

Port Clarence Energy Limited

Directors' Report and Financial Statements

For the year ended 31 December 2016



Company Registered No. 08790013

Company Information

Directors

J Bergsma

P Dickson

Secretary

Eversecretary Limited

Auditors

Ernst & Young LLP

Bedford House

16 Bedford Street

Belfast BT2 7DT

Bankers

Deutsche Bank AG

1 Great Winchester St

London EC2N 2DB

Solicitors

Eversheds

1 Wood St

London

EC2V 7WS

Registered Office

Eversheds House

70 Great Bridgewater Street

Manchester

United Kingdom

M1 5ES

Registered No. 08790013

Directors' report

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

Results and dividends

The company made a loss in the year of £8,402,536 (2015 –£nil). The directors do not recommend a final dividend (2015 – £nil).

Principal activity and Business review

The principal activity of the company continued to be that of constructing a biomass energy plant. The company did not trade in either the current or the prior year.

Future developments

It is envisaged that the company will continue with construction of the plant until completion when after trials, commercial production will commence.

Directors

The directors who served the company during the year were as follows:

J Bergsma
P Dickson

Principal risks and uncertainties

The principal risk and uncertainty facing the company are set out in note 9.

Going concern

The directors have considered the appropriateness of preparing the financial statements on a going concern basis and believe this basis is appropriate having considered the bank loan facilities in place, the long term financial projection of the company and commitments provided by the parent company with regard to availability of intercompany loans.

Events since the balance sheet date

No matters or circumstances have arisen since the end of the financial period which significantly affected or may significantly affect the operations of the company, the results of those operations or the state of affairs of the company in financial years subsequent to the financial period ended 31 December 2016.

Disclosure of information to the auditors

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the company's auditor, each director has taken all the steps that he/she is obliged to take as a director in order to make himself aware of any relevant audit information and to establish that the auditor is aware of that information.

Small company provisions

This report has been prepared in accordance with the small companies' regime under the Companies Act 2006. The company has also taken advantage of the small companies' exemption from preparing a Strategic Report.

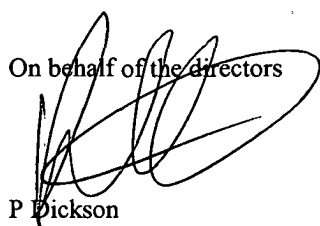
Auditors

In accordance with section 485 of the Companies Act 2006, a resolution for the re-appointment of Ernst & Young LLP as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

Directors' report (continued)

Company Information

On behalf of the directors

A large, stylized handwritten signature in black ink, appearing to be 'P. Dickson', is written over the text 'On behalf of the directors'.

P Dickson

Director

Date: 30 July 2017

Directors' responsibilities statement

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 year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) 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 of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

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 IFRSs have been followed, subject to any material departures disclosed and explained in the financial statements; and,
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

Independent auditors' report

to the members of Port Clarence Energy Limited

We have audited the financial statements of Port Clarence Energy Limited For the year ended 31 December 2016 which comprise the Income Statement, the Statement of Comprehensive Income, the Statement of Financial Position, the Cash Flow Statement, the Statement of Changes in Equity and the related notes 1 to 19. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the company's member, 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 member 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 member for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

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

Scope of the audit of the financial statements

An audit 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 Group's and the parent 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 annual 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.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2016 and of its loss for the year ended 31 December 2016;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Independent auditors' report (continued)

to the members of Port Clarence Energy Limited

Opinion on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.
- the Directors' Report have been prepared in accordance with applicable legal requirements;

Matters on which we are required to report by exception

In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have identified no material misstatements in the Directors' Report.

- 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
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to take advantage of the small companies exemption in not preparing a Strategic Report and take advantage of the small companies exemption in preparing the Directors' Report.



Ian Gibson (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Belfast

31 July 2017

Income Statement

For the year ended 31 December 2016

	<i>Year ended 31 December 2016</i>	<i>Period ended 31 December 2015</i>
<i>Notes</i>	<i>£</i>	<i>£</i>
Administrative expenses	(16,000)	–
Operating loss	(16,000)	–
Loss on financial instruments	(8,395,261)	–
Interest receivable and similar income	8,725	–
Loss on ordinary activities before taxation	(8,402,536)	–
Taxation	6 –	–
Loss for the financial period	(8,402,536)	–

All amounts relate to continuing activities.

Statement of other comprehensive income

For the year ended 31 December 2016

	<i>Year ended 31 December 2016</i>	<i>Period ended 31 December 2015</i>
<i>Notes</i>	<i>£</i>	<i>£</i>
Loss for the financial period	(8,402,536)	–
Other comprehensive income		
Measurement gains/(losses)	–	–
Tax effect	–	–
Total other comprehensive income	–	–
Total comprehensive income for the period net of tax	(8,402,536)	–

Statement of changes in equity

For the period ended 31 December 2016

	<i>Issued share capital</i>	<i>Share premium</i>	<i>Profit and loss account</i>	<i>Total equity</i>
	£	£	£	£
At 1 January 2016	50,000	22,450,801	(3,487)	22,497,314
Loss for the year	-	-	(8,402,536)	(8,402,536)
At 31 December 2016	<u>50,000</u>	<u>22,450,801</u>	<u>(8,406,023)</u>	<u>14,094,778</u>

Statement of changes in equity

for the period ended 31 December 2015

	<i>Issued share capital</i>	<i>Share premium</i>	<i>Profit and loss account</i>	<i>Total equity</i>
	£	£	£	£
At 1 December 2014	801	-	(3,487)	(2,868)
Share issued in the period	49,199	22,450,801	-	22,500,000
Loss for the period	-	-	-	-
At 31 December 2015	<u>50,000</u>	<u>22,450,801</u>	<u>(3,487)</u>	<u>22,497,314</u>

Registered No. 08790013

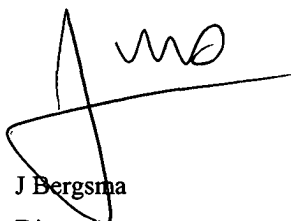
Statement of financial position

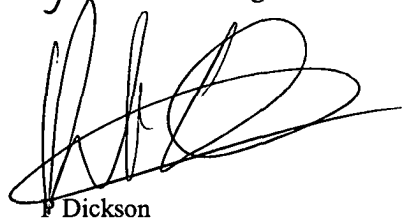
at 31 December 2016

	Notes	2016 £	2015 £
Assets			
Non-current assets			
Property, plant and equipment	7	81,895,106	26,880,038
Total Non-current assets		81,895,106	26,880,038
Current assets			
Trade and other receivables	8	7,106,384	3,789,637
Cash and short term deposits		11,600,270	34,609,416
Total current assets		18,706,654	38,399,053
Total assets		100,601,760	65,279,091
Equity and liabilities			
Equity			
Issued share capital	13	50,000	50,000
Share premium	14	22,450,801	22,450,801
Retained earnings	14	(8,406,023)	(3,487)
Total equity	15	14,094,778	22,497,314
Non-current liabilities			
Amounts owed to group undertakings	12	44,623,760	40,172,030
Other non-current financial liabilities		8,395,261	–
Interest bearing loans and borrowings	12	31,631,584	–
		84,650,605	40,172,030
Current liabilities			
Trade and other payables	10	1,856,377	2,609,747
Interest bearing loans and borrowings	11	–	–
Total liabilities		86,506,982	42,781,777
Total equity and liabilities		100,601,760	65,279,091

These accounts have been prepared in accordance with the provisions applicable to companies subject to the small companies' regime.

The financial statements were approved by the Board on 30 July 2017 and are signed on its behalf by:


J Bergsma
Director


F Dickson
Director

Statement of cash flows

For the period ended 31 December 2016

	Notes	2016 £	2015 £
Operating activities			
Loss before tax		(8,402,536)	–
<u>Non-cash adjustment to reconcile profit before tax to net cash flows</u>			
Fair value loss in financial instruments	9	8,395,261	–
Interest in intragroup loans accrued, unpaid		4,451,730	1,272,030
<u>Working capital adjustments:</u>			
Movement in trade and other receivables and prepayments	8	(3,316,747)	(3,714,317)
Movement in trade and other payables	10	(753,370)	813,881
		(4,070,117)	(2,900,436)
Income tax paid	6	–	–
Net cash flows from operating activities		<u>374,338</u>	<u>(1,628,406)</u>
Investing activities			
Expenditure on tangible fixed assets	7	(55,015,068)	(24,902,145)
Net cash flows used in investing activities		<u>(55,015,068)</u>	<u>(24,902,145)</u>
Financing activities			
Proceeds from borrowings	12	31,631,584	38,900,000
Repayment of related party borrowings	12	–	(302,060)
Proceeds from issue of shares	13	–	22,500,000
Net cash flows used in financing activities		<u>31,631,584</u>	<u>61,097,940</u>
Net (decrease)/increase in cash and cash equivalents		(23,009,146)	34,567,389
Cash and cash equivalents at 1 January		34,609,416	42,047
Cash and cash equivalents at 31 December		<u>11,600,270</u>	<u>34,609,416</u>

Notes to the financial statements

at 31 December 2016

1. Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") adopted by the European Union. The financial statements have been prepared under the historical cost convention and on the going concern basis as disclosed in the Director's Statement of Going Concern set out in the Directors' report. These financial statements for the period ended 31 December 2016 are the second the company has prepared in accordance with IFRS.

2. Going Concern

The Financial Statements have been prepared under the historical cost convention. The directors have considered the appropriateness of preparing the financial statements on a going concern basis and believe this basis is appropriate having considered the bank loan facilities in place, the long term financial projections of the company and commitments provided by the parent company with regard to the continuing availability of the intercompany loans disclosed in note 12.

3. Accounting policies

Adoption of new and revised Accounting standards

The standards and interpretations that are issued, but not yet effective up to the date of issuance of the company's financial statements are disclosed below. The company intends to adopt these standards, if applicable, when they become effective;

IFRS 9 Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments that replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Except for hedge accounting, retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

The company plans to adopt the new standard on the required effective date. Overall, the company expects no significant impact on its balance sheet and equity.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 was issued in May 2014 and establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15 revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The new revenue standard will supersede all current revenue recognition requirements under IFRS. Either a so called full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018, when the IASB finalises their amendments to defer the effective date of IFRS 15 by one year. Early adoption permitted. The company plans to adopt the new standard on the required effective date using the full retrospective method.

Amendments to IAS 1 - Disclosure Initiative

The amendments to IAS 1 Presentation of Financial Statements clarify, rather than significantly change, existing IAS 1 requirements. The amendments clarify

- The materiality requirements in IAS 1
- That specific line items in the statement(s) of profit or loss and OCI and the statement of financial position may be disaggregated
- That entities have flexibility as to the order in which they present the notes to financial statements

Notes to the financial statements

at 31 December 2016

3. Accounting policies (continued)

- That the share of OCI of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss. Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement(s) of profit or loss and other comprehensive income. The amendments are effective for annual periods beginning on or after 1 January 2016. The amendments are not expected to have a significant impact on the company.

Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments clarify the principle in IAS 16 and IAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are effective prospectively for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact on the company given that it has not used a revenue-based method to depreciate its non-current assets.

Annual Improvements 2012-2014 cycle

These improvements are effective for annual periods beginning on or after 1 January 2016. They include:

IFRS 5 Non-current Assets Held for Sale and Discontinued Operations

Assets (or disposal groups) are generally disposed of either through sale or distribution to owners. The amendment clarifies that changing from one of these disposal methods to the other would not be considered a new plan of disposal, rather it is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in IFRS 5. This amendment must be applied prospectively.

Compliance with accounting standards

The Financial Statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board (IASB) as adopted by the European Union, and UK statute comprising the Companies Act 2006.

Property, Plant and Equipment and depreciation

Tangible fixed assets relate to development costs and are stated at cost less depreciation and impairment losses. No depreciation has been charged in the year as the development is not complete.

Current taxation

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted, or substantively enacted at the reporting date in the Republic of Ireland, where the company operates and generates taxable income. Current income tax relating to items recognised directly in equity is recognised in equity and not in the statement of profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation, and it establishes provisions where appropriate.

Notes to the financial statements

at 31 December 2016

3. Accounting policies (continued)

Deferred taxation

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or right to pay less or to receive more, tax, with the following exceptions:

- Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

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 balance sheet date.

Derivative financial instruments

The company's activities expose it primarily to the financial risks and changes in interest rates. The company does not use derivative financial instruments for speculative purposes. The company uses derivative financial instruments (interest rate swaps) to manage its exposure to interest rate movements on its bank borrowings to finance the construction and operation of its wind farm projects. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. The company does not adopt hedge accounting and therefore any gains or losses arising from changes in the fair value of derivatives during the year are taken directly to the Income Statement.

Bank borrowings

Interest-bearing bank loans are recorded at the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accrual basis in profit and loss account using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise. In circumstances where the criteria are met, such finance costs are capitalised.

4. Critical accounting judgements and key sources of estimation uncertainty

The preparation of the company's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Fair value of financial instruments

When the fair value of financial assets and financial liabilities recorded in the statement of financial position cannot be measured based on quoted prices in active markets, their fair value is determined using valuation techniques including the DCF model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. The judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions relating to these factors could affect the reported fair value of financial instruments. See Note 9 for further detail.

Notes to the financial statements

at 31 December 2016

5. Interest payable and similar charges

	2016 £	2015 £
On bank and intercompany loans	4,984,428	1,272,030
Less: Amounts capitalised on qualifying assets	(4,984,428)	(1,272,030)
	<u>—</u>	<u>—</u>
Interest charged on intercompany loans amounted to £4,451,730 (2015 - £1,272,030) and bore interest at a fixed rate of 10.9%. Interest on bank loans amounted to £532,698 (2015 - £nil).		

6. Tax

(a) Tax on loss on ordinary activities

The tax charge / (credit) is made up as follows:

	2016 £	2015 £
Current tax	—	—
Deferred tax		
Deferred tax charge / (credit) current year	<u>—</u>	<u>—</u>

(b) Factors affecting tax charge / (credit) for the year

The tax assessed for the year differs from the standard rate of corporation tax in the UK of 20% (2015 – 20.25%). The differences are explained below:

	2016 £	2015 £
Loss on ordinary activities before tax	(8,402,536)	—
Profit/(loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 20% (2015 – 20.25%)	(1,680,507)	—
<i>Effects of:</i>		
Disallowed expenses	(1,455)	—
Movement in unprovided deferred tax	1,681,962	—
Total tax charge	<u>—</u>	<u>—</u>

(c) Deferred tax provision

	£
At 1 December 2015	—
Profit and loss account	—
At 31 December 2016	<u>—</u>

Notes to the financial statements

at 31 December 2016

6. Tax (continued)

	2016	2015
	£	£
Timing Differences	—	—

(a) Factors that may affect future tax charges

The March 2016 UK budget announced a further reduction in the tax rate to 17% on 1 April 2020 which was enacted in full on 15 September 2016 and this is the rate at which the unrecognised deferred tax asset has been calculated. At 31 December 2016 there are unrecognised deferred tax assets of £1,427,194 (2015 - £nil) comprising financial instruments.

7. Property, Plant and Equipment

	<i>Plant and machinery</i>
	£
Cost or valuation:	
At 1 December 2014	649,718
Additions	26,230,320
At 31 December 2015	26,880,038
Depreciation:	
At 1 December 2014	—
Charge for the year	—
At 31 December 2015	—
Net book value:	
At 31 December 2015	26,880,038
At 30 November 2014	649,718

Cost or valuation:	
At 1 January 2016	26,880,038
Additions	55,015,068
At 31 December 2016	81,895,106
Depreciation:	
At 1 January 2016	—
Charge for the year	—
At 31 December 2016	—
Net book value:	
At 31 December 2016	81,895,106
At 31 December 2015	26,880,038

Included within Property, Plant and Equipment is a total of interest of £6,256,458 (2015: £1,272,030) which has been capitalised. No depreciation has been charged in either the current or the previous year as the plant is not yet operational.

Notes to the financial statements

at 31 December 2016

8. Trade and other receivables

	2016	2015
	£	£
Other debtors – VAT receivable	7,106,384	3,789,637
	<u>7,106,384</u>	<u>3,789,637</u>

9. Financial instruments

<i>Financial assets</i>	2016	2015
	£	£
<i>Financial assets at amortised cost:</i>		
Trade and other receivables (note 8)	<u>7,106,384</u>	<u>3,789,637</u>

Trade and other receivables are non-derivatives financial assets carried at amortised cost. The carrying value may be affected by changes in the credit risk of the counterparties.

<i>Financial liabilities</i>	2016	2015
	£	£
<i>Financial liabilities at amortised cost other than interest-bearing loans and borrowings:</i>		
Trade and other payables (note 10)	<u>1,856,377</u>	<u>2,609,747</u>
<i>Derivatives not designed as hedging instruments:</i>		
Interest rate swaps	<u>8,395,261</u>	

Derivatives not designated as hedging instruments reflect the change in fair value of interest rate swaps that are not designated in hedge relationships, but are nevertheless intended to reduce the level of interest rate risk on borrowings.

At 31 December 2016, the company had an interest rate swap agreement in place with a notional amount of £87,984,187, whereby the company pays fixed rates of interest of 2.4395% and receives a variable rate based on LIBOR on the notional amount. The swap is being used to hedge the exposure to changes in the fair value of its fixed rate secured loans.

Notes to the financial statements

at 31 December 2016

9. Financial instruments (continued)

The changes in fair value of the interest rate swap have been recognised in the Income Statement.

The applied valuation techniques include swap models, using present value calculations. The models incorporate various inputs including the credit quality of counterparties and interest rate curves. As at 31 December 2016, the marked-to-market value of the derivatives has been calculated, using significant variable inputs.

Disclosures in respect of interest-bearing loans and borrowings are included in note 12.

Financial instruments risk management policies and objectives

The company's principal financial liabilities comprise loans and borrowings and trade and other payables. The main purpose of these financial liabilities is to finance and support the operations. The company's principal financial assets are trade and other receivables, and cash and short-term deposits that derive directly from its operations.

The company is exposed to market risk, credit risk and liquidity risk. The company's senior management oversees the management of these risks, and the directors review and agree policies for managing each of these risks, which are summarised below.

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise a number of types of risk, the following are discussed below: interest rate risk and currency risk. Financial instruments affected by market risk include: loans and borrowings and deposits.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The company's exposure to the risk of changes in market interest rates is limited, as the company's borrowings are at a fixed rate of interest.

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The company does not have significant exposure in this respect.

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The company is exposed to credit risk from its operating activities (primarily for trade receivables) and from its financing activities, including deposits with banks and financial institutions, and other financial instruments. The maximum exposure to credit risk, in the event that counterparties fail to perform their obligations as at period end (in relation to each class of recognised financial assets), is the carrying amount of those assets as indicated in the Statement of Financial Position. The shareholder loan owed to CEP Teeside Biomass Limited is unsecured.

Liquidity risk

Liquidity risk is the risk that the company may not be able to generate sufficient cash resources to settle its obligations in full as they fall due. The Board holds regular management to ensure sufficient cash is available for operations.

Regulatory risk

Regulatory risk is the risk that of a change in regulations and law that might affect an industry or a business. Renewable energy projects are dependent for their commercial viability on a suitable regulatory regime. There is a risk that governments introduce retrospective changes to the regime that is agreed at the

Notes to the financial statements

at 31 December 2016

9. Financial instruments (continued)

time the project is commenced. This however is unusual in the market and changes to the regulatory regime are more typically for future projects.

Management of capital

The primary objective of the company's management of capital is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value. The company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. No changes were made in the objectives, policies or processes during the year ended 31 December 2016.

Energy Resource Risk

The energy resource risk is the risk that the amount of renewable energy resource, woodchip, is not available. This risk is mitigated by the signing of a long term contract with a wood chip supplier and continual monitoring by Glennmont of requirement and alternative wood chip supplier market.

10. Trade and other payables: Current

	2016	2015
	£	£
Trade payables	1592,650	2,599,237
Other payables	24	24
Accruals	263,703	10,486
	<u>1,856,377</u>	<u>2,609,747</u>

11. Interest bearing loans and borrowings: Current

	2016	2015
	£	£
Amounts owed to group undertakings (see note 12)	—	—
	<u>—</u>	<u>—</u>

Notes to the financial statements

at 31 December 2016

12. Interest bearing loans and borrowings: Non-current

	2016 £	2015 £
Bank loans	31,631,584	–
Amounts owed to group undertakings, including accrued interest	44,623,760	40,172,030
	<u>76,255,344</u>	<u>40,172,030</u>
Analysis of loans		
Total amount repayable	76,255,344	40,172,030
Included in current liabilities	–	–
	<u>76,255,344</u>	<u>40,172,030</u>
Loan maturity analysis – shareholder loans		
In more than one year but not more than two years	–	–
In more than two years but not more than five years	7,414,135	7,414,135
In more than five years	<u>32,757,895</u>	<u>32,757,895</u>

Deutsche bank have a first mortgage on the land, first fixed charge on the equipment, intellectual property, book debts, goodwill and key contracts (project contracts, hedging contracts and insurances) of the company and a first floating charge on all the company's assets both present and future.

The intercompany loan is subordinated in all respects to the senior bank term loan borrowings. Repayment of the intercompany loan is by instalments beginning on 30 June 2018, with equal half yearly repayments thereafter with full repayment not later than March 2037. Interest is charged at 10.9% and compounds annually.

13. Issued share capital

	2016		2015	
<i>Allotted, called up and fully paid</i>	No.	£	No.	£
Class A Ordinary shares of £1 each	–	–	–	–
Class B Ordinary shares of £1 each	–	–	–	–
Ordinary shares of £1 each	50,000	<u>50,000</u>	50,000	<u>50,000</u>
Authorised				
Class A Ordinary shares of £1 each	–	–	–	–
Class B Ordinary shares of £1 each	–	–	–	–
Ordinary shares of £1 each	50,000	<u>50,000</u>	50,000	<u>50,000</u>

On 15 September 2015 49,199 shares were issued at a premium – in total £22,500,000 and is being used for the construction of a biomass plant to generate electricity at Teesside.

Notes to the financial statements

at 31 December 2016

14. Movements on reserves

	<i>Share premium £</i>	<i>Profit and loss account £</i>
At 1 January 2016	22,450,801	(3,487)
Loss for the year	–	(8,402,536)
Premium on shares issued in year	–	–
At 31 December 2016	<u>22,450,801</u>	<u>(8,406,023)</u>

15. Reconciliation of shareholders' funds

	<i>2016 £</i>	<i>2015 £</i>
At 1 January 2016	22,497,314	(2,686)
Shares issued in year	–	49,199
Premium on shares issued in the year	–	22,450,801
Loss for the financial year	(8,402,536)	–
Closing shareholders' funds	<u>14,094,778</u>	<u>22,497,314</u>

16. Related Party Disclosures

As at 31 December 2016, the company had an intra-group loan payable of £38,900,000 to CEP Teesside Biomass Limited (2015: £38,900,000). During the period, the company accrued total interest payable on the loan of £4,451,730 and £5,723,760 of accrued interest remained payable at the end of the period (2015: £1,272,030).

17. Employees

There were no employees during the year apart from the directors. There were no transactions with Directors during the year.

18. Control

The company's immediate parent undertaking is CEP Teesside Biomass Limited, a company incorporated in the United Kingdom.

The ultimate parent undertaking and controlling party of the company was Glennmont Clean Energy Fund Europe II Cooperatief U.A., a company incorporated in the Netherlands. The financial statements of Glennmont Clean Energy Fund Europe II Cooperatief U.A. may be obtained from the registered office at Hoogoorddreef 15, 1101 BA, Amsterdam, The Netherlands.

19. Capital commitments

The company has entered into outstanding contractual commitments of £52,483,414 as at 31 December 2016 (2015 - £101,923,451) for the construction of the plant.