# ERE Developments Limited

## Directors' Report and financial statements

For the year ended 31 March 2016

Company registration number: NI601781

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# ERE Developments Limited

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# ERE Developments Limited

## Directors and other information

| | |
|---|---|
| **Directors** | Stephen Devine<br>Ciaran Devine<br>Andrew Street<br>Christian Grundtvig<br>Philip Kent (resigned 29 April 2016)<br>Adrian Judge<br>Hugh Irwin (appointed 29 April 2016) |
| **Secretary** | Stephen Devine |
| **Registered office** | 18 Lisahally Road<br>Maydown<br>Londonderry<br>BT47 6FL |
| **Bankers** | Investec Bank plc<br>2 Gresham Street<br>London<br>EC2V 7QP |
| **Solicitors** | Carson & McDowell<br>Murray House<br>4 Murray Street<br>Belfast<br>BT1 6DN |
| **Auditor** | KPMG<br>Chartered Accountants<br>Stokes House<br>17/25 College Square East<br>Belfast<br>BT1 6DH |
| **Registered number** | NI 601781 |

# ERE Developments Limited

## Directors report

The directors present their Annual Report and the audited financial statements for the year ended 31 March 2016. In accordance with section 419 (2) and part 19 of the Companies Act 2006, in preparing this report the directors have taken advantage of the small companies exemption.

**Principal activities and business review**

The principal activity of the company is the operation of a wood-fuelled heat and power biomass plant in Londonderry Port, Northern Ireland. The directors are satisfied with the performance of the company as trading has just commenced in December 2015.

The directors have no plans to change significantly the activity and operations of the company in the foreseeable future.

**Results and dividend**

The result for the period and the manner in which it is dealt with are set out in the profit and loss account on page 8 and in the related notes. The directors do not recommend the payment of a dividend (2015: £nil).

**Principal risks and uncertainties**

The management of the business and the execution of the company's strategy are subject to a number of risks. The key business risks and uncertainties affecting the company, as identified by the directors, are considered to relate to: the continued support of lenders; compliance with laws and regulations; fluctuations in market prices for electricity generated; and general risks associated with the ongoing operational performance typical of the plant.

**Financial instruments**

Due to the nature of its business, the Company is exposed to the effects of fluctuations in interest rates. In order to manage these exposures, the Company has entered into various hedging arrangements with commercial banks. These arrangements comprise the use of interest rate swaps. Further details are set out in note 1 to these financial statements.

**Key performance indicators**

The directors of the company are involved in the management of the operational phase of the power plant, and monitor performance against plan and budget on a regular basis. Key KPIs monitored on a monthly basis include electricity generated and exported (MwH), renewable energy exported (MwH), fuel inventory & usage, ash disposal (tonnes), efficiency of fuel (moisture and energy content), plant efficiency, prices for electricity and capacity payments (£/mwh), prices for ROC buyouts and ROC recycle (£/ROC) as well as the normal monthly income & expenditure, balance sheet and cash flows.

# ERE Developments Limited

## Directors report *(continued)*

**Directors**

The directors who held office during the period were:

Stephen Devine
Ciaran Devine
Andrew Street
Christian Grundtvig
Philip Kent
Adrian Judge

**Political contributions**

The company made no political contributions or incurred political expenditure during either period.

**Strategic report**

The company has availed of the exemption under the Companies Act 2006 (Strategic Report and Directors Report) Regulations 2013 from implementing the strategic report requirements as the Company qualifies as a small company for Company Law purposes.

**Disclosure of information to auditors**

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

**Going concern**

The company's business activities, together with factors likely to affect its future development, performance and position are set out in the directors' report.

Given the current economic conditions the directors have considered the extent to which these matters create uncertainty, particularly over the company's future trading prospects and the availability of finance in the foreseeable future.

The directors believe that the company is well placed to manage its business risks successfully despite the current uncertain economic outlook. The directors consider that the company has sufficient financial resources to meet its ongoing requirements for at least 12 months from the date of approval of the financial statements. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

# ERE Developments Limited

## Directors report *(continued)*

**Auditors**

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

By Order of the Board



Mr C. Devine
*Director*

3 August 2016

# ERE Developments Limited

## Statement of directors' responsibilities in respect of the directors' report and the financial statements

The directors are responsible for preparing the directors' report and the financial statements in accordance with applicable law and regulations.

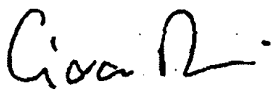
Company law requires the directors to prepare financial statements for each financial period. Under that law they have elected to prepare the financial statements in accordance with FRS 102 *the Financial Reporting Standard applicable in the UK and ROI.*

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

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

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

On behalf of the board



Mr C. Devine
*Director*

3 August 2016

KPMG
Audit
Stokes House
17-25 College Square East
Belfast BT1 6DH
Northern Ireland

# Independent auditor's report to the members of ERE Developments Limited

We have audited the financial statements of ERE Developments Limited for the year ended 31 March 2016 which comprise the profit and loss account and other comprehensive income, balance sheet, statement of changes in equity and related notes. The financial reporting framework that has been applied in their preparation is applicable law and Section 1A of FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (UK Generally Accepted Accounting Practice applicable to Smaller Entities). Our audit was conducted in accordance with International Standards on Auditing (ISAs) (UK & Ireland).

**Opinions and conclusions arising from our audit**

***1 Our opinion on the financial statements is unmodified***

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2016 and of its results for the year then ended;
- have been properly prepared in accordance with FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

***2 Our conclusions on other matters on which we are required to report by the Companies Act 2006 are set out below***

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

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

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

***3 We have nothing to report in respect of matters on which we are required to report by exception***

Under ISAs (UK and Ireland) we are required to report to you if, based on the knowledge we acquired during our audit, we have identified other information in the annual report that contains a material inconsistency with either that knowledge or the financial statements, a material misstatement of fact, or that is otherwise misleading.

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit;
- the directors were entitled to take advantage of the small companies exemption from the requirement to prepare a strategic report.

We have nothing to report in respect of the above responsibilities.



KPMG, an Irish partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity

KPMG
**Audit**
Stokes House
17-25 College Square East
Belfast BT1 6DH
Northern Ireland

# Independent auditor's report to the members of ERE Developments Limited *(continued)*

**Basis of our report, responsibilities and restrictions on use**

As explained more fully in the Statement of Directors' Responsibilities set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view and otherwise comply with the Companies Act 2006. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's Ethical Standards for Auditors.

An audit undertaken in accordance with ISAs (UK & Ireland) involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Directors' Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Whilst an audit conducted in accordance with ISAs (UK & Ireland) is designed to provide reasonable assurance of identifying material misstatements or omissions it is not guaranteed to do so. Rather the auditor plans the audit to determine the extent of testing needed to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements does not exceed materiality for the financial statements as a whole. This testing requires us to conduct significant audit work on a broad range of assets, liabilities, income and expense as well as devoting significant time of the most experienced members of the audit team, in particular the engagement partner responsible for the audit, to subjective areas of the accounting and reporting.

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

**John Poole (Senior Statutory Auditor)** 4 August 2016
**for and on behalf of KPMG, Statutory Auditor**
*Chartered Accountants*
Stokes House
17-25 College Square East
Belfast
BT1 6DH



KPMG, an Irish partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity

# ERE Developments Limited

## Profit and loss account and other comprehensive income

*for the year ended 31 March 2016*

| | Note | 2016 £ | 2015 £ |
|---|---|---|---|
| **Turnover** | | **4,938,939** | - |
| Cost of sales | | **(2,041,302)** | - |
| **Gross Profit** | | **2,897,637** | - |
| Administrative expenses | | **(2,474,384)** | (333,236) |
| **Operating profit/(loss)** | | **423,253** | (333,236) |
| Interest receivable and similar income | *3a* | **1,846** | 694 |
| Interest payable and similar charges | *3b* | **(1,439,869)** | (90,242) |
| **Loss on ordinary activities before taxation** | *4* | **(1,014,770)** | (422,784) |
| Tax on loss on ordinary activities | *4* | - | - |
| **Loss for the financial period** | | **(1,014,770)** | (422,784) |
| **Other comprehensive income** | | | |
| Effective portion of changes in fair value of cash flow hedges | | **(703,478)** | (4,078,474) |
| **Total comprehensive income for the year** | | **(1,718,248)** | (4,501,258) |

All activities in the current and prior period have arisen from continuing operations.

The notes on pages 12 to 28 form part of these financial statements.

# ERE Developments Limited

## Balance sheet

*as at 31 March 2016*

| | Note | 2016 £ | 2015 £ |
|---|---|---|---|
| **Fixed assets** | | | |
| Tangible assets | 6 | 69,388,958 | 54,202,621 |
| | | 69,388,958 | 54,202,621 |
| **Current assets** | | | |
| Debtors | 7 | 5,519,340 | 3,455,267 |
| Fuel stock | | 140,393 | - |
| Cash at bank and in hand | | 3,080,272 | 1,268,850 |
| | | 8,740,005 | 4,724,117 |
| **Creditors:** Amounts falling due within one year | 8 | (4,900,719) | (5,646,885) |
| **Net current assets/(liabilities)** | | 3,839,286 | (922,768) |
| **Total assets less current liabilities** | | 73,228,244 | 53,279,853 |
| **Creditors:** Amounts falling due after one year | 9 | (74,457,859) | (52,791,220) |
| **Net (liabilities)/assets** | | (1,229,615) | 488,633 |
| **Capital and reserves** | | | |
| Called up share capital | 11 | 58,004 | 58,004 |
| Profit and loss account | | (1,601,861) | (587,091) |
| Share premium account | | 5,741,996 | 5,741,996 |
| Cash flow reserve | | (5,427,754) | (4,724,276) |
| **Shareholders' (deficit)/funds** | | (1,229,615) | 488,633 |

These financial statements were approved by the Board of directors on 3 August 2016 and signed on its behalf by:

On behalf of the board

C. Devine
*Director*

*Company registration number: NI 601781*

The notes on pages 12 to 28 form part of these financial statements.

# ERE Developments Limited

## Statement of changes in equity

*Year ended 31 March 2016*

| | Called up Share capital £ | Share Premium account £ | Cash flow hedge reserve £ | Profit and loss account £ | Total equity £ |
|---|---|---|---|---|---|
| Balance at 1 April 2015 | 58,004 | 5,741,996 | (4,724,276) | (587,091) | 488,633 |
| **Total comprehensive income for the year** | | | | | |
| Loss for the year | - | - | - | (1,014,770) | (1,014,770) |
| Other comprehensive income | - | - | (703,478) | - | (703,478) |
| Total comprehensive income for the year | - | - | (703,478) | (1,014,770) | (1,718,248) |
| **Balance at 31 March 2016** | **58,004** | **5,741,996** | **(5,427,754)** | **(1,601,861)** | **(1,229,615)** |

# ERE Developments Limited

## Statement of changes in equity

*Year ended 31 March 2016*

| | Called up Share capital £ | Share Premium account £ | Cash flow hedge reserve £ | Profit and loss account £ | Total equity £ |
|---|---|---|---|---|---|
| Balance at 1 April 2014 | 58,004 | 5,741,996 | (645,802) | (164,307) | 4,989,891 |
| **Total comprehensive income for the year** | | | | | |
| Loss for the year | - | - | - | (422,784) | (422,784) |
| Other comprehensive income | - | - | (4,078,474) | - | (4,078,474) |
| Total comprehensive income for the period | - | - | (4,078,474) | (422,784) | (4,501,258) |
| **Balance at 31 March 2015** | **58,004** | **5,741,996** | **(4,724,276)** | **(587,091)** | **488,633** |

# ERE Developments Limited

## Notes

*(forming part of the financial statements)*

### 1 Accounting policies

ERE Developments Limited (the "Company") is a company limited by shares and incorporated and domiciled in Northern Ireland.

These financial statements were prepared in accordance with Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102") as issued in September 2015. The presentation currency of these financial statements is sterling.

In the transition to FRS 102 from old UK GAAP, the Company has made measurement and recognition adjustments. An explanation of how the transition to FRS 102 has affected financial position and financial performance of the Company is provided in note 17.

FRS 102 grants certain first-time adoption exemptions from the full requirements of FRS 102. The following exemptions have been taken in these financial statements:

- Designation of previously recognised financial instruments – certain financial assets and liabilities were at the 1 April 2014 designated at fair value through profit or loss.
- Lease arrangements – in order to determine whether an arrangement contains a lease, the Company has analysed facts and circumstances existing at 1 April 2014 rather than commencement date of the arrangement.
- Lease incentives – for leases commenced before 1 April 2014 the Company continued to account for lease incentives under previous UK GAAP.

The Company's parent undertaking, ERE LPS Holdings Limited includes the Company in its consolidated financial statements. The consolidated financial statements of ERE LPS Holdings Ltd are available to the public and may be obtained from 18 Lisahally Road, Maydown, Londonderry, BT47 6FL. In these financial statements, the company is considered to be a qualifying entity (for the purposes of this FRS) and has applied the exemptions available under FRS 102 in respect of the following disclosures:

- Reconciliation of the number of shares outstanding from the beginning to end of the period;
- Cash Flow Statement and related notes; and
- Key Management Personnel compensation.

As the consolidated financial statements of ERE LPS Holdings Limited include the equivalent disclosures, the Company has also taken the exemptions under FRS 102 available in respect of the following disclosures:

- The disclosures required by FRS 102.11 Basic Financial Instruments and FRS 102.12 Other Financial Instrument Issues in respect of financial instruments not falling within the fair value accounting rules of Paragraph 36(4) of Schedule 1.

## Notes *(continued)*

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

The Company proposes to continue to adopt the reduced disclosure framework of FRS 102 in its next financial statements.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements. On first time adoption of FRS 102, the Company has not retrospectively changed its accounting under old UK GAAP for hedge accounting for any hedging relationships that no longer existed at the date of transition.

Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 16.

***1.1 Measurement convention***

The financial statements are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: derivative financial instruments, financial instruments classified at fair value through the profit or loss account.

***1.2 Going concern***

The company's business activities, together with factors likely to affect its future development, performance and position are set out in the directors' report.

Given the current economic conditions the directors have considered the extent to which these matters create uncertainty, particularly over the company's future trading prospects and the availability of finance in the foreseeable future.

The directors believe that the company is well placed to manage its business risks successfully despite the current uncertain economic outlook. The directors consider that the company has sufficient financial resources to meet its ongoing requirements for at least 12 months from the date of approval of the financial statements. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

***1.3 Foreign currency***

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

## Notes *(continued)*

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

***1.4 Classification of financial instruments issued by the Company***

In accordance with FRS 102.22, financial instruments issued by the Company are treated as equity only to the extent that they meet the following two conditions:

(a) they include no contractual obligations upon the company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the company; and

(b) where the instrument will or may be settled in the company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the company's own equity instruments or is a derivative that will be settled by the company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

***1.5 Basic financial instruments***

*Trade and other debtors/creditors*

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

*Interest-bearing borrowings*

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

***1.6 Other financial instruments***

Financial instruments not considered to be Basic financial instruments (Other financial instruments)

Other financial instruments not meeting the definition of Basic Financial Instruments are recognised initially at fair value. Subsequent to initial recognition other financial instruments are measured at fair value with changes recognised in profit or loss except as follows:

- hedging instruments in a designated hedging relationship shall be recognised as set out below.

Notes *(continued)*

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

***1.6 Other financial instruments (continued)***

*Derivative financial instruments and hedging*

Derivative financial instruments are recognised at fair value. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged (see below).

*Cash flow hedges*

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability, or a highly probable forecast transaction, the effective part of any gain or loss on the derivative financial instrument is recognised directly in other comprehensive income. Any ineffective portion of the hedge is recognised immediately in profit or loss.

For cash flow hedges, where the forecast transactions resulted in the recognition of a non-financial asset or non-financial liability, the hedging gain or loss recognised in OCI is included in the initial cost or other carrying amount of the asset or liability. Alternatively when the hedged item is recognised in profit or loss the hedging gain or loss is reclassified to profit or loss.

When a hedging instrument expires or is sold, terminated or exercised, or the entity discontinues designation of the hedge relationship but the hedged forecast transaction is still expected to occur, the cumulative gain or loss at that point remains in equity and is recognised in accordance with the above policy when the transaction occurs. If the hedged transaction is no longer expected to take place, the cumulative unrealised gain or loss recognised in equity is recognised in the income statement immediately.

***1.7 Turnover***

Turnover is stated net of trade discounts, VAT and similar taxes and derives from the provision of goods and services falling within the company's ordinary activities.

Services are deemed to have been delivered to customers when and to the extent that the company has met its obligations under its service contracts.

***1.8 Tangible fixed assets***

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

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

## Notes *(continued)*

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

***1.8 Tangible fixed assets (continued)***

Leases in which the Company assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. All other leases are classified as operating leases. Leased assets acquired by way of finance lease are stated on initial recognition at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, including any incremental costs directly attributable to negotiating and arranging the lease. At initial recognition a finance lease liability is recognised equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments. The present value of the minimum lease payments is calculated using the interest rate implicit in the lease. Lease payments are accounted for as described at 1.14 below.

The company assesses at each reporting date whether tangible fixed assets (including those leased under a finance lease) are impaired.

Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. Leased assets are depreciated over the shorter of the lease term and their useful lives. No depreciation is charged on assets under construction until such a point as the asset is ready for use. Depreciation is charged on plant and machinery on a 25% straight line basis and on a 5% straight line basis on the power plant.

***1.9 Cash and cash equivalents***

Cash and cash equivalents comprise cash balances and call deposits.

***1.10 Issue costs***

Costs incurred by the company which are directly attributable to the issue of new shares in the period are offset against the share premium amount. Costs incurred by the company in securing and agreeing sources of finance and which, if not incurred, would result in a failure to obtain such finances, are offset against the proceeds of that finance. These costs are amortised over the life of the loan, regardless of whether or not repayment has commenced on that loan.

Commitment fees paid for access to funds via a committed facility, where it is probable that such funds will be drawn down, will be deferred until such a time as the funds have been drawn down. At this point, the commitment fees will be treated as issue costs as detailed above.

## Notes *(continued)*

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

***1.11 Impairment excluding deferred tax assets***

*Financial assets (including trade and other debtors)*

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. For financial instruments measured at cost less impairment an impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the Company would receive for the asset if it were to be sold at the reporting date. Interest on the impaired asset continues to be recognised through the unwinding of the discount. Impairment losses are recognised in profit or loss. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

*Non-financial assets*

The carrying amounts of the Company's non-financial assets, other than deferred tax assets], are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing is allocated to cash-generating units, or ("CGU") that are expected to benefit from the synergies of the combination. For the purpose of goodwill impairment testing, if goodwill cannot be allocated to individual CGUs or groups of CGUs on a non-arbitrary basis, the impairment of goodwill is determined using the recoverable amount of the acquired entity in its entirety, or if it has been integrated then the entire entity into which it has been integrated.

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

An impairment loss is reversed if and only if the reasons for the impairment have ceased to apply.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

## Notes *(continued)*

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

***1.12 Employee benefits***

*Defined contribution plans and other long term employee benefits*

A defined contribution plan is a post-employment benefit plan under which the company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss account in the periods during which services are rendered by employees.

*Termination benefits*

Termination benefits are recognised as an expense when the company is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if the company has made an offer of voluntary redundancy, it is probably that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting date, then they are discounted to their present value.

***1.13 Provisions***

A provision is recognised in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are recognised at the best estimate of the amount required to settle the obligation at the reporting date.

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its group, the company treats the guarantee contract as a contingent liability until such time as it becomes probable that the company will be required to make a payment under the guarantee.

***1.14 Expenses***

*Operating lease*

Payments (excluding costs for services and insurance) made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease unless the payments to the lessor are structured to increase in line with expected general inflation; in which case the payments related to the structured increases are recognised as incurred. Lease incentives received are recognised in profit and loss over the term of the lease as an integral part of the total lease expense.

*Finance lease*

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability using the rate implicit in the lease. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent rents are charged as expenses in the periods in which they are incurred.

## Notes *(continued)*

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

***1.14 Expenses (continued)***

*Interest receivable and Interest payable*

Interest payable and similar charges include interest payable, finance charges on shares classified as liabilities and finance leases recognised in profit or loss using the effective interest method, unwinding of the discount on provisions, and net foreign exchange losses that are recognised in the profit and loss account (see foreign currency accounting policy). Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that takes a substantial time to be prepared for use, are capitalised as part of the cost of that asset/are expensed as incurred.

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

Interest income and interest payable are recognised in profit or loss as they accrue, using the effective interest method. Dividend income is recognised in the profit and loss account on the date the company's right to receive payments is established. Foreign currency gains and losses are reported on a net basis.

***1.14 Taxation***

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

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

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

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

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date. For non-depreciable assets that are measured using the revaluation model, or investment property that is measured at fair value, deferred tax is provided at the rates and allowances applicable to the sale of the asset/property.

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

Notes *(continued)*

**2 Turnover**

| | 2016 £ | 2015 £ |
|---|---|---|
| Power revenue | 661,670 | - |
| ROC payout | 4,021,467 | - |
| Capacity payments | 255,802 | - |
| | 4,938,939 | - |

**3a Interest receivable and similar income**

| | 2016 £ | 2015 £ |
|---|---|---|
| Bank interest received | 1,846 | 694 |
| | 1,846 | 694 |

**3b Interest payable and similar charges**

| | 2016 £ | 2015 £ |
|---|---|---|
| Amortisation of debt issue costs | 174,296 | 37,292 |
| Interest payable | 1,265,573 | 52,950 |
| | 1,439,869 | 90,242 |

**4 Loss on ordinary activities before taxation**

| | 2016 £ | 2015 £ |
|---|---|---|
| ***Loss on ordinary activities before taxation is stated after charging:*** | | |
| Depreciation of tangible fixed assets | 1,223,371 | 4,280 |
| Auditors' remuneration - audit services | 18,000 | 18,000 |
| Auditors' remuneration – non-audit services | 4,500 | 4,500 |

The directors did not receive any remuneration from the company during either period.

The company did not have any employees in the current or prior periods.

Notes *(continued)*

## 5 Taxation

a) *Analysis of charge in period*

| | 2016 £ | 2015 £ |
|---|---|---|
| *UK corporation tax on current tax* | | |
| Current tax on income for the period | - | - |
| Adjustments in respect of previous periods | - | - |
| **Total UK current tax charge** | | |
| *Deferred tax* | | |
| Origination and reversal of timing differences | - | - |
| Adjustment in respect of previous periods | - | - |
| Impact of change in deferred tax rate | - | - |
| **Total deferred tax** | - | - |
| **Tax on loss on ordinary activities** | - | - |

The basis by which taxation is calculated is stated in note 1.

b) *Factors affecting the tax charge for the current period*

The tax assessed for the period is a lower credit (2015: lower credit) than the standard rate of corporation tax in the UK. The differences are explained below:

| | 2016 £ | 2015 £ |
|---|---|---|
| ***Loss on ordinary activities before taxation*** | | |
| Loss on ordinary activities before taxation | **(1,014,796)** | (422,784) |
| Current tax at 20% (2015: 20%) | **(202,959)** | (84,557) |
| ***Effects of:*** | | |
| Expenses not deductible for tax purposes | **168,698** | - |
| Capital allowances for period in excess of depreciation | | - |
| Deferred tax not recognised | **59,261** | 84,557 |
| Adjustments in respect of prior periods | - | - |
| Tax at marginal rates | - | - |
| **Total current tax charge** | - | - |

c) *Factors that may affect future tax charges*

Reductions in the UK corporation tax rate to 20% (effective from 1 April 2016) were substantively enacted on 2 July 2013. This will reduce the company's future current tax charge accordingly. The deferred tax asset not recognised at the balance sheet date has been calculated based on the rate of 20% substantively enacted at the balance sheet date and amounted to £976,996 (2015: £850,370)

# ERE Developments Limited

## Notes *(continued)*

### 6 Tangible fixed assets

| | Plant & machinery £ | Power Plant £ | Total £ |
|---|---|---|---|
| *Cost* | | | |
| At 1 April 2015 | 124,975 | 54,081,926 | 54,206,901 |
| Additions | 74,000 | 16,335,708 | 16,409,708 |
| At end of period | 198,975 | 70,417,634 | 70,616,609 |
| *Depreciation* | | | |
| At 1 April 2015 | 4,280 | - | 4,280 |
| Charge for period | 49,744 | 1,173,627 | 1,223,371 |
| At end of period | 54,024 | 1,173,627 | 1,227,651 |
| *Net book value* | | | |
| **At 31 March 2016** | **144,951** | **69,244,007** | 69,388,958 |
| At 31 March 2015 | 120,695 | 54,081,926 | 54,202,621 |

### 7 Debtors

| | 2016 £ | 2015 £ |
|---|---|---|
| Trade debtor | 446,491 | - |
| Amounts due from parent undertaking | 2,307,006 | 2,135,371 |
| Prepayments | 2,765,843 | 1,304,587 |
| VAT debtor | - | 15,309 |
| | 5,519,340 | 3,455,267 |

Notes *(continued)*

**8 Creditors: amounts falling due within one year**

| | 2016 £ | 2015 £ |
|---|---|---|
| Trade creditors | **671,939** | - |
| Accruals | **1,827,354** | 5,611,604 |
| Finance lease obligations (see below) | **41,087** | 35,281 |
| VAT | **44,001** | - |
| Intercompany Payable | **476,986** | - |
| Bank loans (see below) | **1,839,352** | - |
| | **4,900,719** | 5,646,885 |

**9 Creditors: amounts falling due after more than one year**

| | 2016 £ | 2015 £ |
|---|---|---|
| Bank loans (see below) | **68,996,207** | 47,989,747 |
| Derivative financial liability | **5,427,754** | 4,724,276 |
| Finance lease obligations (see below) | **33,898** | 77,197 |
| | **74,457,859** | 52,791,220 |

| | 2016 £ | 2015 £ |
|---|---|---|
| *Analysis of loan balance:* | | |
| Loans | **64,703,642** | 45,476,996 |
| Add: capitalised interest | **6,646,559** | 3,668,672 |
| Less: issue costs | **(2,516,884)** | (1,194,265) |
| Add: amortisation of issue costs | **162,890** | 38,344 |
| | **68,996,207** | 47,989,747 |

*Analysis of debt:*

An analysis of the maturity of loans is given below:

| | 2016 £ | 2015 £ |
|---|---|---|
| Within one year | **1,839,352** | - |
| In the second to fifth years | **9,113,054** | 10,753,393 |
| Over five years | **62,237,147** | 38,392,275 |
| | **73,189,553** | 49,145,668 |

Notes *(continued)*

**10 Interest bearing borrowings**

*The loans are secured by:*

1 Full title guarantee to all of its right, title and interest in each deposit holds.
2 Fixed and floating charge over the company's interest, right or title in freehold land; property, fixtures, plant and machinery, stocks and other securities, assigned investments, all other plant, including capital and intellectual property rights.

The Company is 100% owned by ERE LPS Holdings Limited, a company incorporated in the United Kingdom. ERE LPS Holdings Limited has loan agreements in place with the funders listed in note 13 below and ERE LPS Holdings Limited provides this funding to the company on identical terms. £31,189,553 (2015 £28,211,616) of the loan balances above are between ERE LPS Holdings Limited and the company. However, loans drawn down in the current and prior periods on these loans were paid directly to the company from the funders listed in note 13 rather than through the holding company.

The Company has undrawn committed borrowing facilities totalling £Nil at the year end (2015: £21,066,000).

*Terms and debt repayment schedule*

| | Currency | Nominal interest rate | Year of maturity | 2016 £000 |
|---|---|---|---|---|
| GCP Biomass Mezz Loan | £ | 10.1% | 31 Dec 2032 | 12,052,085 |
| UK UREI | £ | 10.1% | 31 Dec 2032 | 12,440,909 |
| Investec loan | £ | 3.309% | 31 Dec 2032 | 42,000,000 |

The maturity of finance lease obligations is as follows:

| | 2016 £ | 2015 £ |
|---|---|---|
| Within one year | 41,087 | 35,281 |
| In the second to fifth years | 33,898 | 77,147 |
| Over five years | | |
| | 74,985 | 112,428 |

Notes *(continued)*

**11 Called up share capital**

| | 2016 £ | 2015 £ |
|---|---|---|
| *Allotted, called up and fully paid* | | |
| 5,800,400 (2015: 5,800,400) Ordinary shares of £0.01 each | 58,004 | 58,004 |

**12 Capital commitments**

The Company had future capital expenditure which had been contributed but not provided for on the financial statements at 31 March 2016 of NIL (2015: £17,060,937).

**13 Related party disclosures**

During the period EGH (NI) Limited issued invoices/credit notes to ERE Developments Limited amounting to £200,000 (2015: £100,000). At the year end there is no balance owing to or receivable from EGH (NI) Limited (2015: £20,306 owing to EGH (NI) Limited).

ERE Lisahally Limited is a company which is 100% owned by Stephen and Ciaran Devine. During the period, invoices/credit notes amounting to £294,391 (2015: £263,900) were issued to ERE Developments Limited by ERE Lisahally Limited. There was also various other charges incurred on behalf of ERE Developments Limited that ERE Lisahally Limited recharged to the company in the current financial year amounting to £43,490. At the period end, no balances remained outstanding (2015: £nil).

During the period, Burmeister & Wain Scandanavian Contractor A/s issued invoices amounting to £10,429,119 (2015: £26,510,967) to ERE Developments Limited. At the period end, no balances remained outstanding (2015: £nil)

Green Investment Bank plc is a limited partner in UK Waste and Resource Energy Investments LP, which is a shareholder in ERE Developments Limited. During the period, UK Waste and Resource Energy Investments LP provided funding of £NIL to the company (2015: £2,686,037). A balance of £15,473,248 (2015: £12,490,909) remains outstanding at the period end.

The directors are considered to be key management of the company.

Notes *(continued)*

**14 Ultimate parent company and controlling parties**

The directors consider the ultimate controlling parties to be: EGH (NI) Limited; UK Waste and Resources Energy Investments LP; and Burmeister & Wain Scandanavian Contractor A/s.

The company is owned 100% by ERE LPS Holdings Limited, a company incorporated in the United Kingdom. The company has taken advantage of the exemption under FRS 102 section 33 not to disclose transactions with entities that are part of the Group. The results of the company are included in the consolidated financial statements of ERE LPS Holdings Limited, which are publicly available.

The company's direct parent undertaking is owned by: EGH (NI) Limited (33.33%); UK Waste and Resources Energy Investments LP (49.43%); and Burmeister & Wain Scandanavian Contractor A/s (17.24%).

**15 Post balance sheet events**

There have been no significant post balance sheet events.

**16 Key accounting estimates and judgements**

*Key sources of estimation uncertainty*

As disclosed in note 1.8 to the financial statements, tangible fixed assets are stated at cost less accumulated depreciation. The power plant asset, shown in note 6, has a cost of £68,917,634 and became fully operational at the beginning of December 2015. The directors consider that this has a useful economic life of twenty years with no residual value. As such depreciation at 5% on a straight line basis has been provided into these financial statements, with a total depreciation charge on these assets of £1,173,617 charged to the profit and loss account. The Net Book Value of this asset included in the balance sheet is therefore £69,244,007.

**17 Explanation of transaction to FRS 102 from old UK GAAP**

As stated in note 1, these are the Company's first financial statements prepared in accordance with FRS 102.

The accounting policies set out in note 1 have been applied in preparing the financial statements for the year ended 31 March 2016 and the comparative information presented in these financial statements for the year ended 31 March 2015.

In preparing its FRS 102 balance sheet, the Company has adjusted amounts reported previously in financial statements prepared in accordance with its old basis of accounting UK GAAP. An explanation of how the transition from UK GAAP to FRS 102 has affected the Company's financial position and financial performance is set out in the following tables and the notes that accompany the tables.

## Notes *(continued)*

### 17 Explanation of transaction to FRS102 from old UK GAAP *(continued)*

*Reconciliation of equity*

| | | 1 April 2014 | | | 31 March 2015 | | |
|---|---|---|---|---|---|---|---|
| | | UK GAAP *Restated* | Effect of transition to FRS 102 | FRS 102 | Adopted UK GAAP *Restated* | Effect of transition to FRS 102 | FRS 102 |
| | | £ | £ | £ | £ | £ | £ |
| **Fixed assets** | | | | | | | |
| Tangible fixed assets | | 24,321,968 | - | 24,321,968 | 54,202,621 | - | 54,202,621 |
| | | 24,321,968 | - | 24,321,968 | 54,202,621 | - | 54,202,621 |
| **Current assets** | | | | | | | |
| Debtors | | 4,677,150 | - | 4,677,150 | 3,455,267 | - | 3,455,267 |
| Cash at bank and in hand | | 1,011,234 | - | 1,011,234 | 1,268,850 | - | 1,268,850 |
| | | 5,688,384 | - | 5,688,584 | 4,726,117 | - | 4,726,117 |
| **Creditors: amounts due within one year** | | (1,544,595) | - | (1,544,595) | (5,646,885) | - | (5,646,885) |
| **Net current assets/(liabilities)** | | 4,143,789 | - | 4,143,789 | (922,768) | - | (922,768) |
| **Total assets less current liabilities** | | 28,465,757 | - | 28,465,757 | 53,279,853 | - | 53,279,853 |
| **Creditors: amounts falling due after one year** | a) | (22,830,064) | (645,802) | (23,475,866) | (48,712,746) | (4,078,474) | (52,791,220) |
| **Net assets** | | 5,635,693 | (645,802) | 4,989,891 | 4,567,107 | (4,078,474) | 488,633 |
| **Capital and reserves** | | | | | | | |
| Called up share capital | | 58,004 | - | 58,004 | 58,004 | - | 58,004 |
| Profit and loss account | | (164,307) | - | (164,307) | (587,091) | - | (587,091) |
| Share premium account | | 5,741,996 | - | 5,741,996 | 5,741,996 | - | 5,741,996 |
| Cashflow reserve | a) | - | (645,802) | - | (645,802) | (4,078,474) | (4,724,276) |
| **Shareholder's equity** | | 5,635,693 | (645,802) | 4,989,891 | 4,567,107 | (4,078,474) | 488,633 |

*Note a)*

*Derivatives and hedge accounting*

The Company enters into arrangements to hedge its exposure to interest rate risk using derivative instruments, specifically interest rate swaps. Previously, these instruments were not recognised in the financial statements until the transactions which gave rise to the exposures were recognised. Under FRS 102, the Company is required to recognise such instruments on balance sheet at fair value. The Company has designated all such instruments as cash flow hedges and applied the accounting policy as described in note 1.

Notes *(continued)*

**17 Explanation of transaction to FRS102 from old UK GAAP** *(continued)*

*Derivatives and hedge accounting (continued)*

The fair values of derivative liabilities recognised at 1 April 2014 which was not previously recognised in the balance sheet was £4,724,276. The criteria for the application of hedge accounting were met at that date and this amount has been deferred in the Cash flow hedge reserve at that date.

**Reconciliation of previously reported shareholders' equity as at 1 April 2014 and 31 March 2015**

| | Note | At 31 March 2015 €'000 | At 1 April 2014 €'000 |
|---|---|---|---|
| Total shareholders' funds as previously reported under Irish GAAP | | 5,212,909 | 5,635,693 |
| *Adjusted for:* | | | |
| Derivative and hedge accounting adjustments | *(a)* | (4,724,276) | - |
| **Total shareholders' funds as restated under FRS 102** | | **488,633** | **5,635,693** |