

**Dundee Energy Recycling Limited**

**Annual report and consolidated financial  
statements for the 53 week period ended  
1 January 2017**

**Registered number: SC148254**



# Dundee Energy Recycling Limited

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# **Dundee Energy Recycling Limited**

## **Annual report and financial statements For the 53 week period ended 1 January 2017**

### **Officers and professional advisers**

#### **Directors**

A. Flight  
I. E. Kelly  
K. J. Kerr

#### **Company Secretary**

TM Company Services Limited

#### **Registered Office**

1 Exchange Crescent  
Conference Square  
Edinburgh  
EH3 8UL

#### **Bankers**

The Royal Bank of Scotland

#### **Solicitors**

Clyde & Co  
Harper Macleod  
MacRoberts

#### **Independent Auditor**

Deloitte LLP  
Statutory Auditor  
Aberdeen  
United Kingdom

# Dundee Energy Recycling Limited

## Strategic report

The Directors present their Strategic Report for the 53 week period ended 1 January 2017.

This report has been prepared for the Group as a whole and therefore gives greater emphasis to those matters which are significant to Dundee Energy Recycling Limited and its subsidiary undertakings when viewed as a whole.

### Principal activity and business review

The Group is engaged in the management and processing of waste and the generation of electricity from refuse derived fuel, and operates a waste-to-energy plant (the "Plant"), which it leases from Dundee City Council for this purpose.

The strategy of the Group is based on the safe and efficient processing of municipal waste under long-term contracts with Dundee City Council and Angus Council.

Additionally the Group's strategy is to supplement these income streams by processing third party commercial waste to utilise the spare capacity of the Plant.

To satisfactorily achieve the above, and the resultant generation of electricity into the National Grid, the Group puts prime emphasis on the health and safety of its employees, contractors and the local community, as well as striving to achieve 100% compliance with the various permits and licences under which the Plant operates.

This requires the Group to ensure a high level of safety awareness and skill within its employee base, a duty which is central to the Group's operations at all levels.

A further strategy of the Group continues to be frequent engagement with the elected members of Dundee City Council, as shareholders, through regular meetings with their Waste-to-Energy Committee at which performance updates are given.

In addition, the Group continues to maintain close dialogue and provide updates on performance to its neighbours through regular meetings of the long-established Good Neighbours Group which comprises members of the local community, a representative of the principal regulator of the Plant, the Scottish Environment Protection Agency, and also Friends of the Earth.

In conclusion, assessing overall performance against the various strands of the above strategy, the Directors are satisfied that the Plant has performed well throughout the period of 2016. Health & safety and regulatory compliance remain the key priorities going forward and will form the basis of sound operational performance and financial management.

### Key performance indicators

In addition to health and safety and regulatory compliance, the Board of Directors considers On-Waste Availability ("OWA") to be the key business performance parameter and monitors OWA, turnover, gross margin and net operating profit on a four-week basis.

### Principal risks and uncertainties

#### *Financial risk management objectives and policies*

The Group's activities expose it to a number of financial risks including cash flow risk, credit risk and liquidity risk.

#### *Cash flow risk*

The cash flow of the Group is primarily driven by OWA as this dictates the capacity of the Plant to generate revenues from the waste streams and resultant electricity generation revenues.

The Group has a lesser cash flow risk associated with electricity sales which are subject to prices obtained in 6-monthly free market auctions where the prices are determined by market conditions. Additionally the Group has been exposed to downturns in the world-wide scrap metal market and whilst this has now stabilised, there is now a cost associated with processing the metals extracted from the waste rather than the Group receiving revenues from these recoveries.

# Dundee Energy Recycling Limited

## Strategic report (continued)

### Principal risks and uncertainties (continued)

The Group has limited exposure to foreign currency risk as all sales and most purchases take place within the UK. A limited amount of consumables and spares are sourced from Eurozone countries.

The Group's interest bearing assets comprise cash and bank deposits, which earn interest at a market rate linked to The Bank of England base rate.

#### *Credit risk*

The Group's principal financial assets are bank cash balances and trade and other receivables.

The Group's credit risk is primarily attributable to its trade receivables but is limited because Dundee City Council is its principal customer and 100% shareholder, and the other principal customer is Angus Council. Electricity sales tend to be with good credit-risk companies.

The credit risk on liquid funds is limited because the counterparty is a bank with high credit-ratings assigned by international credit-rating agencies.

#### *Liquidity risk*

In order to maintain liquidity to ensure that sufficient funds are available for ongoing operations and future developments, the Group has a funding arrangement with Dundee City Council, the Group's principal customer and 100% shareholder. Further details can be found in the Statement of Accounting Policies in the financial statements.

### Future developments

Dundee City Council, the Group's principal customer and 100% shareholder, is, along with Angus Council, currently engaged in a procurement exercise to secure a new long-term residual waste contract. The Group is not involved, at the shareholder's request, in bidding for the new long-term waste contract. If this project comes to fruition, it is likely to result in the existing Group contracts with Dundee City Council and Angus Council being terminated with mutual agreement before the contractual date of 2020, and possibly before the end of 2017. Consequently the Group would cease all operations and the leased Plant would revert to Dundee City Council. However the Group expects to continue with the successful operation of the Plant with financial stability until such time as any new contracts are put in place, and to achieve a solvent run-down of the Group thereafter.

Approved by the Board of Directors  
and signed on behalf of the Board



**Kenneth J Kerr**  
Managing Director  
1 June 2017

# Dundee Energy Recycling Limited

## Directors' report

The Directors present their report on the affairs of the Group, comprising the Company ("DERL") and its two subsidiaries, together with the financial statements and independent auditor's report for the 53 week period ended 1 January 2017.

### Future developments

Details of future developments can be found in the Strategic report on page 2 and form part of this report by cross reference.

### Directors' indemnities

The Company has made qualifying third party indemnity provisions for the benefit of its Directors which were made during the period and remain in force at the date of this report.

### Results

The Group recorded a loss for the year of £513,000 (2015: profit of £902,000).

### Going concern

The Group and Company meet their day-to-day working capital requirements through cash generated from their operations and through funding arrangements with Dundee City Council, the Group's principal customer and 100% shareholder. The Group and Company are dependent on the ongoing working relationship with Dundee City Council with regard to the continued deferral of waste diversion costs and other measures that have been agreed in order to aid the Group and Company in repaying their liabilities as they fall due. The Directors have received assurances regarding this ongoing working relationship from Dundee City Council and are not aware of any reason why such support, as agreed, will not continue to be extended. As a result, they continue to adopt the going concern basis.

### Dividends

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

### Directors and their interests

The Directors who served during the year and at the date of this report are:

A. Flight  
I. E. Kelly  
K. J. Kerr  
R. McMullan (resigned 22 September 2016)

No Director had any interest in the issued share capital of the Company at 1 January 2017 or 27 December 2015.

# Dundee Energy Recycling Limited

## Directors' report (continued)

### Auditor

Each of the persons who is a Director at the date of approval of this report confirms that:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the Director has taken all the steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

The Company has elected to dispense with the obligation to appoint an auditor annually and, accordingly, Deloitte LLP will continue as auditor for the ensuing financial year under the provisions of section 418 of the Companies Act 2006.

Approved by the Board of Directors  
and signed on behalf of the Board,



**Kenneth J Kerr**  
Managing Director  
1 June 2017



# Dundee Energy Recycling Limited

## Directors' responsibilities statement

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

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

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

## **Independent auditor's report to the members of Dundee Energy Recycling Limited**

We have audited the financial statements of Dundee Energy Recycling Limited for the 53 week period ended 1 January 2017 which comprise the Consolidated statement of comprehensive income, the Consolidated and Parent Company Balance Sheets, the Consolidated statement of changes in equity, the Company statement of changes in equity, the Consolidated Cash Flow Statement and the related notes 1 to 24. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

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

### **Respective responsibilities of Directors and auditor**

As explained more fully in the Directors' Responsibilities Statement, 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 Group's and of the Parent Company's affairs as at 1 January 2017 and of the Group's loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Opinion on matters prescribed in the Companies Act 2006**

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

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

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic report and the Directors' report.

## **Independent auditor's report to the members of Dundee Energy Recycling Limited (continued)**

### **Matters on which we are required to report by exception**

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

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

*L Cowie*

**Lyn Cowie CA (Senior Statutory Auditor)**

for and on behalf of Deloitte LLP

Statutory Auditor

Aberdeen, United Kingdom

1 June 2017

# Dundee Energy Recycling Limited

## Consolidated Statement of comprehensive income

For the 53 week period ended 1 January 2017

		53 weeks ended 1 January 2017 £'000	52 weeks ended 27 December 2015 £'000
	<b>Note</b>		
<b>Turnover</b>	3	9,040	9,805
Cost of sales		(6,395)	(5,654)
<b>Gross profit</b>		2,645	4,151
Administrative expenses		(2,672)	(2,662)
<b>Operating (loss)/profit</b>		(27)	1,489
Net interest payable and similar charges	7	(486)	(587)
<b>(Loss)/profit on ordinary activities before taxation</b>	4	(513)	902
Tax on (loss)/profit on ordinary activities	8	-	-
<b>(Loss)/profit for the financial year</b>		(513)	902
Other comprehensive income		-	-
<b>(Loss)/profit for the financial year</b>		(513)	902

All results for the current and prior financial year were derived from continuing operations.

The accompanying notes on pages 14 to 27 form an integral part of these financial statements.

# Dundee Energy Recycling Limited

## Consolidated and parent company balance sheets

As at 1 January 2017

	Note	Group		Company	
		1 January 2017 £'000	27 December 2015 £'000	1 January 2017 £'000	27 December 2015 £'000
<b>Fixed assets</b>					
Investments	9	-	-	-	-
Tangible assets	10	2,450	3,096	2,450	3,096
		<u>2,450</u>	<u>3,096</u>	<u>2,450</u>	<u>3,096</u>
<b>Current assets</b>					
Stocks	11	878	917	-	-
Debtors due within one year	12	1,553	1,218	25,981	22,377
Cash at bank and in hand		583	1,129	583	1,129
		<u>3,014</u>	<u>3,264</u>	<u>26,564</u>	<u>23,506</u>
<b>Creditors: Amounts falling due within one year</b>	13	(6,400)	(4,649)	(39,212)	(32,855)
<b>Net current liabilities</b>		<u>(3,386)</u>	<u>(1,385)</u>	<u>(12,648)</u>	<u>(9,349)</u>
<b>Total assets less current liabilities</b>		<u>(936)</u>	<u>1,711</u>	<u>(10,198)</u>	<u>(6,253)</u>
<b>Creditors: Amounts falling due after more than one year</b>	14	(6,452)	(8,586)	(6,452)	(8,586)
<b>Net liabilities</b>		<u>(7,388)</u>	<u>(6,875)</u>	<u>(16,650)</u>	<u>(14,839)</u>
<b>Capital and reserves</b>					
Called-up share capital	15	44,558	44,558	44,558	44,558
Share premium account		150	150	150	150
Profit and loss account		(52,096)	(51,583)	(61,358)	(59,547)
<b>Shareholders' deficit</b>		<u>(7,388)</u>	<u>(6,875)</u>	<u>(16,650)</u>	<u>(14,839)</u>

The accompanying notes on pages 14 to 27 form an integral part of these financial statements.

The financial statements of Dundee Energy Recycling Limited (Company Registration No. SC148254) were approved by the Board of Directors and authorised for issue on 1 June 2017 and signed on its behalf by: -



**Kenneth J Kerr**  
Managing Director

# Dundee Energy Recycling Limited

## Consolidated statement of changes in equity

As at 1 January 2017

	Called up share capital £'000	Share premium account £'000	Profit and loss account £'000	Total £'000
<b>At 29 December 2014</b>	44,558	150	(52,485)	(7,777)
Profit for the financial year	-	-	902	902
<b>Total comprehensive income</b>	-	-	902	902
<b>At 27 December 2015</b>	44,558	150	(51,583)	(6,875)
Loss for the financial year	-	-	(513)	(513)
<b>Total other comprehensive loss</b>	-	-	(513)	(513)
<b>At 1 January 2017</b>	44,558	150	(52,096)	(7,388)

The accompanying notes on pages 14 to 27 form an integral part of these financial statements.

## Dundee Energy Recycling Limited

### Company statement of changes in equity As at 1 January 2017

	Called up share capital £'000	Share premium account £'000	Profit and loss account £'000	Total £'000
<b>At 29 December 2014</b>	44,558	150	(57,470)	(12,762)
Loss for the financial year	-	-	(2,077)	(2,077)
<b>Total comprehensive loss</b>	-	-	(2,077)	(2,077)
<b>At 27 December 2015</b>	44,558	150	(59,547)	(14,839)
Loss for the financial year	-	-	(1,811)	(1,811)
<b>Total other comprehensive loss</b>	-	-	(1,811)	(1,811)
<b>At 1 January 2017</b>	44,558	150	(61,358)	(16,650)

The accompanying notes on pages 14 to 26 form an integral part of these financial statements.

# Dundee Energy Recycling Limited

## Consolidated cash flow statement

For the 53 week period ended 1 January 2017

		53 weeks ended 1 January 2017 £'000	52 weeks ended 27 December 2015 £'000
	Note		
<b>Net cash inflow from operating activities</b>	18	858	1,909
<b>Cash flows from investing activities</b>			
Purchase of fixed assets		-	(24)
Interest received	7	4	6
Interest paid	7	(198)	(194)
Interest element of finance lease payments	7	(292)	(399)
<b>Net cash flow from investing activities</b>		(486)	(611)
<b>Cash flow from financing activities</b>			
Repayments of obligations under finance leases		(918)	(1,753)
<b>Net cash flow from financing activities</b>		(918)	(1,753)
<b>Net increase/(decrease) in cash and cash equivalents</b>		(546)	(455)
<b>Cash and cash equivalents at beginning of the year</b>		1,129	1,584
<b>Cash and cash equivalents at end of year</b>		583	1,129

The accompanying notes on pages 14 to 27 form an integral part of these financial statements.



# Dundee Energy Recycling Limited

## Notes to the financial statements

For the 53 week period ended 1 January 2017

### 1. Accounting policies

A summary of the principal accounting policies of the Group, all of which have been applied consistently throughout the current and preceding period is set out below:

#### *a. General information and basis of accounting*

Dundee Energy Recycling Limited is a private company limited by shares, registered in Scotland, incorporated in the United Kingdom under the Companies Act (Company Registration No. SC148254). The address of the registered office is given on page 1. The nature of the Group's operations and its principal activities are set out in the Strategic report on pages 2 to 3.

This is the first financial statements that comply with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council. The date of transition is 29 December 2014.

The prior year financial statements were not required to be restated as there were no material adjustments on adoption of FRS 102 in the current year. For more information see note 24.

The functional currency of Dundee Energy Recycling Limited and subsidiaries is considered to be pounds sterling because that is the currency of the primary economic environment in which the Company operates. The consolidated financial statements are also presented in pounds sterling.

#### *b. Basis of consolidation*

The Group financial statements consolidate the financial statements of Dundee Energy Recycling Limited and its subsidiary undertakings drawn up to 1 January 2017 and 27 December 2015. All intra-group balances, transactions and profits are eliminated on consolidation.

#### *c. Going concern*

The current financial climate continues to create uncertainty within the wider United Kingdom economy, particularly with regard to revenue streams and funding arrangements. The Directors have completed a detailed going concern assessment for the Group and Company, which has included an assessment of the impact of these uncertainties on the Group and Company, and which has included the review of trading projections for a period of at least 12 months from the date of approval of these financial statements. The Group and Company are in positions of net liabilities but hold positive cash balances.

The Group and Company meet their day-to-day working capital requirements through cash generated from their operations and through funding arrangements with Dundee City Council, the Group's principal customer and 100% shareholder. The Group and Company are dependent on the ongoing working relationship with Dundee City Council, with regard to the continued deferral of waste diversion costs and other measures that have been agreed in order to aid the Group and Company in repaying their liabilities as they fall due. The Directors have received assurances regarding this ongoing working relationship from Dundee City Council and notwithstanding that Dundee City Council and Angus Council are currently seeking to replace their waste contracts with the Company (as outlined in the Strategic Report above), Dundee City Council and Angus Council have not yet concluded their procurement exercise and the existing contracts with DERL until 2020 remain in place. The Directors are not aware of any reason why the financial support provided by Dundee City Council will not continue to be extended.

Accordingly, the Directors continue to adopt the going concern basis.

#### *d. Turnover*

Turnover, which is stated net of VAT, represents amounts in respect of processing waste and generating electricity and related items.

#### *e. Stocks*

Stocks comprise spare parts for plant and equipment and are stated at the lower of cost or replacement cost. Provision is made for obsolete or defective items where appropriate.

# Dundee Energy Recycling Limited

## Notes to the financial statements (continued)

For the 53 week period ended 1 January 2017

### 1. Accounting policies (continued)

#### *f. Tangible fixed assets*

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

Depreciation of the cost of constructing the waste processing and power generation facilities is provided over their estimated useful economic lives (being 20 years) and commenced when operations began on 31 March 2000. The carrying value of those tangible fixed assets is reviewed annually by the Directors to determine whether there has been any permanent impairment to their value.

Land is not depreciated. Assets under construction are not depreciated until completed.

Depreciation on other assets is provided at rates calculated to write off the cost less estimated residual value of those assets on a straight-line basis, over their estimated useful economic lives which is between 3 and 20 years.

#### *g. Financial instruments*

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument.

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities.

#### *Financial assets and liabilities*

All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value (which is normally the transaction price excluding transaction costs), unless the arrangement constitutes a financing transaction. If an arrangement constitutes a financing transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Financial assets and liabilities are only offset in the statement of financial position when, and only when there exists a legally enforceable right to set off the recognised amounts and the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Debt instruments which meet the following conditions are subsequently measured at amortised cost using the effective interest method:

(a) Returns to the holder are (i) a fixed amount; or (ii) a fixed rate of return over the life of the instrument; or (iii) a variable return that, throughout the life of the instrument, is equal to a single referenced quoted or observable interest rate; or (iv) some combination of such fixed rate and variable rates, providing that both rates are positive.

(b) There is no contractual provision that could, by its terms, result in the holder losing the principal amount or any interest attributable to the current period or prior periods.

(c) Contractual provisions that permit the issuer to prepay a debt instrument or permit the holder to put it back to the issuer before maturity are not contingent on future events, other than to protect the holder against the credit deterioration of the issuer or a change in control of the issuer, or to protect the holder or issuer against changes in relevant taxation or law.

(d) There are no conditional returns or repayment provisions except for the variable rate return described in (a) and prepayment provisions described in (c).

Debt instruments that are classified as payable or receivable within one year and which meet the above conditions are measured at the undiscounted amount of the cash or other consideration expected to be paid or received, net of any impairment.

# Dundee Energy Recycling Limited

## Notes to the financial statements (continued)

For the 53 week period ended 1 January 2017

### 1. Accounting policies (continued)

#### *Financial assets and liabilities (continued)*

Financial assets are derecognised when and only when a) the contractual rights to the cash flows from the financial asset expire or are settled, b) the Company transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or c) the Company, despite having retained some, but not all, significant risks and rewards of ownership, has transferred control of the asset to another party.

Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

#### *h. Leases*

Assets held under finance leases and other similar contracts, which confer rights and obligations similar to those attached to owned assets, are capitalised as tangible fixed assets and are depreciated over the shorter of the lease terms and their useful lives. The capital elements of future lease obligations are recorded as liabilities, while the interest elements are charged to the Statement of comprehensive income over the period of the leases to produce a constant rate of charge on the balance of capital repayments outstanding. Hire purchase transactions are dealt with similarly, except that assets are depreciated over their useful lives.

Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis. Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight-line basis over the lease term, except where the period to the review date on which the rent is first expected to be adjusted to the prevailing market rate is shorter than the full lease term, in which case the shorter period is used.

#### *i. Taxation*

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that, on the basis of all available evidence, it can be regarded as 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 liabilities are recognised for timing differences arising from investments in subsidiaries and associates, except where the Company is able to control the reversal of the timing difference and it is probable that it will not reverse in the foreseeable future.

Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date that are expected to apply to the reversal of the timing difference.

Where items recognised in other comprehensive income or equity are chargeable to or deductible for tax purposes, the resulting current or deferred tax expense or income is presented in the same component of comprehensive income or equity as the transaction or other event that resulted in the tax expense or income.

Current tax assets and liabilities are offset only when there is a legally enforceable right to set off the amounts and the Company intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Deferred tax assets and liabilities are offset only if: a) the Company has a legally enforceable right to set off current tax assets against current tax liabilities; and b) the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

# Dundee Energy Recycling Limited

## Notes to the financial statements (continued)

For the 53 week period ended 1 January 2017

### 1. Accounting policies (continued)

#### j. Investments

Investments in subsidiary undertakings are stated at cost less provision for impairment. The carrying values of these investments are reviewed annually by the Directors to determine whether there has been any impairment to their value.

#### k. Pensions

The employees of the Group participate in a money purchase pension scheme. The amount charged to the profit and loss account in respect of pension costs and other post-retirement benefits is the contribution payable in the period. Differences between contributions payable in the period and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

### 2. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, which are described in note 1, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

#### *Revenue recognition*

In making its judgement, management considered the detailed criteria for the recognition of revenue from the provision of services set out in FRS 102 Section 23 *Revenue* and, in particular, whether the Group had transferred to the buyer the significant risks and rewards of ownership of the goods. Management is satisfied that the significant risks and rewards have been transferred and that recognition of the revenue in the current year is appropriate.

#### *Recoverability of intercompany receivables*

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. Management considers each period whether there is any indication of impairment in relation to intercompany receivables. No such indicators have been identified in the current or prior period. As the intercompany receivables are normally short-term in nature, there is no requirement to perform a full impairment review unless such indicators exist.

### 3. Turnover

The Group's business activity is that described in the Directors' Report. Accordingly all of the Group's net assets are in the United Kingdom and all turnover is derived entirely in the United Kingdom.

# Dundee Energy Recycling Limited

## Notes to the financial statements (continued)

For the 53 week period ended 1 January 2017

### 4. Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging:

Group	Group	
	53 weeks ended 1 January 2017 £'000	52 weeks ended 27 December 2015 £'000
Depreciation (note 10)	646	658
Lease charges – plant and machinery	67	60
Cost of stock recognised as an expense	64	116
Remuneration of auditor for audit services	22	22
Taxation compliance services	12	12
Remuneration of non-audit services	5	-

### 5. Staff costs

	Group	
	53 weeks ended 1 January 2017 No.	52 weeks ended 27 December 2015 No.
The average monthly number of employees was:		
Management	10	10
Operations	35	34
	45	44
The average monthly number of employees was:	£'000	£'000
Wages and salaries	1,904	1,881
Social security costs	207	188
Pension costs	94	84
	2,205	2,153

The pension costs noted above relate to contributions made by the Group to a money purchase scheme which is available to all employees.

## Dundee Energy Recycling Limited

### Notes to the financial statements (continued)

For the 53 week period ended 1 January 2017

#### 6. Directors' remuneration

Directors' remuneration during the period amounted to:

	<b>Group and Company</b>	
	<b>53 weeks ended 1 January 2017 £000</b>	<b>52 weeks ended 27 December 2015 £000</b>
Aggregate emoluments	201	226
Highest paid director: Emoluments	104	108
Pension contributions	-	6

Pension contributions during the period in respect of Directors amounted to:

	<b>Group and Company</b>	
	<b>53 weeks ended 1 January 2017 £</b>	<b>52 weeks ended 27 December 2015 £</b>
Contributions	5	6

The pension contributions noted above were in respect of 1 Director (December 2015: 1) and were made to a money purchase scheme.

# Dundee Energy Recycling Limited

## Notes to the financial statements (continued)

For the 53 week period ended 1 January 2017

### 7. Net interest payable and similar charges

	Group	
	53 weeks ended 1 January 2017 £'000	52 weeks ended 27 December 2015 £'000
Interest payable on loan	198	194
Interest receivable	(4)	(6)
Interest element of finance lease payments	292	399
	<u>486</u>	<u>587</u>

### 8. Tax on profit on ordinary activities

	Group	
	53 weeks ended 1 January 2017 £'000	52 weeks ended 27 December 2015 £'000
<i>Current taxation</i>		
UK corporation tax at 20% (December 2015: 20.5%)	-	-
Tax on profit on ordinary activities	<u>-</u>	<u>-</u>

No provision has been made for deferred taxation (December 2015: £nil). There is an unprovided deferred tax asset at 1 January 2017 of £8,390,000 (December 2015: £8,785,000). Having considered the recoverability of the deferred tax asset, the Directors do not consider it prudent to recognise this asset at the present time.

The forthcoming changes in the corporation tax rate to 19% and 17% in future years will not materially affect the future tax charge.

# Dundee Energy Recycling Limited

## Notes to the financial statements (continued)

For the 53 week period ended 1 January 2017

### 8. Tax on profit on ordinary activities (continued)

The differences between the total current tax as shown above and the amount calculated by applying the standard rate of UK corporation tax to the loss before tax is as follows:

	53 weeks ended 1 January 2017 £'000	52 weeks ended 27 December 2015 £'000
Profit on ordinary activities before tax	(513)	902
Tax charge on ordinary activities at standard UK corporation tax rate of 20% (December 2015: 20.5%)	(103)	183
Factors affecting the credit for the period:		
Expenses not deductible	26	133
Deferred tax not recognised	76	(316)
Tax on profit on ordinary activities	-	-

### 9. Fixed asset investments

No fixed asset investments are held by the Group (December 2015: £nil).

	Company	
	1 January 2017 £	27 December 2015 £
Shares in subsidiary undertakings	200	200

### Principal subsidiary undertakings

The Parent Company is the beneficial owner of the following subsidiary undertakings:

Name of company	Country of incorporation	Proportion of nominal value of issued share capital held	Principal activity	Registered address
Dundee Waste Management Limited	UK	100%	Processing waste	1 Exchange Crescent Conference Square Edinburgh EH3 8 UL
Dundee Electricity Company Limited	UK	100%	Electricity generation	1 Exchange Crescent Conference Square Edinburgh EH3 8 UL



# Dundee Energy Recycling Limited

## Notes to the financial statements (continued)

For the 53 week period ended 1 January 2017

### 10. Tangible fixed assets

	Group and Company		
	Land £'000	Plant and equipment £'000	Total £'000
<b>Cost</b>			
At 27 December 2015 and at 1 January 2017	124	39,019	39,143
<b>Depreciation</b>			
At 27 December 2015	-	36,047	36,047
Charge for the year	-	646	646
At 1 January 2017	-	36,693	36,693
<b>Net book value</b>			
At 1 January 2017	124	2,326	2,450
At 27 December 2015	124	2,972	3,096

During 2004, the Company sold all its fixed assets to Dundee City Council and leased them back under a long-term finance lease arrangement. During 2007, the Company sold further fixed assets which it had acquired since the 2004 transaction to Dundee City Council and leased them back under a similar arrangement. During 2008 and 2010, certain plant capital improvements were financed by further finance lease arrangements with Dundee City Council. Further plant capital improvements were undertaken in 2013 and were financed under a similar arrangement with Dundee City Council.

In accordance with the requirements of FRS 102, the fixed assets continue to be recorded on the balance sheet of the Company at the net book value immediately preceding these transactions, and are being depreciated in accordance with the accounting policies set out in note 1f). The lease expires on 31 December 2020.

### 11. Stocks

	Group		Company	
	1 January 2017 £'000	27 December 2015 £'000	1 January 2017 £'000	27 December 2015 £'000
Stock of spare parts and consumables	878	917	-	-

There is no material difference between the balance sheet value of stocks and their replacement cost.

## Dundee Energy Recycling Limited

### Notes to the financial statements (continued)

For the 53 week period ended 1 January 2017

#### 12. Debtors: Amounts falling due within one year

	Group		Company	
	1 January 2017 £'000	27 December 2015 £'000	1 January 2017 £'000	27 December 2015 £'000
Trade debtors	1,283	912	-	-
Amounts owed by subsidiary undertakings (note 19)	-	-	25,831	22,210
Other debtors and prepayments	270	306	150	167
	<u>1,553</u>	<u>1,218</u>	<u>25,981</u>	<u>22,377</u>

The amounts owed by subsidiary undertakings are repayable on demand and non-interest bearing.

#### 13. Creditors: Amounts falling due within one year

	Group		Company	
	1 January 2017 £'000	27 December 2015 £'000	1 January 2017 £'000	27 December 2015 £'000
Capital element of finance lease payments	3,089	1,873	3,089	1,873
Trade creditors	2,188	2,045	674	333
Amounts owed to subsidiary undertakings	-	-	34,852	30,127
Accruals and deferred income	1,123	731	597	522
	<u>6,400</u>	<u>4,649</u>	<u>39,212</u>	<u>32,855</u>

The amounts owed to subsidiary undertakings are repayable on demand and non-interest bearing.

#### 14. Creditors: Amounts falling due after more than one year

	Group and Company	
	1 January 2017 £'000	27 December 2015 £'000
Secured borrowings:		
5% fixed rate loan 2017	2,300	2,300
5% fixed rate loan 2020	1,600	1,600
Capital element of finance lease payments	2,552	4,686
	<u>6,452</u>	<u>8,586</u>

# Dundee Energy Recycling Limited

## Notes to the financial statements (continued)

For the 53 week period ended 1 January 2017

### 14. Creditors: Amounts falling due after more than one year (continued)

The secured borrowings are made under facility agreements totalling £3,900,000 (December 2015: £3,900,000) with Dundee City Council and are secured by floating charges over all assets of the Company.

The borrowings and finance lease payments are repayable as follows:

	Group and Company	
	1 January 2017 £'000	27 December 2015 £'000
Between one and two years	1,940	1,873
Between two and five years	4,512	6,713
After five years	-	-
	<hr/>	<hr/>
Within one year	6,452	8,586
	3,089	1,873
	<hr/>	<hr/>
	9,541	10,459
	<hr/>	<hr/>

### 15. Share capital

	Group and Company	
	1 January 2017 £	27 December 2015 £
<b>Authorised, called-up, allotted and fully paid:</b>		
40 Class A ordinary shares of £1 each	40	40
34 Class B ordinary shares of £1 each	34	34
26 Class C ordinary shares of £1 each	26	26
44,557,485 deferred shares of £1 each	44,557,485	44,557,485
	<hr/>	<hr/>
	44,557,585	44,557,585
	<hr/>	<hr/>

The A, B and C ordinary shares rank "pari passu" in respect of voting, dividends and other rights, subject to certain restrictions. Holders of the deferred shares are entitled to dividends in accordance with the provisions of the Company's articles of association. The deferred shares are not redeemable and carry no voting rights. On liquidation of the Company, holders of the deferred shares are entitled to receive up to £1 per share providing that all third party liabilities have been settled and that holders of the ordinary shares have been paid the sum of £5,000,000.

### 16. Shareholders' holdings

The shareholders' beneficial percentage holdings in the Company as at 1 January 2017 and as at the date of this report was as follows:

Dundee City Council	Class A ordinary shares	100%	Deferred shares	100%
Dundee City Council	Class B ordinary shares	100%		
Dundee City Council	Class C ordinary shares	100%		

The Company has one class of ordinary shares which carry no right to fixed income

The Group and Company's other reserves are as follows:

The share premium reserve contains the premium arising on issue of equity shares, net of issue expenses.

## Dundee Energy Recycling Limited

### Notes to the financial statements (continued)

For the 53 week period ended 1 January 2017

#### 16. Shareholders' holdings (continued)

The profit and loss reserve represents cumulative profits or losses, including unrealised profit on the remeasurement of investment properties, net of dividends paid and other adjustments.

#### 17. Commitments and other contractual obligations

##### Commitments under finance leases

Capital commitments are as follows:

	Group and Company	
	1 January 2017 £'000	27 December 2015 £'000
Within one year	3,089	1,873
Between one and five years	2,552	4,535
More than five years	-	-
	<u>5,641</u>	<u>6,408</u>

Future minimum lease payments on finance leases are as follows:

	Group and Company	
	1 January 2017 £'000	27 December 2015 £'000
Within one year	3,412	2,162
Between one and five years	2,640	4,802
More than five years	-	-
	<u>6,052</u>	<u>6,964</u>

# Dundee Energy Recycling Limited

## Notes to the financial statements (continued)

For the 53 week period ended 1 January 2017

### 18. Reconciliation of operating cash to net cashflow from operating activities

	1 January 2017 £'000	27 December 2015 £'000
Operating (loss)/profit	(27)	1,489
Adjustment for:		
Depreciation charge	646	658
<b>Operating cash flow before movement in working capital</b>	<b>619</b>	<b>2,147</b>
Decrease in stock	39	51
Increase in debtors	(335)	(172)
Increase/(increase) in creditors	535	(117)
<b>Net cash from operating activities</b>	<b>858</b>	<b>1,909</b>

### 19. Intra-group indebtedness

The Company has issued a letter of continuing financial support to both subsidiaries which confirms that, for a period of at least one year from the approval date of these financial statements, the Company will not call for repayment of amounts due to the Company from the subsidiary undertaking at a time when, or with the result that, the liabilities of the subsidiary exceed its assets.

### 20. Related party transactions

During the 53 week period to 1 January 2017 the Group and Company recorded the following transactions with its related parties:

	Group		Company	
	53 weeks ended 1 January 2017 £'000	52 weeks ended 27 December 2015 £'000	53 weeks ended 1 January 2017 £'000	52 weeks ended 27 December 2015 £'000
Dundee City Council:				
Gate fee income for waste disposal	5,470	5,329	-	-
Charges for lease rentals, diversion costs, payroll services, provision of site transport and ash disposal	(1,476)	(2,437)	(1,212)	(2,154)

The balances owed to Dundee City Council at the period-end were £2,807,000 (December 2015: £1,485,000), along with the finance lease and the loans detailed in notes 14 and 17. Interest payable on the loan is detailed in note 7.

The balances owed by Dundee City Council at the period-end were £585,000 (December 2015 - £78,000).

Dundee City Council is a related party by virtue of it being the 100% shareholder in the Company.

### 21. Contingent Liability

Recent case law has considered the elements to be included within the calculation of an employee's holiday pay. Dundee Energy Recycling Limited is currently taking legal advice to establish whether non-contractual overtime and certain other payments are affected. At this point in time it is not possible to identify the extent and amount of Dundee Energy Recycling Limited's liability, if any.

# **Dundee Energy Recycling Limited**

## **Notes to the financial statements (continued)**

**For the 53 week period ended 1 January 2017**

### **22. Employee benefits**

#### **Defined contribution schemes**

The Group operates defined contribution retirement benefit schemes for all qualifying employees. The total expense charged to profit or loss in the period ended 1 January 2017 was £94,000 (27 December 2015: £84,000). The total expense included in accruals for the period ended 1 January 2017 was £nil (27 December 2015: £ nil).

### **23. Ultimate controlling party**

By holding 100% of the issued ordinary share capital of the Company, Dundee City Council is deemed the ultimate controlling party.

### **24. Explanation of transition to FRS 102**

This is the first year that the Company has presented its financial statements under Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council. The last financial statements under previous UK GAAP were for the year ended 27 December 2015 and the date of transition to FRS 102 was therefore 29 December 2014. All current accounting policies are in compliance with FRS 102 and, therefore, no transition changes have occurred.