture interests		(13,898)	-
Interest received		86	144
Net cash from investing activities		(59,167)	(1,806)
Cash flows from financing activities			
Proceeds from borrowings		275,000	-
Interest paid		(22,592)	(24,390)
Repayment of borrowings		(215,925)	(31,920)
Shareholder Loan repayment		(56,679)	-
Finance costs paid		-	(33)
Arrangement fees on new borrowings		(3,632)	-
Equity dividends paid		(30,000)	(53,000)
Net cash from financing activities		(53,828)	(109,343)
Increase in cash and cash equivalents		10,209	7,159
Cash and cash equivalents at beginning of year		49,080	41,921
Cash and cash equivalents at end of year		59,289	49,080

The notes form part of these financial statements

1. Reconciliation of loss before income tax to cash generated from operations

	2017 £'000	2016 £'000
Loss before income tax	(35,921)	(15,330)
Depreciation charges	24,773	25,518
Other fixed asset movements	5,697	528
Fair value losses on derivative financial instruments	98,343	84,194
Loss from joint venture	9	-
Finance costs	25,763	25,815
Finance income	(1,000)	(144)
	117,664	120,581
Increase in inventories	(1,413)	(357)
Decrease/(Increase) in other receivables	40,131	(46,137)
(Decrease)/increase in trade and other payables	(27,628)	42,064
Cash generated from operations	128,754	116,151

1. Statutory information

VPI Holding Limited ('the Company') is a private company, limited by shares, registered in England and Wales. The Company's registered number and registered office can be found within the General Information presented on page 1.

2. Accounting policies

Basis of preparation
The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards and IFRIC interpretations and with those parts of the Companies Acts 2006 applicable to companies reporting under IFRS. The Company financial statements have been prepared in accordance with Financial Reporting Standard 101 "Reduced Disclosure Framework" and the Companies Act 2006.

These consolidated financial statements and Company financial statements have been prepared on an historical cost basis, except for certain financial assets and liabilities which have been measured at fair value at the end of each reporting period as explained in the accounting policies below.

The accounting policies which follow set out those policies consistently applied in all material respects to all the periods presented unless otherwise stated.

Basis of consolidation
The consolidated financial statements incorporate the financial statements of the Company and all of its subsidiary undertakings ('subsidiaries') drawn up to 31 December each year. The financial statements of the subsidiaries are prepared for the same reporting year as the parent company and using consistent accounting policies as the Company.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Standards issued but not yet effective
The most significant and applicable standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Financial Statements are disclosed below. The Group intends to adopt these standards, if applicable, when they become effective.

Title		**Effective for periods commencing on or after**
IFRS 9	Financial Instruments	1 January 2018
IFRS 15	Revenue from Contracts with Customers	1 January 2018
IFRS 16	Leases replaces the existing guidance IAS 17 Leases	1 January 2019

The above standards and interpretations are expected to be adopted in accordance with their effective dates and have not been early adopted in these financial statements. The Group has not yet analysed in detail the potential effect of the above standards but does not anticipate a significant impact.

Going Concern
There are no material uncertainties relating to events or conditions that may cast significant doubt in the ability of the Group to continue as a going concern.

After reviewing forward forecasts and facilities, the business risks and uncertainties on page 3, including applying appropriate sensitivities, the Directors are confident that the Group has adequate resources to continue its operation for the foreseeable future. Accordingly, they continue to adopt a going concern basis in preparing the financial statements.

continued...

2. **Accounting policies - continued**

Business combinations
Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value. Acquisition-related costs are expensed as incurred and included in administrative expenses.

Goodwill is initially measured at cost, being the excess of the aggregate of consideration transferred, over the net identifiable assets acquired and liabilities assumed. After initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Operating profit
Operating profit is stated after charging administration costs but before fair value movements in derivative financial instruments, finance costs and taxation charges.

Revenue recognition
Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty.

Revenues associated with sales of power, steam and water are recognised when title passes to the customer, which is when the risk of ownership passes to the purchaser, immediately upon delivery. All revenues and costs related to the trading of power are recorded on a gross basis within revenue and cost of sales. Revenue and costs related to the trading of commodities consumed in the production process are recorded on a net basis within cost of sales.

Decommissioning provision
Provision for the future cost of decommissioning of the CHP Plant is recognised in full in the period in which the legal obligation is incurred. When the liability is initially recorded, this cost is capitalised by increasing the carrying value of the related assets.

The amount recognised is the present value of the estimated future expenditure determined in accordance with statutory conditions and requirements. The provision increases as the discount factor applied in calculating the present value of estimated future expenditure unwinds. The unwinding of the discount is included within interest payable in the Consolidated Income Statement. The capitalised cost is depreciated as part of the overall capital costs of the related assets.

Investments
Investments in subsidiaries are held at historical cost less any applicable provision for impairment.

Borrowing Costs
Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Interest received
Interest received is recognised in the period in which it occurs. All interest received relates to bank balances held on deposit.

continued...

2. **Accounting policies - continued**

Dividends
Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting. Dividends on shares recognised as liabilities are recognised as expenses and classified within interest payable.

Property, plant and equipment
Property, plant and equipment are stated at cost, being the fair value at the date of acquisition, less any subsequent accumulated depreciation and any impairment losses. The present value of the expected cost for the decommissioning of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets, as follows:

- CHP plant	- 15 to 42 years
- Other plant and equipment	- 3 to 5 years
- Decommissioning asset	- 42 years

An item of property, plant and equipment is de-recognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on de-recognition of the asset is included in the Consolidated Income Statement in the period of de-recognition.

Assets under construction are held at cost until brought into use, at which point depreciation commences.

When a major overhaul is performed, its cost is recognised in the carrying amount of other plant and equipment as a replacement if the recognition criteria is satisfied. All other repair and maintenance costs are recognised in the consolidated income statement as incurred.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted if appropriate.

Capital spares are included as property, plant and equipment in the financial statements within the CHP plant category to the extent that the risks and rewards of ownership have been transferred to the Group.

Impairment of non-financial assets
Fixed assets used in operations are assessed for impairment whenever changes in facts and circumstances indicate a possible significant deterioration in the recoverable value of the assets. Where the sum of the discounted pre-tax cash flows is less than the carrying value of the asset, the carrying value is written down to estimated fair value. Assets are grouped for impairment purposes at the lowest level for which there are identifiable cash flows that are largely independent of the cash flows of other assets.

The fair value of impaired assets is determined based on the present values of expected future cash flows. The discount rates used equates to the rate of return that the market would generally expect from equally risky investments.

The impairment assessment discounts the foreseeable life of the asset at a discount rate of 6.4% (2016 – 6.2%), and includes appropriate sensitivities.

The expected future cash flows used for impairment reviews are based on estimated future production volumes, prices and costs, considering all available evidence at the date of review.

continued...

2. **Accounting policies – continued**

Inventories
Inventories, which primarily comprise of consumable engineering spares, are stated at the lower of cost and net realisable value. These are related to the short term maintenance, repair and service of the power plant.

Cost includes all costs incurred in bringing each item to its present location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

Taxation
The tax expense included in the consolidated income statement comprises of both current tax and changes in net deferred tax. Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates and laws that are enacted or substantively enacted by the reporting date. Income tax is charged or credited directly to equity if it relates to items that are charged or credited directly to equity. Otherwise income tax is recognised in the consolidated income statement.

Foreign currencies
The Group's financial statements are presented in pounds sterling, which is the Group's functional currency.

Transactions in foreign currencies are initially recorded in the Group's functional currency by applying the spot exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the statement of financial position date. All differences are taken to the consolidated income statement.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates applicable on the date when the fair value was determined.

Financial instruments - initial recognition and subsequent remeasurement
A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial Assets
Initial Recognition and measurement
Financial assets within the scope of IAS 39 are classified as financial assets at fair value through the income statement or loans and receivables as appropriate. The Group determines the classification of its financial assets at initial recognition. All financial assets are recognised initially at fair value plus directly attributable transaction costs. The Group's financial assets include cash and short-term deposits, derivative financial instruments and trade and other receivables..

Subsequent measurement
The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through the income statement
Financial assets at fair value through the income statement or loss include financial assets held for trading and derivative financial assets. Financial assets are classified as held for trading if they are acquired for the purpose of selling or buying in the near term.

Financial assets held at fair value through the income statement are carried in the statement of financial position at fair value with changes in fair value recognised in the income statement in the period in which they arise.

continued...

2\. **Accounting policies - continued**

Financial Assets - continued
Receivables
Other than trade receivables, receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest rate (EIR) method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. EIR amortisation and losses arising from impairment are recognised in the income statement in the period in which they arise.

Trade and other receivables are recognised and carried at the lower of their original invoiced value and recoverable amount. Provision for impairment is recognised when there is objective evidence that the Group will not be able to recover such balances in full. Balances are written off when the probability of recovery is assessed as being remote.

De-recognition of financial assets
A financial asset is derecognised when (i) the rights to receive cash flows from the asset have expired or (ii) the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Impairment of financial assets
The Group assesses at each reporting date whether there is any objective evidence that a financial asset or group of financial assets is impaired. If there is objective evidence that an impairment loss on financial assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced, with the amount of the loss recognised in the income statement.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss in recognised in the income statement, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

Financial liabilities
Initial recognition and measurement
Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through the income statement or loans and borrowings, as appropriate. The Group determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognised initially at fair value and in the case of loans and borrowings, plus directly attributable transaction costs.

Subsequent measurement
The measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through the income statement
Financial liabilities at fair value through the income statement includes financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through the income statement. Financial liabilities are classified as *held for trading* if they are acquired for the purpose of selling or buying in the near term. Gains or losses on liabilities held for trading are recognised in the income statement.

continued...

2. ***Accounting policies - continued***

Financial Liabilities - continued
Interest bearing loans and borrowings
Obligations for loans and borrowings are recognised when the Group becomes party to the related contracts and are measured initially at the fair value of consideration received less directly attributable transaction costs. After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Gains and losses arising on the repurchase, settlement or otherwise cancellation of liabilities are recognised respectively in finance revenue and finance cost.

De-recognition of financial liabilities
A liability is generally derecognised when the contract that gives rise to it is settled, sold, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, such that the difference in the respective carrying amounts together with any costs or fees incurred are recognised in the income statement.

Derivative financial instruments
The Group has reviewed all significant contracts for the presence of embedded derivatives. Where contracts were found to contain embedded derivatives, they were considered to be closely related to the economic characteristic and risks of the host contract, and therefore do not require separate valuation from their host contracts.

The Group has elected not to invoke the own use of scope exception allowed under IAS 39 and has recognised all such derivative financial instruments at fair value within the statement of financial position.

Derivative contracts principally commodity and forward foreign currency exchange contracts, are recorded in the statement of financial position at fair value, with changes in fair value reflected through the income statement. Hedge accounting has not been applied.

Initial recognition and subsequent measurement
Derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Cash and short term deposits
Cash comprises of cash at banks and in hand and short term deposits with an original maturity of three months or less.

Pensions
The Group operates a defined contribution pension scheme. Contributions are charged to the income statement as they become payable in accordance with the rules of the scheme.

Joint venture investments
Investments in joint ventures are initially recorded at cost, including the purchase price for the investment and any directly attributable expenditure necessary to acquire it and subsequently adjusted to reflect the share of the net assets of the joint venture to the extent this does not reduce the investment below zero. If a situation arises where the investment in the joint venture is reduced to zero, as a result of losses, additional losses will only be recognised through a provision, and only to the extent the Group has incurred legal or constructive obligations or made payments on behalf of the joint venture company. If the joint venture company subsequently reports profits, the Group will resume recognising its share of those profits only after its share of the profits equals the share of the losses not recognised.

continued...

2. **Accounting policies - continued**

Significant accounting judgements, estimates and assumptions
The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities and the amounts reported for revenues and expenses during the year. Uncertainties about these assumptions and estimates could result in outcomes that differ from those estimates.

The following judgements are considered by management to have had the most significant effect on the amounts recognised in the Financial Statements:

Deferred taxation
Deferred taxation is recognised on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements, provided it is probable that taxable profits will be available against which deductible temporary differences, carried forward tax credits or tax losses can be utilised. Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the reporting date.

The carrying amount of deferred tax assets is reviewed at each statement of financial position date. Deferred tax assets and liabilities are offset, only if a legally enforceable right exists to set off current tax assets against current tax liabilities, the deferred taxes relate to the same taxation authority and that authority permits the Group to make a single net payment.

Fair value measurement of financial instruments
When the fair values of financial assets and liabilities recorded in the consolidated statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including a discounted cash flow (DCF) model. The inputs from these models are taken from observable markets. Changes in assumptions could affect the reported fair values of financial instruments. There are no financial assets or liabilities whose fair value is based on unobservable inputs.

Provision for decommissioning
The Group has recognised a provision for decommissioning obligations associated with the CHP Plant. In determining the fair value of the provision, assumptions and estimates, using specialist advice when appropriate, are made in relation to discount rates, the expected cost to dismantle and remove the plant from the site and the expected timing of these costs. The carrying amount of the provision as at 31 December 2017 was £16.4m (2016 - £15.8m). The Group estimates that the costs would be realised in approximately 29 years' time and calculates the provision using the discounted cash flow method based on key assumptions including the discount rate and inflation.

3. **Revenue**

The revenue is attributable to the principal activity of the Group, being the production of power purchased for resale and of its production of steam. All revenues originate from the United Kingdom.

An analysis of revenue is given below:

	2017 £'000	2016 £'000
Sale of goods and services	618,380	583,776

Revenue from one customer amounted to £536,096,000 (2016 - £522,626,000), see note 24.

4. Employees and directors

Staff costs, excluding directors, were as follows:

	2017 £'000	2016 £'000
Wages & salaries	6,345	5,966
Social security costs	815	635
Other pension costs	761	768
Other costs	247	263
	8,168	7,632

Staff costs are included in operating and administrative expenses. The average monthly number of employees, excluding directors, during the year was made up as follows:

	2017 No.	2016 No.
Administration	16	16
Plant	52	52
	68	68

As in 2016 the directors did not receive any remuneration or pension contributions from the Company or its subsidiaries during the year. The directors are remunerated by other companies outside of the Group. The element of their remuneration that is attributable to this Company cannot be reliably estimated. There are no other key management personnel.

5. Derivative financial instrument movements

	2017 £'000	2016 £'000
Fair value gains on financial instruments	2,616	84,471
Fair value losses on financial instruments	(100,959)	(168,665)
	(98,343)	(84,194)

6. Share of loss from joint venture interest

	2017 £'000	2016 £'000
Share of loss from joint venture interest	(9)	-

continued...

7. Net finance costs

Finance income

	2017 £'000	2016 £'000
Interest on loans and bank deposits	1,000	144

Finance costs

	2017 £'000	2016 £'000
Interest on bank loans and overdrafts	6,449	6,109
Loan note interest	18,722	19,355
Unwinding of discount provisions (note 21)	592	317
Other finance costs	-	33
	25,763	25,815

8. Operating profit

Operating profit is stated as follows:

	2017 £'000	2016 £'000
Gross Profit	159,110	156,784
Administrative expenses (excluding depreciation)	(41,446)	(36,247)
Earnings before interest, tax, depreciation and amortisation	**117,664**	**120,537**
Depreciation and loss on disposal	(30,470)	(26,002)
Operating profit before derivative financial instrument movements	87,194	94,535
Fair value loss on derivative financial instruments	(98,343)	(84,194)
Share of loss from joint venture interest	(9)	-
Finance costs	(25,763)	(25,815)
Finance income	1,000	144
Loss for the financial period before tax	(35,921)	(15,330)

Earnings before interest, tax, depreciation and amortisation is stated before losses on disposal of property, plant and equipment and fair value movements on derivative financial instruments. All amounts relate to continuing operations in both the current and preceding years.

continued...

8. Operating profit – continued

Operating profit is stated after charging/(crediting):

		2017 £'000	2016 £'000
Disclosed as separate item:			
Depreciation of property, plant & equipment		24,774	26,002
Loss on disposal		5,696	484
Included in administrative expenses:			
Auditor remuneration	- audit of the Group Financial Statements	31	22
	- audit of subsidiary entities	45	45
	- tax compliance services	25	25
	- other tax advisory services	30	13
Inventories recognised as expense		1,248	430
Minimum lease payments recognised as operating lease expense		607	594
Foreign exchange gains		(3,045)	(899)

9. Income tax

Tax charged in the Consolidated Income Statement
The tax charge / (credit) is made up as follows:

	2017 £'000	2016 £'000
Current income tax:		
UK corporation tax	5,027	3,576
Amounts overprovided in previous years	566	(195)
Total current income tax expense	5,593	3,381
Deferred tax:		
Origination and reversal of temporary differences	(8,951)	(4,621)
Effect of changes in tax rates	(19)	(3,114)
Adjustments in respect of prior periods	(31)	-
Total deferred tax	(9,001)	(7,735)
Taxation credit reported in Consolidated Income Statement	(3,408)	(4,354)

Tax relating to items charged or credited to other comprehensive income
For the current and preceding year there is no tax charged or credited in respect of items of other comprehensive income.

continued...

9. **Income tax - continued**

Reconciliation of the total tax charge
A reconciliation between tax expense and the product of accounting profit multiplied by the standard rate of corporation tax in the UK of 19.25% (2016:20%) is as follows:

	2017 £'000	2016 £'000
Loss on ordinary activities before tax	(35,921)	(15,330)
Tax calculated at UK standard rate of corporation tax of 19.25% (2016: 20%)	(6,914)	(3,066)
Effects of: adjustments in respect of prior periods	535	(195)
Expenses not deductible for tax purposes	2,993	2,211
Other timing differences	(3)	(636)
Difference in tax rates	(19)	(2,668)
Total tax expense reported in the Consolidated Income Statement	(3,408)	(4,354)

Change in Corporation Tax rate
The UK corporation tax rate was reduced from 20% to 19% from 1 April 2017. A blended current tax rate of 19.25% has therefore been applied within the calculations (2016 - 20%). A further reduction in the main UK rate to 17% will take place on 1 April 2020.

10. **Profit of parent company**

As permitted by Section 408 of the Companies Act 2006, the income statement of the parent company is not presented as part of these financial statements. The parent company's profit for the financial year was £18,117,000 (2016 - £61,005,000).

11. **Dividends**

	2017 £'000	2016 £'000
Ordinary shares of £0.10 each		
Final dividend for the year ended 31 December 2017 is £30,000 per share	30,000	53,000

continued...

12. Property, plant and equipment

Group

	CHP Plant £'000	Other plant & equipment £'000	Decommission-ing asset £'000	Assets under construction £'000	Totals £'000
Cost or valuation					
At 1 January 2016	506,009	23,932	14,113	1,934	545,988
Additions	-	-	-	1,950	1,950
Revaluations and other movements	-	-	(6,074)	(529)	(6,603)
Transfers	1,611	-	-	(1,611)	-
At 31 December 2016	507,620	23,932	8,039	1,744	541,335
Additions	-	-	-	45,062	45,062
Disposals	(6,233)	-	-	-	(6,233)
Transfers	19,770	24,645	-	(44,415)	-
At 31 December 2017	521,157	48,576	8,039	2,391	580,163
Depreciation					
At 1 January 2016	35,799	15,807	871	-	52,477
Charge for year	18,170	6,906	442	-	25,518
At 31 December 2016	53,969	22,713	1,313	-	77,995
Charge for year	18,936	5,614	224	-	24,774
Eliminated on disposal	(537)	-	-	-	(537)
At 31 December 2017	72,368	28,327	1,536	-	102,231
Net book value					
At 31 December 2017	448,789	20,249	6,503	2,391	477,932
At 31 December 2016	453,651	1,218	6,727	1,744	463,340

The individual Company does not have any property, plant and equipment.

continued...

13. **Investments**

Group

	Interest in joint venture £'000
Cost	
At 1 January 2017	-
Additions	293
Share of loss	(9)
At 31 December 2017	284
Net book value	
At 31 December 2017	284

Company

	Shares in group undertakings £'000
Cost	
At 1 January 2017 and 31 December 2016 and 31 December 2017	408,110
Net book value	
At 31 December 2017	408,110
At 31 December 2016	408,110

The Consolidated Financial Statements of the Group include the following entities in which the Company holds, either directly or indirectly, 100% of the equity interest at 31 December 2017. VPI Distributed Generation Limited was newly incorporated on 4 January 2017 and VPI Immingham B Limited on 21 February 2017.

All entities are incorporated and domiciled in England and Wales.

Name of entity	Company number	Holding	Principal activities
VPI Immingham Operations Limited	03716311	Direct	Intermediate Holding Company
VPI Distributed Generation Limited	10547196	Direct	Intermediate Holding Company
VPI Immingham B Limited	10630563	Direct	Energy Project Development
VPI ICHP Limited	04047993	Indirect	Intermediate Holding Company
Immingham Energy Limited	03796899	Indirect	Intermediate Holding Company
VPI Immingham LLP	OC300980	Indirect	Energy generation

The registered address of all subsidiary companies is Belgrave House, 76 Buckingham Palace Road, London, SW1W 9TQ.

The Consolidated Financial Statements of the Group also contain the 50% share of profits/(losses) of VLC Energy Limited incorporated on 10 February 2017, as a joint venture company owned indirectly through VPI Distributed Generation Limited. VLC Energy Limited is incorporated and domiciled in England and Wales.

Name of entity	Company number	Holding	Principal activities
VLC Energy Limited	10535889	50% Indirect	EFR Service

The registered office address is 2nd Floor, 13 Berkeley Street, London, W1J 8DU.

continued...

14. Financial assets and financial liabilities

Summary of financial assets and financial liabilities

Group **Financial assets**	2017 £'000	2016 £'000
Fair value through income statement:		
Derivative financial instruments non-current	34,511	107,006
Derivative financial instruments current	83,742	109,362
Loans and receivables:		
Trade receivables	12,558	7,106
Amounts owed by related parties	17,386	22,771
Amounts owed by joint ventures	14,812	-
Cash and short-term deposits	59,289	49,080
	222,298	295,325

Group **Financial liabilities**	2017 £'000	2016 £'000
Other financial liabilities:		
Trade payables	37,533	58,646
Amounts owed to related parties	140	143
Interest-bearing loans and borrowings non-current	345,582	368,530
Interest-bearing loans and borrowings current	59,536	35,149
Fair value through income statement:		
Derivative financial instruments non-current	1,998	583
Derivative financial instruments current	8,127	9,314
	452,916	472,365

Company **Financial assets**	2017 £'000	2016 £'000
Loans and receivables:		
Amounts owed by group undertakings	147,789	243,468
Amounts owed by joint ventures	14,812	-
Cash and short-term deposits	21,799	8,394
	184,400	251,862

continued...

14. **Financial assets and financial liabilities - continued**

Company **Financial liabilities**	2017 £'000	2016 £'000
Other financial liabilities:		
Amounts owed to group undertakings	11,114	13,087
Interest-bearing loans and borrowings non-current	186,788	243,468
Interest-bearing loans and borrowings current	-	-
	197,902	256,555

Group **Financial liabilities**	Carrying amount 2017 £'000	2016 £'000	Fair value 2017 £'000	2016 £'000
Interest-bearing loans and borrowings non-current	345,582	368,530	347,333	369,635
Interest-bearing loans and borrowings current	59,536	35,149	60,727	36,030
Total	405,118	403,679	408,060	405,665

continued...

14. **Financial assets and financial liabilities – continued**

With the exception of interest-bearing loans disclosed above, the carrying value of all financial assets is the same as their fair values.

The fair value of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

- Long-term fixed-rate and variable-rate borrowings are evaluated by the Group based on parameters such as interest rates, specific country risk factors, and individual creditworthiness of the customer and the risk characteristics of the financed project.

- The fair value of unquoted instruments, loans from banks and other financial liabilities, obligations under finance leases, as well as other non-current financial liabilities are estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities.

- The Group enters into derivative financial instruments with various counterparties, principally energy companies. Derivatives which are valued using valuation techniques with market observable inputs comprise mainly of interest rate swaps, foreign exchange forward contracts and commodity forward contracts. The models used incorporate various inputs including the credit quality of counterparties, foreign exchange spot and forward rates, interest rate curves and forward rate curves of the underlying commodity.

- The credit valuation adjustment in respect of the marked-to-market derivative positions has been assessed by the Group and concluded to not be material. As such no adjustment has been recognised in the current or prior year.

Fair value measurement
The following tables provide an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3, as defined under IFRS 13, based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market date (unobservable inputs).

There have been no transfers between levels during the period.

Derivative financial instruments are valued using a discounted cash flow model. Future cash flows are estimated based on forward rates (from observable rates at the end of the reporting period) and contract forward rates, discounted at an appropriate discount rate. Similar valuation methodologies are used for commodity forward contracts, foreign currency contracts and interest rate swaps. Management consider there to be no material unobservable inputs.

Group	2017 £'000	2016 £'000
Level 2		
Fair value through income statement		
Instruments designated at fair value	118,253	216,368
Total	118,253	216,368

continued...

14. **Financial assets and financial liabilities - continued**

Group	2017 £'000	2016 £'000
Level 2		
Financial liabilities fair value through income statement		
Instruments designated at fair value	10,125	9,897
Total	10,125	9,897

Financial assets
Due within one year

	2017 £'000	2016 £'000
Financial instruments at fair value through income statement		
Commodity forward contracts	82,305	106,738
Foreign exchange forward contracts	1,437	2,624
Total derivative financial assets	83,742	109,362

Financial assets
Due after one year

	2017 £'000	2016 £'000
Financial instruments at fair value through income statement		
Commodity forward contracts	34,511	105,020
Foreign exchange forward contracts	-	1,986
Total derivative financial assets	34,511	107,006

Management assessed that cash and short-term deposits, trade receivables, trade payables, bank overdrafts and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

Fair value movements in derivative financial instruments through the consolidated income statement reflect the change in fair value of those commodity forward contracts, interest rate swaps and foreign exchange forward contracts that are not designed in hedge relationships, but are, nevertheless, intended to reduce the level of commodity price risk for expected sales and purchases, interest rate risk on bank borrowings and foreign currency risk for expected purchases.

Financial liabilities

Group	2017 £'000	2016 £'000
Interest bearing loans and borrowings:		
Floating rate unsecured redeemable loan notes	186,788	243,468
Bank borrowings	218,330	160,211
Total interest bearing loans and borrowings	405,118	403,679

continued...

14. **Financial assets and financial liabilities - continued**

The carrying value of these assets differs from their fair value due to measurement at amortised cost using the effective interest rate which reflects transaction costs incurred.

The bank borrowings consist of a newly re-financed 5 year term loan with bi-annual repayments according to a fixed schedule and a final payment of £22,727,273 at maturity in June 2022. The interest rate applied to the bank borrowings is variable and linked to LIBOR.

The bank lenders hold a full security package over the CHP Plant, key contracts and bank accounts with related financial covenants.

The redeemable loan notes which were obtained from the shareholders are due for repayment in 2020. The interest rate applied to this loan is variable and linked to LIBOR.

Guarantees and Letters of Credit amounting to £49,000,000 have been made. These obligations lapse on settlement of contractual arrangements.

Capital management
Capital includes floating rate unsecured redeemable loan notes and equity attributable to the equity shareholders of the parent. The primary object of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios to support its business and maximise shareholder value. The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and any requirements of its financial covenants. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares as it deems necessary.

Group
Financial liabilities

Due within one year	2017 £'000	2016 £'000
Financial instruments at fair value through income statement		
Commodity forward contracts	7,480	7,746
Interest rate hedging instrument	330	1,568
Foreign exchange forward contracts	317	-
Total derivative financial liabilities	8,127	9,314

Financial liabilities

Due after one year	2017 £'000	2016 £'000
Financial instruments at fair value through income statement		
Commodity forward contracts	1,332	556
Interest rate hedging instrument	666	27
	1,998	583
Total derivative financial liabilities		

continued...

14. **Financial assets and financial liabilities - continued**

The carrying value of these liabilities is the same as their fair value. Financial liabilities through the income statement reflect the change in fair value of those commodity forward contracts that are not designated in hedge relationships, but are, nevertheless, intended to reduce the level of commodity price risk for expected sales and purchases, interest rate risk on bank borrowings and foreign currency risk for expected purchases.

The fair value of the financial assets and liabilities is included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

Hedge activities and derivative financial instruments
Commodity price risk
As detailed in the Principal risks and uncertainties stated on page 3 the Group trades power, natural gas and carbon credits on an ongoing basis as its operations require.

The Group estimates that in relation to the commodity forward contracts a movement of 5% within that portfolio of contracts could impact the income statement by £2,736,000 (2016- £653,000).

Foreign currency risk
As detailed in the Principal risks and uncertainties stated on page 3 the Group uses foreign exchange forward contracts to manage some of its transaction exposures.

The Group estimates that a movement of 5% in foreign currency would impact the income statement by £60,000 (2016 - £217,000).

Interest rate risk
As detailed in the Principal risks and uncertainties stated on page 3 the Group uses interest rate swaps to manage its exposure to movements in interest rates.

The Group estimates a 1% movement in interest rates would impact its Income Statement by £2,960,000 (2016 - £2,840,000).

Financial instruments and cash deposits
As detailed in the Principal risks and uncertainties stated on page 3 the Group actively manages investments of surplus funds. The majority of credit risk rests with a related party Vitol SA, a subsidiary of Vitol BV, and is therefore deemed immaterial.

Liquidity risk
As detailed in the Principal risks and uncertainties stated on page 3 the Group monitors the risk of a shortage of funds using cash flow forecasts

The table below summarises the maturity profile of the Group's financial liabilities based on contractual payments.

continued...

14. **Financial assets and financial liabilities - continued**

Group

Year ended 31 December 2017

	On demand £'000	Less than 3 months £'000	3 to 12 months £'000	1 to 5 years £'000	>5 years £'000	Total £'000
Interest-bearing loans and borrowings	-	4,220	73,388	357,674	-	435,282
Trade payables and amounts owed to related parties	-	28,085	9,584	-	-	37,669
Financial instruments at fair value through profit and loss	-	5,986	2,140	1,411	-	9,537
	-	38,291	85,112	359,085	-	482,488

Period ended 31 December 2016

	On demand £'000	Less than 3 months £'000	3 to 12 months £'000	1 to 5 years £'000	>5 years £'000	Total £'000
Interest-bearing loans and borrowings	-	14,757	48,798	445,527	-	509,082
Trade payables and amounts owed to related parties	-	48,280	10,507	-	-	58,787
Financial instruments at fair value through profit and loss	-	8,333	981	583	-	9,897
	-	71,370	60,286	446,110	-	577,766

15. ***Inventories***

	Group 2017 £'000	Group 2016 £'000
Consumable stocks	5,152	3,739

16. Trade and other receivables

Due within one year

	Group		Company	
	2017	**2016**	**2017**	**2016**
	£'000	**£'000**	**£'000**	**£'000**
Trade debtors	12,558	7,106	-	-
Amounts owed by related parties	17,386	22,771	-	-
Amounts owed by joint ventures	2,992	-	2,992	-
Other debtors	119	21	98	-
VAT	721	6,389	-	2,838
Prepayments and accrued income	1,107	324	-	-
Prepayments	2,484	37,797	-	-
	37,367	74,408	3,090	2,838
Due after more than one year				
Amounts owed by joint ventures	11,820	-	11,820	-
Amounts owed by group undertakings	-	-	147,789	243,468
	11,820	-	159,609	243,468
Aggregate amounts	49,187	74,408	162,699	246,306

Current trade receivables and amounts due from related party are non-interest bearing and are generally on terms of 30 to 45 days. As at 31 December 2017, as well as the preceding year end, no trade or other receivables were overdue, nor were they impaired or provided for. All amounts were received from customers after the statement of financial position date.

The carrying value of the trade and other receivables is their fair value.

Customer credit risk is managed subject to the Group's established policy, procedures and control relating to customer credit risk management. The business provides energy to the UK power market through a related party and trades with adjacent refineries. As the majority of trading activity is with Vitol SA the credit risk exposure is considered to be immaterial. The Group has a good quality customer base through the periods of this report and there have been no bad or doubtful debts through the period.

An impairment analysis is performed at each reporting date on an individual basis for clients. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed above.

The Group does not hold collateral security. The Group evaluates concentration risk with respect to trade receivables as high, as its significant customers are few in number. However these customers are in longer term contractual arrangements with the Group.

The amounts owed by joint ventures equate to loans provided by VPI Holding Limited, to VLC Energy Ltd (the joint venture) and its subsidiaries for the purpose of funding expenditure incurred on the construction of purpose built battery storage facilities. The loans do not have a fixed expiration date but are to be repaid using available cash resources when deemed appropriate by the directors of the joint venture companies. The interest rate is fixed at 10%.

The current and non-current joint venture balances is based on the planned payment profile, below.

continued...

16. **Trade and other receivables – continued**

Group and Company

	1 year or less £'000	2-5 years £'000	More than 5 years £'000	Totals £'000
Other loans	2,992	7,545	4,275	14,812

17. **Called up share capital**

Allotted, issued and fully paid

Number:	Class:	Nominal Value	2016 £	2015 £
1,000	Ordinary	£0.10	100	100

18. **Trade and other payables**

Due within one year

	Group 2017 £'000	Group 2016 £'000	Company 2017 £'000	Company 2016 £'000
Derivative financial instruments	8,127	9,314	-	-
Trade creditors	37,533	58,646	-	-
Amounts owed to group undertakings	-	-	11,114	13,087
Amounts owed to related parties	140	143	-	-
Corporation tax	2,631	2,590	334	-
Social security and other taxes	136	127	-	-
Accruals and deferred income	19,628	26,145	-	-
	68,195	96,965	11,448	13,087
Due after more than one year				
Derivative instruments	1,998	583	-	-
Floating rate unsecured redeemable loan notes	186,788	243,468	186,788	243,468
	188,786	244,051	186,788	243,468
Aggregate amounts	256,981	341,016	198,236	256,555

Current trade creditors are non-interest bearing and are normally settled within 30 - 45 day terms. Current other trade payables are non-interest bearing.

The carrying value of current trade payables is the same as their fair value.

continued...

19. Interest bearing loans and borrowings

	Group 2017 £'000	Group 2016 £'000	Company 2017 £'000	Company 2016 £'000
Due within one year				
Bank borrowings	59,536	35,149	-	-
Due after more than one year				
Bank borrowings	158,794	125,062	-	-
Floating rate unsecured redeemable loan notes (note 18)	186,788	243,468	186,788	243,468
	345,582	368,530	186,788	243,468

All borrowings are denominated in pounds sterling and are valued at amortised cost.

Note 14 provides information about the Group's loans and borrowing commitments and repayment obligations.

Included within the above loans are amounts falling due as follows:

	2017 £'000	2016 £'000
Within 1 year	59,536	35,149
Between two and five years	345,582	368,530
	405,118	403,679

20. Leasing agreements

Minimum lease payments fall due as follows:

Operating lease agreements where the Group is lessee:

Future minimum rentals payable under non-cancellable operating leases are as follows:	2017 £'000	2016 £'000
Within one year	607	594
After one year but more than five years	2,429	2,377
After five years	14,645	14,928
	17,681	17,899

The Group has entered into an operating lease on the land occupied by its CHP plant and ancillary buildings. The lease contains a clause to enable annual upward revision of the rental charge on an indexation basis.

continued...

21. Provisions

	Decommissioning provision £'000
Group	
At 31 December 2016	15,769
Unwinding of discount	592
At 31 December 2017	16,361

The decommissioning obligation in respect of the CHP Plant has been estimated using the present value of future decommissioning costs, inflated using relevant long term inflation rates and discounted at an applicable gilt rate.

As in the preceding year, no decommissioning costs are currently expected to be incurred within the next year. The effect of discounting recognised is being unwound over the period to 2047.

22. Deferred tax

	2017 £'000	2016 £'000
Group		
At beginning of year	111,589	119,324
Charge during the year	(9,001)	(7,735)
At the end of year	102,588	111,589

The provision for deferred tax is made up as follows:

	2017 £'000	2016 £'000
Group		
Accelerated capital allowances	53,447	54,715
Other timing differences	(270)	(268)
Derivative contracts	49,411	57,142
	102,588	111,589

continued...

23. Pension commitments

The Group operates a defined contribution scheme. As in the previous year there were no pension commitments unpaid at the statement of financial position date.

24. Related parties

Note 13 provides information about the Group's structure, including details of the Subsidiaries and Joint Ventures. The following transactions have been entered into with related parties during the relevant financial year:

VPI Immingham LLP, an indirect subsidiary, has entered into arm's length energy trading arrangements with Vitol SA, a subsidiary of Vitol Holding BV. Related party energy trading included in turnover is £536,096,000 (2016 - £522,626,000) and cost of goods sold is £367,396,000 (2016 - £322,451,000).

Included in note 16 is £17,386,000 (2016 - £22,771,000) owed from Vitol SA and included in note 18 is £140,000 (2016 - £143,000) owed to Vitol SA and the shareholders of VPI Holding Limited.
As in the previous year there were no pension commitments unpaid at the statement of financial position date.

Included in note 16 is £14,812,000 owed from the subsidiaries of VLC Energy Limited, the joint venture undertaking.

The £186,788,000 floating rate unsecured redeemable loan notes included in note 18 are held jointly by the shareholders of VPI Holding Limited (2016 - £243,468,000). Interest payable under these loan notes in the year was £16,144,000 (2016 - £18,280,000).

25. Post balance sheet events

On 16 January 2018 VPI Distributed Generation Limited acquired 100% of the share capital, comprising 100 ordinary shares of £0.10, of VPI Immingham Energy Park A Limited, a company incorporated in England and Wales on the same day.

26. Ultimate parent company and controlling party

There is no ultimate controlling party.

VPI Holding Limited is the parent undertaking of the smallest and largest undertaking for which group financial statements will be drawn up for the year ended 31 December 2017, and of which the Company is a member. Once these group statements are prepared, copies of the 2017 Annual Report will be able to be obtained from Belgrave House, 76 Buckingham Palace Road, London, SW1W 9TQ, which is also the registered office address of the smallest and largest undertakings in the group.