REACT Energy plc

Annual Report and Accounts 2016

REACT Energy plc

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REACT Energy plc

Chairman and Chief Executive's Report

The Company presents the 2016 Annual Report, which gives an update on the activities of the Company over the 2016 financial period as well as updating on recent activities, including, as announced on 12 December 2016, an increase in amount and extension of an existing loan facility with EBIOSS to cover working capital requirements of the Company.

EBIOSS is an industrial engineering group and is involved in the engineering, construction, project development and operation of waste-to-synthesis gas plants. It operates at an international level and owns a state of the art technology and differential positioning in designing and construction of waste gasification power plants with power capacity from 500 kilowatts ("kWs") to 10 megawatts ("MWs"). EBIOSS has developed its own technology, the EQTEC Gasifier Technology (EGT) by which different types of waste are transformed into synthesis gas. This leading technology on waste gasification has made possible the design construction and/or operation of waste gasification plants in Spain, France, Germany, India, Italy and Bulgaria among other countries, for third party international energy groups and for use by EBIOSS itself. EBIOSS is quoted on Mercado Alternativo Bursátil ("MAB"), the alternative market of the Spanish Stock Exchanges.

Whilst the Company continues to execute on its strategy, general market conditions continue to impact investment sentiment. As a result of this ongoing uncertainty, and to ensure that the Company continues to have in place the necessary resources to meet this dynamic business environment, the Board continuously reviews the Company's strategy, cost base and financing structures to ensure it is well positioned and appropriately capitalised to take advantage of opportunities that present in the sector in which it operates.

During the financial year in question the Company also:

- Exited the Examinership process in July 2015
- Recommenced trading of the Company's shares on AIM
- Secured a €750,000 loan facility in January from EBIOSS which the Company has now fully utilised.
- Secured £1m in funding by way of a Secured Loan facility with EcoFinance (GLI) Limited which included a refinancing of a number of existing debt facilities with Altair Group Investment Limited.
- Entered into an agreement in December with EBIOSS to purchase its EGT technology with a power output of 4MW, which NBL will use in the repowering of the Newry Biomass gasification project
- The gasification equipment purchased from EBIOSS cost €4.963 million (subsequently increased to €5.150 million and will form part of an Engineer, Procure and Construct ("EPC") contract to be signed between NBL and EQTEC Iberia ("EQTEC"), a subsidiary of EBIOSS, in respect of the Newry Project. REACT has granted EQTEC exclusivity to provide gasification technology as part of EPC contracts for its biomass gasification project pipeline in the UK
- NBL applied and received confirmation from The Office of Gas and Electricity Markets ("Ofgem") that they have been granted an extension to 31 March 2018 for the Renewables Obligation ("RO") registration of the Newry Project
- Gained planning approval for the construction and operation of an energy recovery facility using EGT at Clay Cross in Derbyshire by Clay Cross Biomass Limited a company in which REACT has a 90% interest, subject to finalising a Section 106 agreement pursuant to the conditions set out in the report by the planning authorities
- Continued to operate its wind turbine at Pluckanes and three biomass heat projects in the UK

Post period end:

- In October 2016, signed conditional heads of agreement with several parties to potentially fund, through a combination of equity and debt, the circa £11.2 million repowering of the NBL 4MW biomass gasification project using EGT
- It was announced on 12 December 2016 that the terms of the working capital facility with EBIOSS had been amended by agreement between that parties such that the amount of the facility was increased by €600,000 to €1,350,000 and the repayment date of the increased facility was extended to 7 January 2018. The increased facility is to cover the working capital requirements of the Company.

Current Trading and Prospects

The Company is a clean energy project developer and operator. The Company seeks to take projects from "Greenfield" (greenfield land) stage to "Shovel Ready" stage (projects where planning and development is advanced enough that, given sufficient funding, construction can begin within a very short time frame) with turnkey construction contracts and financial packages in place. Debt and equity partners are then sought to fund the construction phase in return for a share of the project equity.

The Company develops and builds projects currently using wood and waste wood as the sustainable fuel source. The core focus has been on converting biomass or wood into clean electricity and heat. This was based primarily on the technology available to convert the fuel into power and the level of government subsidies available specifically for biomass fuel and the relevant conversion technology.

In reporting its interim results for the six months to 31 December 2015, the Company stated that the political and regulatory environment within the UK continued to be challenging, with a lack of direction and continued changes to the long-term support mechanisms available for renewable energy projects developed under the Electricity Market Review (EMR), with the introduction of Contracts for Difference (CfD) in place of the Renewables Obligation (RO) regime. As part of its ongoing cooperation and collaboration with EBIOSS Energy, the Company has reviewed its strategy for developing and operating clean energy power plants in the UK.

Overview of the UK Renewable Energy Market

The UK developed its renewable energy sector based on the Renewables Obligation (RO), a quota scheme that led to the only publicly subsidised electricity investments in the UK after the 1989 privatisation era. In 2010, the UK government also introduced the Feed in Tariff (FIT) scheme for supporting small scale low-carbon installations up to a maximum capacity of 5MW.

Post 2014, the UK's electricity sector is governed by the Electricity Market Reform (EMR). Based on the EMR, all electricity investments are publicly subsidised with the fossil-fuel sectors receiving subsidies by way of the capacity market and the renewable energy sector by way of the Contracts for Difference (CfDs) scheme. Having announced the closing of the RO Scheme, the last projects under the RO Scheme, which needed confirmation of a "grace period" from Ofgem, must be completed before 31 March 2018. The UK Government published, in November 2016, a draft of the Budget Notice ahead of the CfD allocation round opening in April 2017. This set an overall budget for total support payments for projects delivered in the two years from the middle of 2021 to 2023 and also set out strike prices for the various less well established technologies including advance conversion technologies, such as advanced gasification.

Overview of the UK Energy from Waste Market

The UK has, over the past ten years, seen a transformation in its management of household waste. This has been most marked within local authorities as they make the transition from landfill to recycling / composting and energy recovery. The waste market is now moving towards what is termed 'merchant' projects. These are projects which utilise private, specialist fuel supply such as refuse derived fuel (RDF), municipal solid waste (MSW), commercial and industrial waste and waste wood. RDF or solid recovered fuel / specified recovered fuel (SRF) is a fuel produced by shredding and dehydrating municipal solid waste (MSW) with a waste converter technology. In addition, these merchant projects tend to utilise new advanced conversion technologies and include specialist sub sectors, like advanced gasification.

Chairman and Chief Executive's Report - continued

Gasification is a process that converts organic or fossil based carbonaceous materials at elevated temperatures with controlled amounts of oxygen into carbon monoxide, hydrogen, carbon dioxide and methane. It is a well-known technology, and its advanced use with mixed waste feedstock is continually evolving. By its nature "energy from waste" bridges two sectors both of which are evolving. It has its roots firmly in waste management but is becoming of increasing importance to energy generation.

Waste management is changing to be much less about how society get rid of things it no longer wants and more about managing discarded resources back into the economy. Likewise, energy generation is evolving to make best use of renewables, novel fuels and different energy outputs always with an eye to energy security. The need to meet 2020 landfill diversion targets for biodegradable waste has been a major driver for waste policy and infrastructure development in the UK over the last ten years. The landfill tax is a key instrument to meeting the target along with other policies and initiatives. There are wider societal and environmental benefits associated with energy generation and use that will drive energy policy and impact on energy from waste. Energy from waste in particular has the potential to deliver low carbon energy in a cost-effective way and as a non-intermittent source helps provide energy security.

The term 'energy from waste' (commonly abbreviated to EfW) covers a range of different processes and technologies and describes a number of treatment processes and technologies used to generate a usable form of energy and which also reduce the solid volume of residual waste. This energy can be in the form of electricity, heating and/or cooling or a combination of these forms. Conversion treatments are processes which convert residual waste or RDF/SRF into a more useable form of energy such as heat or electricity. These processes include gasification such as the EGT.

By choosing the right location, the right technology and the right processing, energy from waste can help to deliver much needed long-term affordable, low carbon and secure energy.

The EGT can operate economically over a wider range of scales and is therefore potentially more flexible and has the potential to generate much greater efficiencies through a range of outputs.

The UK faces a potential energy gap, with the margin of supply over demand expected to diminish to very-thin levels from 2015 onwards. The scheduled closure of old nuclear facilities has not been matched by the construction of replacement new-build nuclear sites and/or other power station facilities.

Local Authority managed waste going for combustion with energy recovery rose 13% to 5.5 million tonnes in 2012/13 and has more than doubled in the last ten years. A 2010 survey found only 2% of commercial and industrial waste was combusted with energy recovery in England. In 2012, 24 Energy from Waste plants operating in England were treating almost 4 million tonnes of residual MSW and SRF. In 2010, the combustion of the biodegradable component of MSW provided 6.2% of the UK's total renewable electricity generation and 4.7% of total combined renewable heat and electricity generation. Waste derived renewable electricity from thermal combustion in England is forecast to grow from the current 1.2 terrawatt hours ("TWh") to between 3.1TWh and 3.6TWh by 2020.

REACT and EBIOSS Energy have entered into mutually beneficial business arrangements over the last year with the objective of working closer together to avail of opportunities initially in the UK EfW market.

Current project portfolio

Newry

As noted above, NBL entered into an agreement with EBIOSS Energy to purchase its EGT, with a power output of 4MW, which NBL will use in the repowering of the Newry biomass plant. The equipment has been delivered and is currently on site in Newry.

Once financial close on the repowering of the Newry biomass plant is achieved, the Company expects that the plant will be able to again export electricity to the grid within 15 months (i.e. pre 31 March 2018).

NBL applied and received confirmation from Ofgem that they have granted an extension to 31 March 2018 for the RO registration of the Newry biomass plant, at which point the plant will need to have been repowered and commissioned, which the Company intends it will have been.

The Company announced on 11 October 2016 that it has signed conditional heads of agreement with several parties to potentially fund, through a combination of equity and debt, the repowering of the plant. The heads of agreement envisage a total investment of up to £11.2 million to be made both directly, and indirectly through REACT, into NBL.

The terms of the heads of agreement between the parties are legally binding, however, are subject to the completion of, inter alia, legal, financial and technical due diligence, which has commenced and is expected to be completed shortly. The terms therefore may change from that set out in the heads of agreement. There can be no guarantee that definitive agreements will be concluded on the terms currently envisaged or at all, or on the timetable envisaged.

If it was not possible to reach agreement with the parties, the Company, in partnership with EBIOSS Energy and its subsidiary EQTEC, using their combined resources, would commission the project to a basic level to ensure that the ROCs are registered for the plant by 31 March 2018. In this scenario, the plant having been commissioned to basic standards, would be refinanced with third party funders and completed in full.

Enfield, London

The Enfield Biomass project is a 12MW biomass gasification project located in Enfield, London. The project has secured full planning and permitting approval and is ready to construct. The Company obtained an updated planning permission for converting 60,000 tonnes per annum of Grade C wood waste in January 2014. An environmental permit was received April 2012.

As part of the Examinership process, the Company ceased to pursue the legal action, which was announced on the 3 June 2015, in relation to the Enfield Biomass Limited property lease agreement and has agreed to the revocation of the existing lease on that site. The site has currently been put up for sale by the existing landlord. The Company intends to open discussions with a new owner in relation to the future of this site and further updates will be made as and when appropriate.

Clay Cross

On 12 April 2016, the Company announced that the Regulatory Planning Committee of Derbyshire County Council (the "Committee") voted in favour, on 11 April 2016, to approve the construction and operation of an energy recovery facility at Clay Cross Facility in Derbyshire (the "Clay Cross Facility") by Clay Cross Biomass Limited ("Clay Cross Biomass"), a company in which REACT has a 90% interest, subject to finalising an agreement under Section 106 of the Town and Country Planning Act 1990 pursuant to the conditions set out in the report to the Committee.

Clay Cross Biomass anticipates utilising the EGT, the same technology that the Company is installing at Newry Biomass, to power the plant as part of the EPC contract for the construction of the Clay Cross Facility. Once commissioned, the Clay Cross Facility is expected to convert approximately 80,000 tonnes per annum of construction and demolition (C&D) waste wood, which is currently sent to landfill, to generate up to 12MW of electrical energy, sufficient to provide electricity for over 18,000 homes, and up to 14MW of thermal energy per annum.

The Company is currently in preliminary discussions to secure finance for the construction of the Clay Cross Facility and estimates that it will take approximately 18 months from obtaining finance to the final commissioning of the plant. The expected cost to develop the Clay Cross Facility is approximately £50 million.

Biomass Heat

The Company owns 30% of a special purpose vehicle ("SPV") set up with Equitix ESI Finance Limited ("Equitix") and receives development and on-going management fees from it. The SPV currently operates three biomass heat projects in the UK.

Renewable Heat Incentive (RHI) is the primary incentive scheme in operation for these projects. The digression in RHI tariffs for boilers below 200kw range is impeding progress on projects within the pipeline and represents a continuing challenge to completion of project financing.

Wind Electricity Generation

In Ireland, the Company is currently operating a cash generating 800kW Enercon wind turbine in Pluckanes, County Cork. This plant was financed by company equity and bank debt provided by AIB Bank plc and has a 15-year Power Purchase Agreement with Viridian Energy Limited.

The Company is advancing the project pipeline with the intention to finance a number of small-scale projects together via company equity and bank financing, thereby creating a small-scale wind portfolio. The return on capital employed for each project will be assessed to ensure an adequate return. The Company is also working on creating a master supply agreement with a turbine manufacturer arising from wind measurement and site analysis.

Future strategy

The overall business strategy of the Group is to focus on taking advantage of the significant opportunities in the Energy from Waste Market in the UK.

REACT Energy plc

Chairman and Chief Executive's Report - continued

Financial position

FY 2016 Financials

- Loss of €1.540 million versus a profit of €5.319 million in 2015 (€0.091 million loss related to continuing operations in 2015)
- Loss for the year includes net foreign exchange losses of €0.164 million and interest costs of €0.603 million
- Loss per share of 0.015 cents versus a profit of 0.173 cents in 2015
- At 30 June 2016, total cash and cash equivalents were €0.324 million versus €0.211 million in 2015

Post FY 2016 Financials

- Further drawdown of €175,000 on loan facility from EBIOSS together with an increase in facility size from €750,00 to €1,350,000 and extension of the term to 7 January 2018

Outlook

After what has been a very tough 18 months for everyone, thanks to the major support of the Company's existing stakeholders and new investor EBIOSS, the Company now has the potential to take advantage of the opportunities presenting themselves in the UK Energy from Waste market and in turn advance its pipeline of projects throughout the UK.

The Company looks forward to updating its shareholders in the future on further developments as the Company further builds its position in the Energy from Waste market.

Dermot O'Connell
Chairman

Gerry Madden
Chief Executive

REACT Energy plc

Directors

Dermot O'Connell, *Non-Executive Chairman*
Dermot O'Connell is a former director of REACT's largest shareholder, Farmer Business Developments plc. He joined the Board as a Non-Executive Director in March 2011 and was appointed as Non-Executive Chairman in October 2011.

Gerry Madden, *CEO*
Gerry Madden has been in the role of Chief Executive of REACT Energy plc since March 2011, having previously joined the company in May 2007 as Finance Director. He previously set up and operated a corporate finance practice between 1998 and 2007, advising UK and Irish companies on corporate finance activities and business strategy. During this period he also acted as a Non-Executive Director for companies in the technology, healthcare, retail and renewable energy sectors. He originally worked for 16 years with international accountants KPMG and was auditor and adviser to listed companies, multinationals and private companies operating in Ireland and internationally. He is a Fellow of the Institute of Chartered Accountants in Ireland and is a graduate of University College Cork.

Brendan Halpin, *Executive Director and Company Secretary*
Brendan Halpin joined the Group in February 2006 as Financial Controller and joined the Board as Executive Director in March 2011. Brendan is a Fellow of the Institute of Chartered Accountants in Ireland, having qualified as an accountant with PricewaterhouseCoopers in 1998. His current responsibilities include inter alia, finance management, project management and treasury functions.

REACT Energy plc

Advisors and other information

Nominated & Financial Adviser and Broker
Strand Hanson Limited
26 Mount Row, Mayfair,
London W1K 3SQ,
United Kingdom.

Auditors
Grant Thornton,
Chartered Accountants and Statutory Audit Firm,
Molyneux House, Bride Street,
Dublin 8, Ireland.

Bankers
Bank of Ireland,
32 South Mall, Cork,
Ireland

Allied Irish Banks,
Main Street, Carrigaline,
Co. Cork, Ireland

Solicitors
McEvoy Corporate Law
33 Fitzwilliam Square, Dublin 2,
Ireland.

Registrar
Capita Corporate Registrars plc,
2 Grand Canal Square, Dublin 2,
Ireland.

Registered Office
Building 1000, City Gate,
Mahon, Cork,
Ireland.

Company Registration Number
462861

The directors present their annual report and the audited financial statements of the company and its subsidiaries, collectively known as 'the Group' for the financial year ended 30 June 2016.

Principal Activities

The principal activities of the Company and the Group are to identify, develop, build, own and operate power plants in the UK and Ireland using clean energy technologies. The Group's business strategy remains one of focusing the Group's resources on delivering projects to financial closure and managing the implementation and operation of those projects. The intention is to retain a long-term income stream linked to profits generated by projects in addition to receiving a development fee from third parties in exchange for project equity. The Group has projects at an advanced stage that are ready to be developed, and the development of these projects can be enabled by strategic partnerships and funding provided from existing and third party investors.

Review of Business and Future Developments and Key Performance Indicators

A review of the Group's business and future developments and key performance indicators is contained in the Chairman and Chief Executive's Report on pages 3 to 8.

Results and Dividends

The results for the year are set out on page 21. No dividends have been proposed by the directors (2015: €Nil).

Principal Risks and Uncertainties

The Group has a risk management structure in place, which is designed to identify, manage and mitigate business risk. Risk assessment and evaluation is an essential part of the Group's internal control system.

Information about the financial risk management objectives and policies of the Group, along with exposure of the Group to credit risk, liquidity risk and market risk, are disclosed in Note 5 of the notes to the consolidated financial statements.

The Group is exposed to a number of other risks and uncertainties. These break into three categories:
1. General risks impacting the business.
2. Project development related risk.
3. Going concern – this is discussed in Note 3 of the financial statements.

General Risks
Electricity market
The Group's plans are exposed to electricity market price risk through variations in the wholesale price of electricity. The Group manages this risk by entering into long term power purchase agreements.

Legislative risk
The Group is exposed to adverse changes in legislation that may impact the income for renewable energy power plants. The directors monitor possible changes to legislation and where possible engage in the consultation process to safeguard the Group's interests. Projected project revenues could be affected by changes to the renewable legislation including for example; the number of Renewable Obligation Certificates awarded per MWh of generation under the Renewable Obligation or price received under the Feed in Tariff Contract for Difference (FiT CfD). Any negative changes to these projected revenues could impact the ability of the Group to secure debt and equity for projects.

Principal Risks and Uncertainties - continued

Liquidity
The cash requirements of the Group are forecast by the Board annually in advance and reviewed monthly by management, enabling the Group's cash requirements to be anticipated. The cash forecast includes assumptions with respect to working capital, development spend and the timing of planning consents and financial close of projects. Significant delays in these expected timings may lead to a requirement for additional cash and impinge on going concern.

Project development risks
Site evaluation and procurement
Securing sites for the development of renewable energy power plants is a key requirement in further developing the business. This relies upon the ability of the Group to locate, evaluate, select, develop and realise appropriate opportunities, and to be able to negotiate and complete land agreements and related access/connection agreements at a cost that allows profitable projects to be developed.

The Group manages these risks by continually reviewing a large number of sites in the UK and Ireland such that it is not focused on any one particular landowner or location.

Planning and development consent
Once a site is secured, a planning and development consent is sought, together with any other necessary permits to allow a renewable energy power plant to be constructed and operated. During this stage of the process the Group is exposed to the following specific risks:

- consents may be subjected to delays beyond the Group's control, which may subsequently cause the project to be delayed or aborted. There are no guarantees that any or all of the necessary consents will be granted;
- consents granted may be subject to conditions that affect the economic or operational viability of the proposed project. These could in turn impact the Group's ability to raise project finance, or reduce the value of a project in the case of a sale;
- delays or onerous planning conditions may lead to unforeseen costs which the Group may need to raise finance for; and
- legislative changes may influence the acceptability of the site or the economic viability of the project.

The Group manages these risks through securing sites on which it believes it can secure planning and development consent, employing suitably qualified and significantly experienced staff to manage the consenting process and ensure compliance with the latest legislation, as well as ensuring maximum engagement of local authorities and interested stakeholders from a very early stage.

The Group has significant experience of securing planning consents for renewable energy power plants and knowledge of the important criteria involved. The Group uses this experience when selecting sites for development.

Principal Risks and Uncertainties - continued

Contract negotiation
This stage of the development process involves the negotiation of contracts for the construction of the renewable energy plant, the sale of electricity and related products produced by the plant, the procurement of fuel for the plant and the operation of the plant. This stage begins during the early stages of the planning and development and concludes at the point of financial close. During this stage the Group is exposed to the following specific risks in addition to those outlined above:

- the ability to secure fixed price contracts for the construction of each power plant with the required level of guarantees that allow project finance to be secured; and
- significant changes to inflation impacting the costs of building and operating renewable energy power plants and therefore the profitability of renewable energy power plants.

The Group manages these risks through soliciting bids from a number of different suppliers for the equipment required to construct the plant and any other materials or equipment required to ensure the plant can operate profitably.

Financial close
This stage relates to the crystallisation of the project into the construction stage. This may involve either the sale of the project, in whole or part, or securing project finance enabling the project to be constructed.

During this stage the Group is exposed to the additional risks:

- the general availability of finance to fund the construction of power plants, and the level of lending that can be secured;
- changes to interest rates which may impact the cost of financing power projects;
- the ability to secure equity on acceptable terms for the construction of projects once debt is in place; and
- depressed market for the sale of projects, leading to low prices or no willing buyers.

It is the Board's view that once the project has planning and development consent, these risks are mitigated by the potential to sell a project for at least its book value.

The Group has experience in negotiating financial arrangements for power plants and understands the contract structures required to secure project finance. Additionally the Group has relationships with a number of project finance banks, utility and large industrial companies allowing project finance or sale discussions to be initiated.

Construction
This stage is reached once financing, both debt and equity, is secure and all project contracts are entered into. During this stage the Group is exposed to the following specific risks:

- cost overruns by contractors or claims made may result in a need for additional equity or debt funding;
- delays to the construction programme leading to higher than planned interest charges during the construction programme and may delay the commencement of operating cash flows to fund the Group's on-going activities;
- failure of the completed plant to operate as planned; and
- supplier insolvency.

Principal Risks and Uncertainties - continued

The Group seeks to mitigate these risks through the negotiation of fixed price contracts with reputable contractors and by ensuring the financial plans include adequate levels of contingency to accommodate cost overruns. Additionally, the Group seeks to appoint an owner's engineer with significant experience to oversee the project programme once construction commences.

Going Concern

The directors have assessed going concern. See Note 3 for further details.

Directors

The following directors held office during the financial year:
Dermot O'Connell
Gerard Madden
Brendan Halpin
Edward Barrett (resigned 15 January 2016)

Directors' and Secretary's Interests in Shares

The directors and secretary of REACT Energy plc who held office at 30 June 2016 had the following interests in the shares of the Company:

	Number of Ordinary Shares at 30 June 2016	Number of 'A' Ordinary Shares at 30 June 2016	Number of Ordinary Shares at 1 July 2015	Number of 'A' Ordinary Shares at 1 July 2015
Brendan Halpin	1,142,910	3,261,873	320,776	3,261,873
Gerry Madden	817,140	14,926,161	1,533	14,926,161
Dermot O'Connell	570,109	-	-	-

Remuneration Committee Report

The Group's policy on senior executive remuneration is designed to attract and retain people of the highest calibre who can bring their experience and independent views to the policy, strategic decisions and governance of the Group.

In setting remuneration levels the Remuneration Committee takes into consideration the remuneration practices of other companies of similar size and scope. A key philosophy is that staff must be properly rewarded and motivated to perform in the best interests of the shareholders. Details of directors' remuneration are included in Note 27 of the notes to the consolidated financial statements.

Accounting Records

The directors believe that they have complied with the requirements of Sections 281 to 285 of the Companies Act, 2016 with regard to the keeping of accounting records by employing persons with appropriate expertise and by providing adequate resources to the financial function. The accounting records are held at the Company's business address at Building 1000, City Gate, Mahon, Cork.

Subsequent Events

Details of events occurring since 30 June 2016 which impact on the Group are included in Note 31.

Disclosure of information to auditors
Each of the persons who are directors at the time when this Directors' report is approved has confirmed that:

- so far as that director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- that director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Directors' compliance statement
To ensure that the company achieved material compliance with its relevant obligations, the directors confirm that they have:

- drawn up a compliance policy statement setting out the company's policies respecting compliance by the company with its relevant obligations.
- put in place appropriate arrangements and structures that are designed to secure material compliance with the company's relevant obligations.
- conduct a review, during the financial year, of the arrangements and structures, referred to above.

Auditors

The auditors, Grant Thornton, Chartered Accountants and Statutory Audit Firm, continue in office in accordance with Section 383(2) of the Companies Act, 2014.

Approved by the Board on 22 December 2016.

Dermot O'Connell
Chairman

Gerry Madden
Director

Statement of the Directors' Responsibilities

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

Irish 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 assets, liabilities and financial position of the Company as at the financial year end date and of the profit or loss of the Company for the financial year and otherwise comply with the Companies Act, 2014.

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 the financial statements have been prepared in accordance with applicable accounting standards, identify those standards, and note the effect and the reasons for any material departure from those standards; 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 ensuring that the Company keeps or causes to be kept adequate accounting records which correctly explain and record the transactions of the Company, enable at all times the assets, liabilities, financial position and profit or loss of the Company to be determined with reasonable accuracy, enable them to ensure that the financial statements and Directors' Report comply with the Companies Act 2014 and enable the financial statements to be audited. 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. Legislation in Ireland governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Dermot O'Connell
Chairman

Gerry Madden
Director

Date: 22 December 2016

REACT Energy plc

Corporate Governance Report

The Company is not subject to the Combined UK Corporate Governance Code applicable to companies with full listing on the London Stock Exchange. The Company does however intend, so far as is practicable and desirable, given the size and nature of the business, to follow the recommendations on corporate governance for AIM companies (the 'QCA Guidelines') issued by the Quoted Companies Alliance ('QCA').

The Board
The board of directors of the Company is responsible to shareholders for leadership in all aspects of the business. The board comprises three members. One independent non-executive director contributes individual experience from a diverse background. Two executive directors are responsible for the implementation of all board decisions and oversee the management of the Group on a day-to-day basis.

In accordance with the articles of association, one-third of directors retire by rotation each year. Each director must be subject to re-election at least every three years.

Role of the Board
The Company has adopted a schedule of matters reserved for consideration by the whole board, including, for example: approval of the Group's long-term objectives and commercial strategy; approval of the annual operating and capital expenditure budgets of the Group (and any material changes thereto); changes relating to the Group's structure; major changes to the Group's corporate structure; approval of the Group's annual report and accounts; approval of the dividend policy; major capital projects; changes to the structure, size and composition of the board; determination of the remuneration for the directors, the Company Secretary and executive management; division of responsibilities between the Chairman, the Chief Executive and other executives of the board; and the making of political donations or political expenditure.

The Board is also responsible for ensuring maintenance of sound systems of internal control and risk management and the directors confirm that they continually review the effectiveness of the system of internal control, covering all material controls including financial, operational and compliance controls and risk management.

In accordance with QCA Guidelines, the board has established audit and remuneration committees, as described below, and utilises other committees as necessary in order to ensure effective governance.

Audit Committee
The Company's Audit Committee previously comprised Dermot O'Connell as the Chairman and Edward Barrett. The Audit Committee currently consists of Dermot O'Connell and will continue to do so until board numbers are increased. The Audit Committee meet at least two times a year at appropriate times in the reporting and audit cycle and otherwise as required. The Finance Director normally attends meetings of the Committee and the Chief Executive Officer attends as necessary. The external auditors are invited to attend meetings of the Audit Committee on a regular basis.

Audit Committee - continued

The terms of reference for the Audit Committee include the following responsibilities:

- Monitoring the integrity of the reported financial performance of the Group, including its preliminary results announcement, annual report and interim report;
- Reviewing the effectiveness of the Group's internal financial controls;
- Making recommendations to the board on the appointment and removal of the external auditors and the audit fee; and
- Monitoring the objectivity and independence of the external auditors.

Remuneration Committee

The Company's Remuneration Committee previously comprised Edward Barrett as the Chairman and Dermot O'Connell. The Remuneration Committee currently consists of Dermot O'Connell and will continue to do so until board numbers are increased. The role of the Remuneration Committee is to review the performance of the executive directors and other senior executives and to set the scale and structure of their remuneration, including the implementation of any bonus arrangements, with due regard to the interests of Ordinary Shareholders. The Remuneration Committee also administers and establishes performance targets for share incentive schemes and determines the allocation of share incentives to employees.

Nomination committee

The Company does not have a nomination committee. Any appointments to the Board are considered by the Board as a whole.

In considering the appointment of a new director, the Board identifies the characteristics, qualities, skills and experience that it believes would complement the overall balance and composition of the Board.

Relations with Shareholders

The Company believes that effective communication with shareholders is of utmost importance. It has an established cycle for communicating trading results at the interim and year end stages and, as appropriate, of providing business updates via the Regulatory News Service and press releases.

The Company makes information available through regulatory announcements and its interim and annual reports. Copies of all such communications can be found on the Company website, www.reactenergyplc.com.

The board has adopted a code for dealings in the Company's securities by directors and applicable employees, which conforms to the requirement of the AIM Rules (Share Dealing Code). The Company will be responsible for taking all proper and reasonable steps to ensure compliance by the directors and applicable employees with the Share Dealing Code and the AIM Rules. The Company complies with the corporate governance obligations applicable to Irish registered public companies whose shares are quoted on the AIM market of the London Stock Exchange.

Independent Auditors' Report
To the shareholders of REACT Energy plc
For the financial year ended 30 June 2016

We have audited the financial statements of REACT Energy plc for the year ended 30 June 2016 which comprise the Consolidated statement of profit or loss, Consolidated statement of other comprehensive income, Consolidated statement of financial position, Consolidated statement of changes in equity, Consolidated statement of cash flows, Company statement of financial position, Company statement of changes in equity, Company statement of cash flows and the related notes. The financial reporting framework that has been applied in their preparation is Irish law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the Company's shareholders, as a body, in accordance with Section 391 of the Companies Act 2014. Our audit work has been undertaken so that we might state to the Company's shareholders those matters we are required to state to them in an Auditors' 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 shareholders as a body, 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 Statement of Directors' Responsibilities, the directors are responsible for the preparation of the financial statements giving a true and fair view and otherwise comply with Companies Act 2014. Our responsibility is to audit and express an opinion on the financial statements in accordance with Irish 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 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.

Opinion on financial statements

In our opinion:

- the Group financial statements give a true and fair view of the state of the assets, liabilities and financial position as at 30 June 2016 and of the loss and cash flows for the year then ended;
- the parent company statement of financial position gives a true and fair view of the state of the assets, liabilities and financial position as at 30 June 2016; and
- the financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and, in particular, the requirements of Companies Act 2014.

Grant Thornton

An instinct for growth™

Independent Auditors Report
To the members of REACT Energy plc
For the financial year ended 30 June 2016

Emphasis of Matter – Going Concern

In forming our opinion, which is not modified, we have considered the adequacy of the disclosures made in Note 3 to the financial statements concerning the Group's ability to continue as a going concern. The Group incurred a loss of €1,540,044 during the year, and had net current liabilities of €6,603,205 and net assets of €817,044 at 30 June 2016.

These conditions, along with the other matters explained in Note 3 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Company was unable to continue as a going concern.

Matters on which we are required to report by the Companies Act, 2014

- We have obtained all the information and explanations which we consider necessary for the purposes of our audit.
- In our opinion the accounting records of the Company were sufficient to permit the financial statements to be readily and properly audited.
- The financial statements are in agreement with the accounting records.
- In our opinion the information given in the Directors' Report is consistent with the financial statements.
- The net assets of the parent company, as stated in the parent company balance sheet shows an excess of liabilities over assets, and in our opinion, on that basis there did exist at 30 June 2016 a financial situation which under Section 1111 of the Companies Act 2014 that would require the convening of an extraordinary general meeting of the parent company.

Matters on which we are required to report by exception

We have nothing to report in respect of the provisions in the Companies Act 2014 which require us to report to you if, in our opinion the disclosures of directors' remuneration and transactions specified by law are not made.

Stephen Murray
For and on behalf of Grant Thornton
Chartered Accountants and Statutory Audit Firm

Molyneux House
Bride Street
Dublin 8

22 December 2016

REACT Energy plc
Consolidated statement of profit or loss
for the financial year ended 30 June 2016

	Notes	2016	2015
		€	€
Revenue	8	246,864	279,966
Cost of sales	9	-	(10,145)
Gross profit		246,864	269,821
Operating expenses			
Administrative expenses	10	(712,468)	(2,293,489)
Share of fair value of previously held equity interest in Newry Biomass Limited	28	-	2,335,810
Impairment of property, plant and equipment	16	(307,759)	(336,532)
Foreign currency losses/(gains)		(163,721)	218,518
Operating (loss)/profit		(937,084)	194,128
Finance costs	11	(602,975)	(285,342)
Finance income	11	15	-
Loss before taxation	13	(1,540,044)	(91,214)
Income tax credit	14	-	-
Loss for the year from continuing operations		(1,540,044)	(91,214)
Profit arising from the derecognition of discontinued operations	29	-	5,307,258
Profit for the year on discontinued operations	29	-	103,375
Net profit for the year from discontinued operations	29	-	5,410,633
(Loss)/profit for the year		(1,540,044)	5,319,419
(Loss)/profit attributable to:			
Owners of the company		(1,041,035)	5,320,045
Non-controlling interest		(499,009)	(626)
		(1,540,044)	5,319,419

	Notes	**2016 € per share**	**2015 € per share**
Basic (loss)/earnings per share:			
From continuing operations	15	(0.015)	(0.003)
From continuing and discontinued operations	15	(0.015)	0.173
Diluted (loss)/earnings per share:			
From continuing operations	15	(0.015)	(0.003)
From continuing and discontinued operations	15	(0.015)	0.069

The notes on pages 29 to 75 form part of these financial statements.

REACT Energy plc
Consolidated statement of other comprehensive income
for the financial year ended 30 June 2016

	2016	2015
	€	€
(Loss)/Profit for the financial year	(1,540,044)	5,319,419
Other comprehensive income and expense		
Items that may be reclassified subsequently to profit or loss		
Exchange differences arising on retranslation of foreign operations	(603,466)	(683,068)
	(603,466)	(683,068)
Total comprehensive income and expense for the year	(2,143,510)	4,636,351
Attributable to:		
Owners of the company	(1,327,723)	4,592,909
Non-controlling interests	(815,787)	43,442
	(2,143,510)	4,636,351

The notes on pages 29 to 75 form part of these financial statements.

REACT Energy plc
Consolidated statement of financial position
At 30 June 2016

	Notes	2016	2015
ASSETS		€	€
Non-current assets			
Property, plant and equipment	16	10,799,870	7,201,844
Investments in joint ventures	17	-	-
Financial assets	17	-	-
Total non-current assets		10,799,870	7,201,844
Current assets			
Amounts due under construction contracts	19	150,847	150,847
Trade and other receivables	20	158,029	141,799
Cash and cash equivalents	21	324,195	211,346
Total current assets		633,071	503,992
Total assets		**11,432,941**	**7,705,836**
EQUITY AND LIABILITIES			
Equity			
Share capital	22	17,453,246	13,006,149
Share premium	22	21,863,190	20,713,637
Retained earnings – deficit		(40,139,172)	(38,811,449)
Deficit attributable to the owners of the company		(822,736)	(5,091,663)
Non-controlling interests	23	1,639,780	2,455,567
Total equity		817,044	(2,636,096)
Non-current liabilities			
Borrowings	24	3,379,621	-
Total non-current liabilities		3,379,621	-
Current liabilities			
Trade and other payables	25	5,425,146	4,440,615
Borrowings	24	1,811,130	5,901,317
Total current liabilities		7,236,276	10,341,932
Total equity and liabilities		**11,432,941**	**7,705,836**

The financial statements were approved by the Board of Directors on 22 December 2016 and signed on its behalf by:

Dermot O'Connell	**Gerry Madden**
Chairman	Director

The notes on pages 29 to 75 form part of these financial statements.

REACT Energy plc
Consolidated statement of changes in equity
for the financial year ended 30 June 2016

	Share capital	Share premium	Retained earnings	Deficit attributable to equity holders of the parent	Non-controlling interests	Total
	€	€	€	€	€	€
Balance at 1 July 2014	13,006,149	20,713,637	(43,404,358)	(9,684,572)	-	(9,684,572)
Fair value recognised on non-controlling interests in Newry Biomass Limited (Note 28)	-	-	-	-	2,412,125	2,412,125
Profit/(loss) for the financial year	-	-	5,320,045	5,320,045	(626)	5,319,419
Unrealised foreign exchange losses	-	-	(727,136)	(727,136)	44,068	(683,068)
Balance at 30 June 2015	13,006,149	20,713,637	(38,811,449)	(5,091,663)	2,455,567	(2,636,096)
Conversion of debt into equity under examinership settlement (Notes 22,24)	3,747,097	1,977,634	-	5,724,731	-	5,724,731
Issue of equity under rights of equity kicker (Notes 22,24)	700,000	(700,000)	-	-	-	-
Share issue costs	-	(128,081)	-	(128,081)	-	(128,081)
Loss for the financial year	-	-	(1,041,035)	(1,041,035)	(499,009)	(1,540,044)
Unrealised foreign exchange losses	-	-	(286,688)	(286,688)	(316,778)	(603,466)
Balance at 30 June 2016	17,453,246	21,863,190	(40,139,172)	(822,736)	1,639,780	817,044

The notes on pages 29 to 75 form part of these financial statements.

REACT Energy plc
Consolidated statement of cash flows
for the financial year ended 30 June 2016

	Notes	2016 €	2015 €
Cash flows from operating activities			
(Loss)/profit for the financial year		(1,540,044)	5,319,419
Adjustments for:			
Depreciation of property, plant and equipment	16	73,272	78,607
Profit on disposal of property, plant and equipment		-	(5,576)
Share of fair value of previously held equity interest in Newry Biomass Limited		-	(2,335,810)
Impairment of property, plant and equipment	16	307,759	336,532
Impairment of amounts due from customers under construction contracts		(1,246)	26,777
Unrealised foreign exchange movements		(583,265)	(334,659)
Increase in provision for impairment of trade and other receivables		-	34,423
Gain on de-recognition of subsidiary undertakings		-	(5,307,258)
Operating cash flows before working capital changes		(1,743,524)	(2,187,545)
Decrease/(Increase) in:			
Amounts due from customers under construction contracts		-	(55,963)
Trade and other receivables		134,273	(147,189)
(Decrease)/increase in:			
Amounts due to customers under construction contracts		-	(129,197)
Trade and other payables		155,891	1,479,741
Cash used in operating activities		(1,453,360)	(1,040,153)
Finance costs		602,975	285,342
Finance income		(15)	-
Income taxes (paid)/refunded		(6)	2,705
Net cash used in operating activities		**(850,406)**	**(752,106)**
Cash flows from investing activities			
Additions to property, plant and equipment		(311,490)	(425,882)
Proceeds from sale of property, plant and equipment		-	277,707
Interest received		15	-
Net cash inflow from acquisition of subsidiaries	28	-	(1)
Net cash inflow on derecognition of subsidiaries	29	-	165,991
Net cash (used in)/generated from investing activities		**(311,475)**	**17,815**
Cash flows from financing activities			
Proceeds from borrowings		2,101,631	444,052
Repayments of borrowings		(15,000)	(18,750)
Loan issue costs		(484,476)	-
Share issue costs		(128,081)	-
Interest paid		(199,885)	(47,181)
Net cash generated from financing activities		**1,274,189**	**378,121**
Net increase/(decrease) in cash and cash equivalents		**112,308**	**(356,170)**
Cash and cash equivalents at the beginning of the financial year		211,341	567,511
Cash and cash equivalents at the end of the financial year	21	**323,649**	**211,341**

Cash flows for discontinued operations are set out in Note 29 of the financial statements.

The notes on pages 29 to 75 form part of these financial statements.

REACT Energy plc
Company statement of financial position
At 30 June 2016

	Notes	2016	2015
ASSETS		€	€
Non-current assets			
Investment in subsidiary undertakings	17	1,772,676	2,382,505
Total non-current assets		1,772,676	2,382,505
Current assets			
Trade and other receivables	20	454,806	34,620
Cash and bank balances	21	191,927	69,839
Total current assets		646,733	104,459
Total assets		**2,419,409**	**2,486,964**
EQUITY AND LIABILITIES			
Equity			
Share capital	22	17,453,246	13,006,149
Share premium	22	40,797,270	39,647,716
Retained earnings - deficit		(59,936,851)	(56,330,844)
Deficit attributable to the owners of the company		(1,686,335)	(3,676,979)
Non-current liabilities			
Borrowings	24	3,379,621	-
Total non-current liabilities		3,379,621	-
Current liabilities			
Borrowings	24	589,880	4,391,855
Trade and other payables	25	136,243	1,772,088
Total current liabilities		726,123	6,163,943
Total equity and liabilities		**2,419,409**	**2,486,964**

The financial statements were approved by the Board of Directors on 22 December 2016 and signed on its behalf by:

Dermot O'Connell
Chairman

Gerry Madden
Director

The notes on pages 29 to 75 form part of these financial statements.

	Share capital €	Share premium €	Retained earnings €	Total €
Balance at 1 July 2014	13,006,149	39,647,716	(53,911,572)	(1,257,707)
Loss for the financial year (Note 32)	-	-	(2,419,272)	(2,419,272)
Balance at 30 June 2015	13,006,149	39,647,716	(56,330,844)	(3,676,979)
Conversion of debt into equity under examinership settlement (Notes 22,24)	3,747,097	1,977,634	-	5,724,731
Issue of equity under rights of equity kicker (Notes 22,24)	700,000	(700,000)	-	-
Share issue costs	-	(128,080)	-	(128,080)
Loss for the financial year (Note 32)	-	-	(3,606,007)	(3,606,007)
Balance at 30 June 2016	17,453,246	40,797,270	(59,936,851)	(1,686,335)

The notes on pages 29 to 75 form part of these financial statements.

REACT Energy plc
Company statement of cash flows
for the financial year ended 30 June 2016

	Notes	2016 €	2015 €
Cash flows from operating activities			
Loss before taxation		(3,606,007)	(2,419,272)
Adjustments for:			
Finance costs		559,675	211,653
Provision for impairment of investment in subsidiaries		2,445,939	166,400
Provision for impairment of trade and other receivables		269,906	270,407
Foreign currency losses arising from retranslation of borrowings		(298,517)	(13,190)
Operating cash flows before working capital changes		(629,004)	(1,784,002)
(Increase) in trade and other receivables		(371,583)	(383,944)
Increase/(decrease) in trade and other payables		(314,873)	1,214,752
Net cash used in operating activities		**(1,315,460)**	**(953,194)**
Cash flows from financing activities			
Proceeds from borrowings		2,101,631	444,052
Funds advanced to inter-company loans		-	(62,815)
Repayment of inter-company loan		104,194	-
Share issue costs		(128,081)	-
Loan issue costs		(484,476)	-
Interest paid		(156,261)	-
Net cash generated from financing activities		**1,437,007**	**381,237**
Net increase/(decrease) in cash and cash equivalents		**121,547**	**(571,957)**
Cash and cash equivalents at the beginning of the financial year		69,834	641,791
Cash and cash equivalents at the end of the financial year	21	**191,381**	**69,834**

The notes on pages 29 to 75 form part of these financial statements.

1. GENERAL INFORMATION

REACT Energy plc ("the Company") was incorporated in Ireland on 2 October 2008. The address of its registered office and principal place of business is Building 1000, City Gate, Mahon, Cork, Republic of Ireland.

These financial statements for the financial year ended 30 June 2016 consolidate the individual financial statements of the Company and its subsidiaries (together referred to as 'the Group').

On 20 October 2008 the Company's shares were admitted to trading on the London Stock Exchange's AIM market.

The principal activity of the Group is to identify, develop, build, own and operate renewable energy electricity and heat generating power plants in the UK and Ireland. The Group focuses on both large and small scale projects, providing flexibility to maximise existing land positions while diversifying development and technology risks.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs)

The following new and revised Standards and Interpretations have not been adopted by the Group, whether endorsed by the European Union or not. The Group is currently analysing the practical consequences of the new Standards and the effects of applying them to the financial statements. The related standards and interpretations are:

IFRS 9 *Financial Instruments* and subsequent amendments (effective for annual periods beginning on or after 1 January 2018, not yet endorsed by the European Union);

IFRS 15 *Revenue from Contracts with Customers* and subsequent clarifications
IFRS 15 presents new requirements for the recognition of revenue, replacing IAS 18 'Revenue', IAS 11 'Construction Contracts', and several revenue-related Interpretations. The new standard establishes a control-based revenue recognition model and provides additional guidance in many areas not covered in detail under existing IFRSs, including how to account for arrangements with multiple performance obligations, variable pricing, customer refund rights, supplier repurchase options, and other common complexities. IFRS 15 is effective for reporting periods beginning on or after 1 January 2018.

IFRS 16 *Leases* (effective for annual periods beginning on or after 1 January 2019, not yet endorsed by the European Union);

Amendments to IFRS 11 *Accounting for Acquisitions of Interests in Joint Operations* (effective for annual periods beginning on or after 1 January 2016, endorsed by the European Union on 24 November 2015)

Amendments to IAS 16 and IAS 38 *Clarification of Acceptable Methods of Depreciation and Amortisation* (effective for annual periods beginning on or after 1 January 2016, endorsed by the European Union on 2 December 2015)

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs) - continued

Amendments to IAS 27 *Equity Method in Separate Financial Statements* (effective for annual periods beginning on or after 1 January 2016, endorsed by the European Union on 18 December 2015)

Amendments to IFRS 10 and IAS 28 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* (effective on a prospective basis to a sale or contribution of assets occurring in annual periods beginning on or after 1 January 2016, not yet endorsed by the European Union)

Annual Improvements to IFRSs 2012-2014 Cycle (effective for annual periods beginning on or after 1 January 2016, endorsed by the European Union on 15 December 2015)

Amendments to IAS 1 *Disclosure Initiative* (effective for annual periods beginning on or after 1 January 2016, endorsed by the European Union on 18 December 2015)

Amendments to IFRS 10, IFRS 12 and IAS 27 *Investment Entities: Applying the Consolidation Exception* (effective for annual periods beginning on or after 1 January 2016; endorsed by the European Union on 22 September 2016).

Amendments to IAS 16 and IAS 41 *Agriculture: Bearer Plants* (effective for annual periods beginning on or after 1 January 2016; endorsed by the European Union on 23 November 2015)

Amendments to IAS 12 *Recognition of Deferred Tax Assets for Unrealised Losses* (effective for annual periods beginning on or after 1 January 2017, not yet endorsed by the European Union)

Amendments to IAS 7 *Disclosure Initiative* (effective for annual periods beginning on or after 1 January 2017, not yet endorsed by the European Union)

Amendments to IFRS 2 *Classification and Measurement of Share-Based Payment Transactions* (effective for annual periods beginning on or after 1 January 2018; not yet endorsed by the European Union).

Amendments to IFRS 4 *Applying IFRS 9 'Financial Instruments' with IFRS 4 'Insurance Contracts'* (effective for annual periods beginning on or after 1 January 2018; not yet endorsed by the European Union).

The Group has not assessed the impact of the adoption of these standards and interpretations on its financial statements on initial adoption.

3. STATEMENT OF ACCOUNTING POLICIES

Basis of Preparation and Going Concern

The Group's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union ('EU') and effective at 30 June 2016 for all periods presented as issued by the International Accounting Standards Board.

The consolidated financial statements are prepared under the historical cost convention except for certain financial assets and financial liabilities which are measured at fair value. The principal accounting policies set out below have been applied consistently by the parent company and by all of the Company's subsidiaries to all periods presented in these consolidated financial statements.

The financial statements of the parent company, REACT Energy plc have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union ('EU') effective at 30 June 2016 for all periods presented as issued by the International Accounting Standards Board and Irish Statute comprising the Companies Act, 2015.

The Group incurred a loss of €1,540,044 (2015: profit of €5,319,419) during the year, and had net current liabilities of €6,603,205 (2015: €9,837,940) and net assets of €817,044 (2015: net liabilities of €2,636,096) at 30 June 2016.

Development of, and revenue generation from, the principal assets of the Company will require additional financing which is expected to be sourced in due course.

The Company also announced on 12 December 2016 that a €750,000 loan facility secured in January 2016 from EBIOSS has now been fully utilised. It was also announced that the terms of the facility had been amended by agreement between that parties such that the amount of the facility was increased by €600,000 to €1,350,000 and the repayment date of the increased facility was extended to 7 January 2018. The increased facility is to cover the working capital requirements of the Company.

The Directors have given careful consideration to the appropriateness of the going concern basis in the preparation of the financial statements. The validity of the going concern basis is dependent upon additional financing being obtained for the development of, and revenue generation from, the principal assets of the Company and to provide ongoing general working capital. As no definite funding has been received on a number of developments of the Group, a material uncertainty exists in relation to the Company and the Group's ability to continue as a going concern.

The Directors believe that progress towards securing finance has been made. The Directors have a reasonable expectation that the Company will source this finance and the Group will have adequate resources to continue in operational existence for the foreseeable future. For these reasons the Directors continue to adopt the going concern basis of accounting in preparing the financial statements. The financial statements do not include any adjustments that would result if the Group was unable to continue as a going concern.

The Group continues to invest capital in developing and expanding its portfolio of clean energy projects. The nature of the Group's development programme means that the timing of funds generated from developments is difficult to predict. Management have prepared financial forecasts to estimate the likely cash requirements of the Group over the next 12 months. The forecasts include certain assumptions with regard to the costs of ongoing development projects, overheads and the timing and amount of any funds generated from developments. The forecasts indicate that during this period the Group will require additional funds to continue with its activities and its planned development program.

3. STATEMENT OF ACCOUNTING POLICIES - continued

Basis of Preparation and Going Concern - continued

Whilst the strategy is to build, own and operate plants, once a site has been secured and planning and permitting obtained the Group would be in a position, if it so chose, to monetise the value of the project.

Basis of consolidation

The Group financial statements consolidate those of the parent company and all of its subsidiaries as of 30 June 2016. All subsidiaries have a reporting date of 30 June.

All transactions and balances between Group companies are eliminated on consolidation, including unrealised gains and losses on transactions between Group companies. Where unrealised losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from a Group perspective. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Profit or loss and other comprehensive income of subsidiaries acquired or disposed of during the year are recognised from the effective date of acquisition, or up to the effective date of disposal, as applicable. The Group attributes total comprehensive income or loss of subsidiaries between the owners of the parent and the non-controlling interests based on their respective ownership interests.

Business combinations

The Group applies the acquisition method in accounting for business combinations. The consideration transferred by the Group to obtain control of a subsidiary is calculated as the sum of the acquisition-date fair values of assets transferred, liabilities incurred and the equity interests issued by the Group, which includes the fair value of any asset or liability arising from a contingent consideration arrangement. Acquisition costs are expensed as incurred. Assets acquired and liabilities assumed are generally measured at their acquisition-date fair values.

Step Acquisitions

Business combination achieved in stages is accounted for using acquisition method at acquisition date. The components of a business combination, including previously held investments are remeasured at fair value at acquisition date and a gain or loss is recognised in the consolidated statement of profit or loss.

3. STATEMENT OF ACCOUNTING POLICIES - continued

Investments in associates and joint ventures

Investments in associates and joint ventures are accounted for using the equity method. The carrying amount of the investment in associates and joint ventures is increased or decreased to recognise the Group's share of the profit or loss and other comprehensive income of the associate and joint venture, adjusted where necessary to ensure consistency with the accounting policies of the Group. When the Group's share of losses on an associate or a joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of future losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

Unrealised gains and losses on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in those entities. Where unrealised losses are eliminated, the underlying asset is also tested for impairment.

Foreign currency translation

Functional and presentation currency
The consolidated financial statements are presented in Euro, which is also the functional currency of the parent company.

Foreign currency transactions and balances
Foreign currency transactions are translated into the functional currency of the respective Group entity, using the exchange rates prevailing at the dates of the transactions (spot exchange rate). Foreign exchange gains and losses resulting from the settlement of such transactions and from the remeasurement of monetary items denominated in foreign currency at year-end exchange rates are recognised in profit or loss.

Non-monetary items are not retranslated at year-end and are measured at historical cost (translated using the exchange rates at the transaction date), except for non-monetary items measured at fair value which are translated using the exchange rates at the date when fair value was determined.

Foreign operations
In the Group's financial statements, all assets, liabilities and transactions of Group entities with a functional currency other than Euro are translated into Euro upon consolidation. The functional currency of the entities in the Group has remained unchanged during the reporting period.

On consolidation, assets and liabilities have been translated into Euro at the closing rate at the reporting date. Goodwill and fair value adjustments arising on the acquisition of a foreign entity have been treated as assets and liabilities of the foreign entity and translated into Euro at the closing rate. Income and expenses have been translated into Euro at the average rate over the reporting period. Exchange differences are charged or credited to other comprehensive income and recognised in the currency translation reserve in equity. On disposal of a foreign operation, the related cumulative translation differences recognised in equity are reclassified to profit or loss and are recognised as part of the gain or loss on disposal.

3. STATEMENT OF ACCOUNTING POLICIES - continued

Segment reporting

The Group has one operating segment: the power generation segment. In identifying this operating segment, management generally follows the Group's service lines representing its main products and services.

Each operating segment is managed separately as each requires different technologies, marketing approaches and other resources. All inter-segment transfers are carried out at arm's length prices based on prices charged to unrelated customers in standalone sales of identical goods or services.

For management purposes, the Group uses the same measurement policies as those used in its financial statements. In addition, corporate assets which are not directly attributable to the business activities of any operating segment are not allocated to a segment. This primarily applies to the Group's central administration costs and directors salaries.

Revenue

Revenue arises from the sale of goods and the rendering of services. It is measured at the fair value of consideration received or receivable, excluding sales taxes, and reduced by any rebates and trade discounts allowed. The Group applies the revenue recognition criteria set out below to each separately identifiable component of the sales transaction. The consideration received from these multiple-component transactions is allocated to each separately identifiable component in proportion to its relative fair value.

Rendering of services

The Group generates revenues from after-sales service and maintenance, consulting, and construction contracts for renewable energy systems. Consideration received for these services is initially deferred, included in other payables, and is recognised as revenue in the period when the service is performed. In recognising after-sales service and maintenance revenues, the Group determines the stage of completion by considering both the nature and timing of the services provided and its customer's pattern of consumption of those services, based on historical experience. Where the promised services are characterised by an indeterminate number of acts over a specified period of time, revenue is recognised on a straight-line basis. Revenue from consulting services is recognised when the services are provided by reference to the contract's stage of completion at the reporting date in the same way as construction contracts for renewable energy systems described below.

Construction contracts for renewable energy systems

Construction contracts for renewable energy systems specify a fixed price for the design, development and installation of biomass systems. When the outcome can be assessed reliably, contract revenue and associated costs are recognised by reference to the stage of completion of the contract activity at the reporting date. Contract revenue is measured at the fair value of consideration received or receivable. When the Group cannot measure the outcome of a contract reliably, revenue is recognised only to the extent of contract costs that have been incurred and are recoverable. Contract costs are recognised in the period in which they are incurred. In either situation, when it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised immediately in profit or loss.

A construction contract's stage of completion is assessed by management by comparing costs incurred to date with the total costs estimated for the contract (a procedure sometimes referred to as the cost-to-cost method). Only those costs that reflect work performed are included in costs incurred to date. The gross amount due from customers for contract work is presented within trade and other receivables for all contracts in progress for which costs incurred plus recognised profits (less recognised losses) exceeds progress billings. The gross amount due to customers for contract work is presented within other liabilities for all contracts in progress for which progress billings exceed costs incurred plus recognised profits (less recognised losses).

3. STATEMENT OF ACCOUNTING POLICIES - continued

Revenue - continued
Interest and dividends
Interest income and expenses are reported on an accrual basis using the effective interest method. Dividends, other than those from investments in associates and joint ventures, are recognised at the time the right to receive payment is established.

Operating expenses
Operating expenses are recognised in profit or loss upon utilisation of the service or as incurred. Expenditure for warranties is recognised when the Group incurs an obligation, which is typically when the related goods are sold.

Borrowing costs
Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is necessary to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed in the period in which they are incurred and reported in finance costs.

Profit or loss from discontinued operations
A discontinued operation is a component of the Group that either has been disposed of, or is classified as held for sale. Profit or loss from discontinued operations comprises the post-tax profit or loss of discontinued operations and the post-tax gain or loss resulting from the measurement and disposal of assets classified as held for sale.

Goodwill
Goodwill represents the future economic benefits arising from a business combination that are not individually identified and separately recognised. Goodwill is carried at cost less accumulated impairment losses. Refer below for a description of impairment testing procedures.

Non-controlling interests
Non-controlling interests that are present ownership interest and entitle their holders to a proportionate share of the entity's net assets in the event of a liquidation may be initially measured either at fair value of at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. Other types of non-controlling interests are measured at fair value, or, when applicable, on the basis specified in another IFRS.

Property, plant and equipment
Land and buildings and plant and equipment are initially recognised at acquisition cost or manufacturing cost, including any costs directly attributable to bringing the assets to the location and condition necessary for them to be capable of operating in the manner intended by the Group's management. Leasehold buildings, plant and equipment are subsequently measured at cost less accumulated depreciation and impairment losses. Depreciation is recognised on a straight-line basis to write down the cost less estimated residual value of leasehold buildings and plant and equipment. The following useful lives are applied:

- Leasehold buildings: 5-50 years
- Office equipment: 2-5 years
- Wind Turbine: 20 years
- Heat boilers: 15-20 years

Material residual value estimates and estimates of useful life are updated as required, but at least annually.

3. STATEMENT OF ACCOUNTING POLICIES - continued

Property, plant and equipment - continued
Gains or losses arising on the disposal of property, plant and equipment are determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognised in profit or loss within other income or other expenses.

Leased assets
Finance leases
Management applies judgment in considering the substance of a lease agreement and whether it transfers substantially all the risks and rewards incidental to ownership of the leased asset. Key factors considered include the length of the lease term in relation to the economic life of the asset, the present value of the minimum lease payments in relation to the asset's fair value, and whether the Group obtains ownership of the asset at the end of the lease term.

For leases of land and buildings, the minimum lease payments are first allocated to each component based on the relative fair values of the respective lease interests. Each component is then evaluated separately for possible treatment as a finance lease, taking into consideration the fact that land normally has an indefinite economic life. The interest element of lease payments is charged to profit or loss, as finance costs over the period of the lease.

Operating leases
All other leases are treated as operating leases. Where the Group is a lessee, payments on operating lease agreements are recognised as an expense on a straight-line basis over the lease term. Associated costs, such as maintenance and insurance, are expensed as incurred.

Impairment testing of goodwill and property, plant and equipment
For impairment assessment purposes, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. Goodwill is allocated to those cash-generating units that are expected to benefit from synergies of a related business combination and represent the lowest level within the Group at which management monitors goodwill. Cash-generating units to which goodwill has been allocated (determined by the Group's management as equivalent to its operating segments) are tested for impairment at least annually. All other individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's (or cash-generating unit's) carrying amount exceeds its recoverable amount, which is the higher of fair value less costs of disposal and value-in-use. To determine the value-in-use, management estimates expected future cash flows from each cash-generating unit and determines a suitable discount rate in order to calculate the present value of those cash flows. The data used for impairment testing procedures are directly linked to the Group's latest approved budget, adjusted as necessary to exclude the effects of future reorganisations and asset enhancements. Discount factors are determined individually for each cash-generating unit and reflect current market assessments of the time value of money and asset-specific risk factors.

Impairment losses for cash-generating units reduce first the carrying amount of any goodwill allocated to that cash-generating unit. Any remaining impairment loss is charged pro rata to the other assets in the cash-generating unit. With the exception of goodwill, all assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist. An impairment loss is reversed if the asset's or cash-generating unit's recoverable amount exceeds its carrying amount.

3. STATEMENT OF ACCOUNTING POLICIES - continued

Financial instruments

Recognition, initial measurement and derecognition

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument and are measured initially at fair value adjusted for transaction costs, except for those carried at fair value through profit or loss which are measured initially at fair value. Subsequent measurement of financial assets and financial liabilities is described below.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Classification and subsequent measurement of financial assets

For the purpose of subsequent measurement financial assets, other than those designated and effective as hedging instruments, are classified into the following categories upon initial recognition:

- loans and receivables
- financial assets at fair value through profit or loss (FVTPL)
- held-to-maturity (HTM) investments
- available-for-sale (AFS) financial assets.

All financial assets except for those at FVTPL are reviewed for impairment at least at each reporting date to identify whether there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described below.

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented within other expenses.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, these are measured at amortised cost using the effective interest method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial. The Group’s cash and cash equivalents, trade and most other receivables fall into this category of financial instruments.

Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. Receivables that are not considered to be individually impaired are reviewed for impairment in groups, which are determined by reference to the industry and region of the counterparty and other shared credit risk characteristics. The impairment loss estimate is then based on recent historical counterparty default rates for each identified group.

Financial assets at FVTPL

Financial assets at FVTPL include financial assets that are either classified as held for trading or that meet certain conditions and are designated at FVTPL upon initial recognition. All derivative financial instruments fall into this category, except for those designated and effective as hedging instruments, for which the hedge accounting requirements apply.

3. STATEMENT OF ACCOUNTING POLICIES - continued

Financial instruments - continued
Financial assets at FVTPL - continued
Assets in this category are measured at fair value with gains or losses recognised in profit or loss. The fair values of financial assets in this category are determined by reference to active market transactions or using a valuation technique where no active market exists.

HTM investments
HTM investments are non-derivative financial assets with fixed or determinable payments and fixed maturity other than loans and receivables. Investments are classified as HTM if the Group has the intention and ability to hold them until maturity.

HTM investments are measured subsequently at amortised cost using the effective interest method. If there is objective evidence that the investment is impaired, determined by reference to external credit ratings, the financial asset is measured at the present value of estimated future cash flows. Any changes in the carrying amount of the investment, including impairment losses, are recognised in profit or loss.

AFS financial assets
AFS financial assets are non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets.

All AFS financial assets are measured at fair value. Gains and losses are recognised in other comprehensive income and reported within the AFS reserve within equity, except for interest and dividend income, impairment losses and foreign exchange differences on monetary assets, which are recognised in profit or loss. When the asset is disposed of or is determined to be impaired, the cumulative gain or loss recognised in other comprehensive income is reclassified from the equity reserve to profit or loss. Interest calculated using the effective interest method and dividends are recognised in profit or loss within finance income.

Reversals of impairment losses for AFS debt securities are recognised in profit or loss if the reversal can be objectively related to an event occurring after the impairment loss was recognised. For AFS equity investments impairment reversals are not recognised in profit loss and any subsequent increase in fair value is recognised in other comprehensive income.

Classification and subsequent measurement of financial liabilities
The Group's financial liabilities include borrowings, trade and other payables and derivative financial instruments.

Financial liabilities are measured subsequently at amortised cost using the effective interest method except for derivatives and financial liabilities designated at FVTPL, which are carried subsequently at fair value with gains or losses recognised in profit or loss (other than derivative financial instruments that are designated and effective as hedging instruments).

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within finance costs or finance income.

Derivative financial instruments and hedge accounting
Derivative financial instruments are accounted for at FVTPL except for derivatives designated as hedging instruments in cash flow hedge relationships, which require a specific accounting treatment. To qualify for hedge accounting, the hedging relationship must meet several strict conditions with respect to documentation, probability of occurrence of the hedged transaction and hedge effectiveness.

3. STATEMENT OF ACCOUNTING POLICIES - continued

Financial instruments - continued

Derivative financial instruments and hedge accounting - continued

All derivative financial instruments used for hedge accounting are recognised initially at fair value and reported subsequently at fair value in the statement of financial position.

To the extent that the hedge is effective, changes in the fair value of derivatives designated as hedging instruments in cash flow hedges are recognised in other comprehensive income and included within the cash flow hedge reserve in equity. Any ineffectiveness in the hedge relationship is recognised immediately in profit or loss.

At the time the hedged item affects profit or loss, any gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss and presented as a reclassification adjustment within other comprehensive income. However, if a non-financial asset or liability is recognised as a result of the hedged transaction, the gains and losses previously recognised in other comprehensive income are included in the initial measurement of the hedged item.

If a forecast transaction is no longer expected to occur, any related gain or loss recognised in other comprehensive income is transferred immediately to profit or loss. If the hedging relationship ceases to meet the effectiveness conditions, hedge accounting is discontinued and the related gain or loss is held in the equity reserve until the forecast transaction occurs.

Fair values

For financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2: valuation techniques for which the lowest level of inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly
Level 3: valuation techniques for which the lowest level of inputs that have a significant effect on the recorded fair value are not based on observable market data

Income taxes

Tax expense recognised in profit or loss comprises the sum of deferred tax and current tax not recognised in other comprehensive income or directly in equity.

Calculation of current tax is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. Deferred income taxes are calculated using the liability method.

Deferred tax assets are recognised to the extent that it is probable that the underlying tax loss or deductible temporary difference will be utilised against future taxable income. This is assessed based on the Group's forecast of future operating results, adjusted for significant non-taxable income and expenses and specific limits on the use of any unused tax loss or credit.

Deferred tax liabilities are generally recognised in full, although IAS 12 'Income Taxes' specifies limited exemptions. As a result of these exemptions the Group does not recognise deferred tax on temporary differences relating to goodwill, or to its investments in subsidiaries.

3. STATEMENT OF ACCOUNTING POLICIES - continued

Cash and cash equivalents
Cash and cash equivalents comprise cash on hand and demand deposits, together with other short-term, highly liquid investments maturing within 90 days from the date of acquisition that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

Non-current assets and liabilities classified as held for sale and discontinued operations
Non-current assets classified as held for sale are presented separately and measured at the lower of their carrying amounts immediately prior to their classification as held for sale and their fair value less costs to sell. However, some held for sale assets such as financial assets or deferred tax assets, continue to be measured in accordance with the Group's relevant accounting policy for those assets. Once classified as held for sale, the assets are not subject to depreciation or amortisation.

Any profit or loss arising from the sale or remeasurement of discontinued operations is presented as part of a single line item, profit or loss from discontinued operations.

Equity, reserves and dividend payments
Share capital represents the nominal (par) value of shares that have been issued. Share premium includes any premiums received on issue of share capital. Any transaction costs associated with the issuing of shares are deducted from share premium, net of any related income tax benefits.

Other components of equity
Other components of equity include a reserve for deferred consideration on the acquisition of businesses by the Group.

Retained earnings include all current and prior period retained profits. All transactions with owners of the parent are recorded separately within equity. Dividend distributions payable to equity shareholders are included in other liabilities when the dividends have been approved in a general meeting prior to the reporting date.

Share-based payments
All goods and services received in exchange for the grant of any share-based payment are measured at their fair values.

Where employees are rewarded using share-based payments, the fair value of employees' services is determined indirectly by reference to the fair value of the equity instruments granted. This fair value is appraised at the grant date and excludes the impact of non-market vesting conditions (for example profitability and sales growth targets and performance conditions). All share-based remuneration is ultimately recognised as an expense in profit or loss with a corresponding credit to retained earnings. If vesting periods or other vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number of share options expected to vest.

Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. Estimates are subsequently revised if there is any indication that the number of share options expected to vest differs from previous estimates. Any adjustment to cumulative share-based compensation resulting from a revision is recognised in the current period. The number of vested options ultimately exercised by holders does not impact the expense recorded in any period.

Upon exercise of share options, the proceeds received, net of any directly attributable transaction costs, are allocated to share capital up to the nominal (or par) value of the shares issued with any excess being recorded as share premium.

3. STATEMENT OF ACCOUNTING POLICIES - continued

Provisions, contingent assets and contingent liabilities

Provisions for legal disputes, onerous contracts or other claims are recognised when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic resources will be required from the Group and amounts can be estimated reliably. Timing or amount of the outflow may still be uncertain.

Restructuring provisions are recognised only if a detailed formal plan for the restructuring exists and management has either communicated the plan's main features to those affected or started implementation. Provisions are not recognised for future operating losses.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. Provisions are discounted to their present values, where the time value of money is material.

Any reimbursement that the Group is virtually certain to collect from a third party with respect to the obligation is recognised as a separate asset. However, this asset may not exceed the amount of the related provision.

No liability is recognised if an outflow of economic resources as a result of present obligations is not probable. Such situations are disclosed as contingent liabilities unless the outflow of resources is remote.

4. SIGNIFICANT MANAGEMENT JUDGEMENT IN APPLYING ACCOUNTING POLICIES AND ESTIMATION UNCERTAINTY

When preparing the financial statements, management makes a number of judgements, estimates and assumptions about the recognition and measurement of assets, liabilities, income and expenses.

Significant management judgements

The following are significant management judgements in applying the accounting policies of the Group that have the most significant effect on the financial statements.

Going concern

As described in the basis of preparation and going concern in Note 3 above, the validity of the going concern basis is dependent upon the Company sourcing finance required to develop projects. After making enquiries and considering the matters referred to in Note 3, the Directors have a reasonable expectation that the Company will source this financing and the Group will have adequate resources to continue in operational existence for the foreseeable future. For these reasons the Directors continue to adopt the going concern basis of accounting in preparing the financial statements.

Determination of functional currency

The determination of a company's functional currency often requires significant judgement where the primary economic environment on which it operates may not be clear. The Company's financial statements are presented in Euro, the primary economic environment of the Company.

Control assessment in a business combination.

As disclosed in Note 18, the Group owns 50.02% of the voting rights in Newry Biomass Limited. One other company owns the remaining voting rights. Management has reassessed its involvement in Newry Biomass Limited in accordance with IFRS 10's revised control definition and guidance and has concluded that it has control of Newry Biomass Limited.

4. SIGNIFICANT MANAGEMENT JUDGEMENT IN APPLYING ACCOUNTING POLICIES AND ESTIMATION UNCERTAINTY - continued

Estimation uncertainty
Information about estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses is provided below. Actual results may be substantially different.

Impairment of goodwill and non-financial assets
Determining whether goodwill and non-financial assets are impaired requires an estimation of the value in use of the cash generating units to which the assets have been allocated. The value in use calculation requires the directors to estimate the future cash flows to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. Where the actual cash flows are less than expected, a material impairment may arise. The total property, plant and equipment impairment during the year as included in Note 16 amounted to €307,759 (2015: €336,532).

Recoverability of amounts due under construction contracts
The directors considered the recoverability of the Group's balances due under construction contracts which is included in the balance sheet at 30 June 2016 at €150,847 (2015: €150,847). The directors have reviewed the relevant costs incurred to date and expected costs for completion. They have also been in contact with the ultimate beneficiaries of the construction contracts and have considered the ability of these customers to have the relevant facilities available to pay for these contracts. Based on these reviews, the directors are satisfied with the recoverability of balances due under construction contracts at the balance sheet date.

Provision for impairment of financial assets
Determining whether the carrying value of financial assets has been impaired requires an estimation of the value in use of the investment in subsidiaries and joint venture vehicles. The value in use calculation requires the directors to estimate the future cash flows expected to arrive from these vehicles and a suitable discount rate in order to calculate present value. After reviewing these calculations, the directors are satisfied that a net impairment cost of €Nil (2015: €Nil) should be recognised in the group accounts and €2,711,584 (2015: €166,400) should be recognised in the Company accounts of REACT Energy plc. Details of this impairment are set out in Note 17.

Allowances for impairment of trade receivables
The Group estimates the allowance for doubtful trade receivables based on assessment of specific accounts where the Group has objective evidence comprising default in payment terms or significant financial difficulty that certain customers are unable to meet their financial obligations. In these cases, judgment used was based on the best available facts and circumstances including but not limited to, the length of relationship. At 30 June 2016, provisions for doubtful debts amounted to €Nil which represents 0% of trade receivables at that date (2015: € Nil– 0%).

Deferred tax assets
Deferred tax is recognised based on differences between the carrying value of assets and liabilities and the tax value of assets and liabilities. Deferred tax assets are only recognised to the extent that the Group estimates that future taxable profits will be available to offset them.

4. SIGNIFICANT MANAGEMENT JUDGEMENT IN APPLYING ACCOUNTING POLICIES AND ESTIMATION UNCERTAINTY - continued

Estimation uncertainty - continued

Useful lives of depreciable assets

The annual depreciation charge depends primarily on the estimated lives of each type of asset and, in certain circumstances, estimates of fair values and residual values. The directors annually review these asset lives and adjust them as necessary to reflect current thinking on remaining lives in light of technological change, prospective economic utilisation and physical condition of the assets concerned. Changes in asset lives can have significant impact on depreciation charges for the period. It is not practical to quantify the impact of changes in asset lives on an overall basis, as asset lives are individually determined, and there are a significant number of asset lives in use. The impact of any change would vary significantly depending on the individual changes in assets and the classes of assets impacted.

Fair value measurement

Management uses valuation techniques to determine the fair value of financial instruments (where active market quotes are not available) and non-financial assets. This involves developing estimates and assumptions consistent with how market participants would price the instrument. Management bases its assumptions on observable data as far as possible but this is not always available. In that case management uses the best information available. Estimated fair values may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date.

The following table shows the Levels within the hierarchy of financial assets and liabilities measured at fair value on a recurring basis at year-end.

	Level 1	Level 2	Level 3	Total
30 June 2016	€	€	€	€
Financial assets				
Amounts due from customers under construction contracts	-	150,847	-	150,847
Trade and other receivables	-	158,029	-	158,029
Cash and cash equivalents	324,195	-	-	324,195
Financial liabilities				
Trade and other payables	-	(5,425,146)	-	(5,425,146)
Investor loans	-	(3,968,955)	-	(3,968,955)
BES Shares	-	(105,000)	-	(105,000)
Bank overdrafts	(546)	-	-	(546)
Bank borrowings	-	(1,116,250)	-	(1,116,250)
	323,649	(10,306,475)	-	(9,982,826)

4. SIGNIFICANT MANAGEMENT JUDGEMENT IN APPLYING ACCOUNTING POLICIES AND ESTIMATION UNCERTAINTY - continued

Fair value measurement-continued

30 June 2015	Level 1 €	Level 2 €	Level 3 €	Total €
Financial assets				
Amounts due from customers under construction contracts	-	150,847	-	150,847
Trade and other receivables	-	141,799	-	141,799
Cash and cash equivalents	211,346	-	-	211,346
Financial liabilities				
Trade and other payables	-	(4,440,615)	-	(4,440,615)
Investor loans	-	(4,665,062)	-	(4,665,062)
BES Shares	-	(105,000)	-	(105,000)
Bank overdrafts	(5)	-	-	(5)
Bank borrowings	-	(1,131,250)	-	(1,131,250)
	211,341	(10,049,281)	-	(9,837,940)

5. FINANCIAL RISK MANAGEMENT

Financial risk management objectives and policies
The Group's activities expose it to a variety of financial risks: credit risk, liquidity risk, interest rate risk and foreign currency exchange risk.

The Group's financial risk management programme aims to manage the Group's exposure to the aforementioned risks in order to minimise the potential adverse effects on the financial performance of the Group. The Group seeks to minimise the effects of these risks by monitoring the working capital position, cash flows and interest rate exposure of the Group. There is close involvement by members of the Board of Directors in the day-to-day running of the business.

Many of the Group's transactions are carried out in Pounds Sterling. The Group's exposure to price risk is not a significant risk as the Company does not currently hold a portfolio of securities which may be materially impacted by a decline in market values.

Credit risk
The Group's maximum exposure to credit risk is represented by the balance sheet amount of each financial asset:

	2016 **€**	**2015** **€**
Amounts due from customers under construction contracts	150,847	150,847
Trade and other receivables	158,029	141,799
Cash and cash equivalents	324,195	211,346

The Group's credit risk is primarily attributable to its amounts due from customers under construction contracts and to its trade and other receivables.

5. FINANCIAL RISK MANAGEMENT - continued

The amounts due from customers under construction contracts represents the total costs incurred to date on the Group's projects less recognised losses to date. These customers are jointly controlled entities in which the Group is a 50% partner. The directors of the Group are in constant contact with the other partners of the jointly controlled entities. The Group's exposure to credit risk arises from the failure of the ultimate customer to raise the appropriate finance, with a maximum exposure equal to the carrying amount of the related costs.

The Group has adopted procedures in extending credit terms to customers and in monitoring its credit risk. The Group's exposure to credit risk arises from defaulting customers, with a maximum exposure equal to the carrying amount of the related receivables. Provisions are made for impairment of trade receivables when there is default of payment terms and significant financial difficulty. On-going credit evaluation is performed on the financial condition of accounts receivable at operating unit level at least on a monthly basis.

The Group does not have significant risk exposure to any single counterparty. Concentration of credit risk to any other counterparty did not exceed 5% of gross monetary assets at any time during the financial year. The Group defines counterparties as having similar characteristics if they are related parties.

Exposure to credit risk on cash deposits and liquid funds is monitored by directors. Cash held on deposit is with financial institutions in the Ba rating category of Moody's. The directors are of the opinion that the likelihood of default by a counter party leading to material loss is minimal.

Liquidity risk
The Group's liquidity is managed by ensuring that sufficient facilities are available for the Group's operations from diverse funding sources. The Group uses cash flow forecasts to regularly monitor the funding requirements of the Group. The Group's operations are funded by cash generated from financing activities, borrowings from banks and investors and proceeds from the issuance of ordinary share capital.

The table below details the maturity of the Group's liabilities as at 30 June 2016:

	Notes	Up to 1 year €	1 – 5 years €	After 5 years €	Total €
Trade and other payables	25	5,425,146	-	-	5,425,146
Investor loans	24	589,334	3,379,621	-	3,968,955
BES Shares	24	105,000	-	-	105,000
Bank overdrafts	24	546	-	-	546
Bank borrowings	24	1,116,250	-	-	1,116,250
		7,236,276	3,379,621	-	10,615,897

5. FINANCIAL RISK MANAGEMENT - continued

Liquidity risk - continued

The table below details the maturity of the Group's liabilities as at 30 June 2015:

	Notes	Up to 1 year €	1 – 5 years €	After 5 years €	Total
Trade and other payables	25	4,440,615	-	-	4,440,615
Investor loans	24	4,665,062	-	-	4,665,062
BES Shares	24	105,000	-	-	105,000
Bank overdrafts	24	5	-	-	55
Bank borrowings	24	1,131,250	-	-	1,131,250
		10,341,932	-	-	10,341,932

Interest rate risk

The primary source of the Group's interest rate risk relates to bank loans and other debt instruments. The interest rates on these assets and liabilities are disclosed above.

Bank borrowings and other debt instruments amounted to €5,190,751 and €5,901,317 in 2016 and 2015, respectively.

The interest rate risk is managed by the Group by maintaining an appropriate mix of fixed and floating rate borrowings. The Group does not engage in hedging activities. Bank loans and certain debt instruments are arranged at floating rates which are mainly based upon EURIBOR and the prime lending rate of financial institutions thus exposing the Group to cash flow interest rate risk. The other remaining debt instruments were arranged at fixed interest rates and expose the Group to a fixed cash outflow.

These bank loans and debt instruments are mostly medium-term to long-term in nature. Interest rates on loans received from investors and shareholders are fixed in some cases while others are a fixed percentage greater than current prime lending rates. 'Medium-term' refers to bank loans and debt instruments repayable between 2 and 5 years and 'long-term' to bank loans repayable after more than 5 years.

The sensitivity analysis below has been determined based on the exposure to interest rates for non-derivative instruments at the end of the reporting period. For floating rate liabilities, the analysis is prepared assuming that the amount of the liability outstanding at the end of the year was outstanding for the whole year. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible changes in interest rates.

If interest rates have been 50 basis points higher/lower and all other variables were held constant, the Group's loss for the year ended 30 June 2016 would increase/decrease by €5,584 (2015: decrease/increase by €5,656). This is mainly attributable to the Group's exposure to interest rates on its variable rate borrowings. The Group's sensitivity to interest rates has decreased during the current year mainly due to the reduction in variable rate debt instruments.

Foreign exchange risk

The Group is exposed to future changes in the Sterling relative to the Euro. These risks are managed by monthly review of Sterling denominated monetary assets and monetary liabilities and assessment of the potential exchange rate fluctuation exposure. The Group's exposure to foreign exchange risk is not actively managed. Management will reassess their strategy to foreign exchange risk in the future.

5. FINANCIAL RISK MANAGEMENT - continued

Foreign exchange risk - continued

The carrying amount of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

	Liabilities		**Assets**	
	2016	**2015**	**2016**	**2015**
	€	**€**	**€**	**€**
Sterling	3,622,703	4,548,122	74,909	131,880

The following table details the Group's sensitivity to a 10% increase and decrease in the Euro against Sterling. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year-end for a 10% change in foreign currency rates. The sensitivity analysis includes external loans as well as loans to foreign operations within the Group where the denomination of the loan is in the currency other than the currency of the lender or the borrower. A positive number below indicates an increase in profit and other equity where the Euro strengthens 10% against Sterling. For a 10% weakening of the Euro against Sterling, there would be a comparable impact on the loss and other equity, and the balances below will be negative.

	Sterling Impact	
	2016	**2015**
	€	€
Profit or loss	358,363	446,085

The Group's sensitivity to foreign currency has increased during the current year mainly due to the rise in the Euro to sterling exchange rates as a result of the British decision to exit the EU in June 2016.

Market risk
The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates, which are detailed above. There has been no change to the Group's exposure to market risks or the manner in which it manages and measures the risk.

6. CAPITAL MANAGEMENT POLICIES AND PROCEDURES

The Group manages its capital to ensure that the Group is able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance.

The capital structure of the company consists of financial liabilities, cash and cash equivalents and equity attributable to the equity holders of the parent company.

The Group's management reviews the capital structure on a periodic basis. As part of the review, management considers the cost of capital and risks associated with it. The Group's overall strategy on capital risk management is to continue to improve the ratio of debt to equity.

6. CAPITAL MANAGEMENT POLICIES AND PROCEDURES - continued

The gearing ratio of the Group for the year presented is as follows:

	30 June 2016	30 June 2015
	€	€
Debt	5,190,751	5,901,317
Cash and bank balances	(324,195)	(211,346)
Net debt	4,866,556	5,689,971
Equity	(822,736)	(5,091,663)
Net debt to equity ratio	(592%)	(112%)

Debt is defined as financial liabilities and borrowings of the Group while equity includes all capital, reserves and retained earnings attributable to equity holders of the parent.

The movement in the net debt to equity ratio is as a result of the conversion of €5.8 million of debt into equity.

7. SEGMENT INFORMATION

Information reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance focuses on the products and services sold to customers. The Group's reportable segment under IFRS 8 *Operating Segments* are as follows:

Power Generation: Being the development and operation of renewable energy electricity and heat generating plants;

The chief operating decision maker is the Chief Executive.

7. SEGMENT INFORMATION - continued

Information regarding the Group's reportable segment are presented below.

The following is an analysis of the Group's revenue and results from continuing operations by reportable segment:

	Segment Revenue		Segment Profit/(Loss)	
	2016	2015	2016	2015
	€	€	€	€
Power Generation	246,864	279,966	(9,429)	(257,239)
Total from continuing operations	246,864	279,966	(9,429)	(257,239)
Central administration costs and directors' salaries			(456,175)	(1,766,429)
Impairment of property, plant and equipment			(307,759)	(336,532)
Share of fair value of previously held equity interest in Newry Biomass Limited			-	2,335,810
Foreign currency losses/(gains)			(163,721)	218,518
Finance income			15	-
Finance costs			(602,975)	(285,342)
Loss before taxation (continuing operations)			(1,540,044)	(91,214)

Revenue reported above represents revenue generated from jointly controlled entities and external customers. Inter-segment sales for the year amounted to €Nil (2015:€ Nil). Included in revenues in the Power Generation Segment are revenues of €46,189 (2015: €67,979) which arose from sales to GG Eco Energy Limited, an associate undertaking of REACT Energy plc. This represents 19% (2015: 24%) of total revenues in the year.

During 2016, sales to one external customer in the Power Generation segment totaled €200,675 (2015: €182,371), making up 81% (2015: 65%) of total revenues in the year.

The accounting policies of the reportable segments are the same as the Group's accounting policies described in Note 3. Segment profit or loss represents the profit or loss earned by each segment without allocation of central administration costs and directors' salaries, other operating income, share of profit or loss of jointly controlled entities, profit on disposal of jointly controlled entities, interest costs, interest income and income tax expense. This is the measure reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance.

7. SEGMENT INFORMATION - continued

Other segment information:

	Depreciation and amortisation		Additions to non-current assets	
	2016	**2015**	**2016**	**2015**
	€	€	€	€
Power Generation	73,272	78,607	5,324,517	425,882

In addition to the depreciation and amortisation reported above, impairment losses of €307,759 (2015: €336,532) were recognised in respect of property, plant and equipment. These impairment losses were attributable as follows: Power Generation Segment, €307,759 (2015: € 336,532).

The Group operates in two principal geographical areas: Republic of Ireland (country of domicile), and the United Kingdom. The Group's revenue from continuing operations from external customers and information about its non-current assets* by geographical location are detailed below:

	Revenue from Associates and External Customers		Non-current assets*	
	2016	**2015**	**2016**	**2015**
	€	€	€	€
Republic of Ireland	200,675	182,371	1,275,144	1,344,713
United Kingdom	46,189	97,595	9,524,726	5,857,131
	246,864	279,966	10,799,870	7,201,844

* Non-current assets excluding goodwill, financial instruments and investment in jointly controlled entities.

The management information provided to the chief operating decision maker does not include an analysis by reportable segment of assets and liabilities and accordingly no analysis by reportable segment of total assets or total liabilities is disclosed.

8. REVENUE

An analysis of the Group's revenue for the year (excluding interest revenue), from continuing operations, is as follows:

	2016	2015
	€	€
Revenue from the generation of wind income	200,675	182,371
Revenue from the generation of heat	193	29,617
Revenue from consultancy fees associated with the generation of heat	45,996	67,978
	246,864	279,966

9. COST OF SALES

	2016	2015
	€	€
Opening inventory	-	-
Purchases	-	10,145
Closing inventory	-	-
	-	10,145

10. ADMINISTRATIVE EXPENSES

	Continuing		Discontinued	
	2016	2015	2016	2015
	€	€	€	€
Employee expenses	451,423	810,127	-	-
Office and operating expenses	123,346	105,326		34,447
Marketing expenses	1,525	1,392	-	-
Professional fees (including release of accruals)	39,431	176,675	-	-
Depreciation of property, plant & equipment	73,272	78,607	-	-
Profit on disposal of fixed asset	-	(5,576)	-	-
Travel and subsistence	49,863	82,610	-	-
Provision against other receivables	40,071	61,200	-	-
Other miscellaneous expenses	2,897	4,653	-	-
Examinership and reorganisation costs	(150,842)	834,149	-	-
Regulatory expenses	81,482	144,326	-	-
	712,468	2,293,489	-	34,447

11. FINANCE COSTS AND INCOME

	2016	2015
	€	€
Finance Costs		
Interest on loans, bank facilities and overdrafts	602,783	285,092
Interest on Revenue liabilities	192	-
Other interest	-	250
	602,975	285,342
Finance Income		
Interest receivable on bank deposits	15	-

12. EMPLOYEE DATA

	2016	2015
	€	€
Employee costs (including executive directors):		
Salaries	386,000	606,954
Social insurance costs	35,796	61,133
Pension costs	-	2,230
	421,796	670,317
	No.	No.
Average number of employees (including executive directors)	3	5
Company		
Average number of employees (including executive directors)	2	2

13. LOSS BEFORE TAXATION

	2016	2015
	€	€
Loss before taxation is stated after charging/(crediting):		
Depreciation of property, plant and equipment (Note 16)	73,272	78,607
Loss/(gain) on foreign exchange	163,721	(218,518)
Directors' remuneration: for services as directors (Note 27)	28,000	33,000
for other services (Note 27)	335,500	406,250
Other redundancy costs	-	100,000
Impairment losses of property, plant and equipment charged to profit and loss (Note 16)	307,759	336,532

	2016	2015
	€	€
Auditor's remuneration:		
Audit of group accounts	37,500	37,500
Tax advisory services	10,000	10,000
	47,500	47,500

14. TAX EXPENSE

	2016 €	2015 €
Tax expense comprises:		
Current tax expense	-	-
Deferred tax expense	-	-
Adjustment for prior periods	-	-
Tax credit	-	-

	2016 €	2015 €
(Loss)/profit before taxation	(1,540,044)	5,319,419
Applicable tax 12.50% (2015: 12.50%)	(192,506)	664,927
Effects of:		
Amortisation & depreciation in excess of capital allowances	9,826	9,826
Expenses not deductible for tax purposes	38,470	168,420
Non-taxable income	-	(956,081)
Losses carried forward	144,210	112,908
Actual tax (credit)/expense	-	-

The tax rate used for 2016 and 2015 reconciliation above is the corporate rate of 12.5% payable by corporate entities in Ireland on taxable profits under tax law in that jurisdiction.

15. (LOSS)/EARNINGS PER SHARE

	2016	2015
Basic (loss)/earnings per share	**€ per share**	**€ per share**
From continuing operations	(0.015)	(0.003)
From discontinued operations	-	0.176
Total basic (loss)/earnings per share	(0.015)	0.173
Diluted (loss)/earnings per share		
From continuing operations	(0.015)	(0.003)
From continuing and discontinued operations	(0.015)	0.069

15. EARNINGS/(LOSS) PER SHARE - continued

The loss and weighted average number of ordinary shares used in the calculation of the basic and diluted loss per share are as follows:

	2016 €	2015 €
(Loss)/profit for year attributable to equity holders of the parent	(1,041,035)	5,320,045
Profit for the year from discontinued operations used in the calculation of basic earnings per share from discontinued operations	-	(5,410,633)
Losses used in the calculation of basic loss per share from continuing operations	(1,041,035)	(90,588)
Weighted average number of ordinary shares for the purposes of basic loss per share	69,684,580	30,669,522
Weighted average number of ordinary shares for the purposes of diluted loss per share	69,684,580	42,990,834

Dilutive and anti-dilutive potential ordinary shares
The following potential ordinary shares were included in the 2015 diluted earnings per share calculation but were excluded in 2016 as they were anti-dilutive.

	2016	2015
Share warrants in issue	35,245,833	1,142,248
Convertible loans in issue	9,166,667	11,179,064
Total anti-dilutive shares	44,412,500	12,321,312

16. PROPERTY, PLANT & EQUIPMENT

	Leasehold buildings	Office equipment	Wind Turbine	Heat Boilers	Construction in Progress	Total
	€	€	€	€	€	€
Cost						
At 1 July 2014	57,787	130,286	1,453,759	280,934	2,420,917	4,343,683
Additions	-	-	-	-	425,882	425,882
Acquisition through business combinations	-	-	-	-	5,564,830	5,564,830
Disposals	-	-	-	(282,734)	-	(282,734)
De-recognition on liquidation	(57,787)	(130,286)	-	-	-	(188,073)
Foreign currency adjustment	-	-	-	1,800	362,051	363,851
At 30 June 2015	-	-	1,453,759	-	8,773,680	10,227,439
Additions	-	166	3,565	-	5,320,786	5,324,517
Foreign currency adjustment	-	(16)	-	-	(1,917,063)	(1,917,079)
At 30 June 2016	-	150	1,457,324	-	12,177,403	13,634,877

16. PROPERTY, PLANT & EQUIPMENT - continued

	Leasehold buildings	Office equipment	Wind Turbine	Heat Boilers	Construction in Progress	Total
	€	€	€	€	€	€
Accumulated depreciation						
At 1 July 2014	57,787	130,286	36,358	4,682	2,338,272	2,567,385
Depreciation on disposal	-	-	-	(10,603)	-	(10,603)
De-recognition on liquidation	(57,787)	(130,286)	-	-	-	(188,073)
Impairment	-	-	-	-	336,532	336,532
Charge for the year	-	-	72,688	5,919	-	78,607
Foreign currency adjustment	-	-	-	2	241,745	241,747
At 30 June 2015	-	-	109,046	-	2,916,549	3,025,595
Charge for the year	-	138	73,134	-	-	73,272
Impairment	-	-	-	-	307,759	307,759
Foreign currency adjustment	-	(13)	-	-	(571,606)	(571,619)
At 30 June 2016	-	125	182,180	-	2,652,702	2,835,007
Carrying amount						
At 30 June 2015	-	-	1,344,713	-	5,857,131	7,201,844
At 30 June 2016	-	25	1,275,144	-	9,524,701	10,799,870

The Group carried out a review of the recoverable amount of property held by the Power Generation operating segment at 30 June 2016. The review led to recognition of an impairment loss of €307,759 (2015: €336,532) in Renewable Energy Solutions segment, which has been recognised in profit or loss. The recoverable amount of the assets has been determined on the basis of their fair value, less costs to sell.

The impairment losses have been shown separately in the consolidated statement of profit or loss.

17. FINANCIAL ASSETS

Investment in joint ventures

In 2015 the Group had one material joint venture, Newry Biomass Limited (NBL), in which it owned 50% of the shares. On 8 May 2015, NBL issued a further share to the Group, which lead to the Group gaining control of NBL (see Note 28) and it is now accounted for as a subsidiary undertaking from that date onwards. The investment in NBL was accounted for using the equity method in the prior year in accordance with IAS 28. The carrying amount of the investment in joint ventures is increased or decreased to recognise the Group's share of the profit or loss and other comprehensive income. When the Group's share of losses on an associate or a joint venture exceeds the Group's interest in that joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of future losses.

Summarised financial information in respect of the Group's interests in jointly controlled entities is as follows:

	2016	2015
	€	€
Non-current assets	-	-
Current assets	-	3
Non-current liabilities	-	-
Current liabilities	-	(76)
Net liabilities	-	(73)
Group's share of net liabilities of jointly controlled entities	-	(36)
Carrying balance of investment in joint venture	-	-

	2016	2015
	€	€
Total revenue	-	-
Total expenses	-	(666,335)
Total loss for the year	-	(666,335)
Group's share of losses of jointly controlled entities	-	-

The above balance includes the results of NBL for the period to 8 May 2015.

	Group	
Loan advanced to jointly controlled entities	2016	2015
	€	€
At 1 July	-	-
Additions in year	-	30,459
Eliminated on consolidation	-	(30,459)
	-	-

As noted above, NBL is now classified as a subsidiary undertaking and the above loan has been eliminated on consolidation.

17. FINANCIAL ASSETS - continued

Investment in associate
Details of the Group's interests in associated undertakings at 30 June 2016 is as follows:

Name of associated undertaking	*Country of incorporation*	*Shareholding*	*Principal activity*
GG Eco Energy Limited	United Kingdom	30%	Operator of biomass heat generating projects

Summarised financial information in respect of the Group's interests in associated undertakings is as follows:

	2016	**2015**
	€	**€**
Non-current assets	1,510,448	1,826,626
Current assets	118,885	310,867
Non-current liabilities	(1,670,973)	(2,034,546)
Current liabilities	(460,948)	(435,914)
Net liabilities	(502,588)	(332,967)
Group's share of net assets of associated entities	-	-

	2016	**2015**
	€	**€**
Total revenue	611,136	536,752
Total expenses	(853,828)	(734,226)
Total loss for the period	(242,692)	(197,474)
Group's share of profits of associated undertakings	-	-

The investment in GG Eco Energy Limited is accounted for using the equity method in accordance with IAS 28.

17. FINANCIAL ASSETS – continued

	Company	
	2016	**2015**
Investment in subsidiary undertakings	**€**	**€**
At beginning and at end of period	-	-
Loans to subsidiary undertakings		
At 1 July	2,382,505	2,497,191
Loans advanced as part of examinership process	2,658,304	-
Funds advanced to/(repaid by) subsidiary undertakings	(8,651)	62,815
Repayment of examinership loans	(95,543)	-
Reclassified from trade and other payables	-	(353,517)
Provision for impairment of investment in subsidiaries	(268,840)	(166,400)
Provision for impairment of intercompany loans related to examinership	(2,442,744)	-
Foreign currency adjustment	(452,355)	342,416
At 30 June	1,772,676	2,382,505
Total	1,772,676	2,382,505

On 24 July 2015, REACT Energy plc and its related companies exited the examination process. As part of the Scheme of Arrangement approved by the High Court to allow the exit, the Company issued 37,470,972 new Ordinary Shares to creditors of the Company and related companies through a debt for equity conversion. This required intercompany loans of €2,658,304 to be issued to certain related companies to allow for the issue of shares to the creditors of those related companies. These loans are interest-free and have no fixed date of repayment. These loans were fully provided for at year-end.

18. INTERESTS IN SUBSIDIARIES

Details of REACT Energy plc subsidiaries at 30 June 2016 are as follows:

Name	*Country of incorporation*	*Shareholding*	*Principal activity*
Newry Biomass No. 1 Limited	Republic of Ireland	100%	Investment company
React Biomass Limited	Republic of Ireland	100%	Investment company
Reforce Energy Limited	Republic of Ireland	100%	Renewable energy development company
Pluckanes Windfarm Limited	Republic of Ireland	100%	Generation of electricity through wind
Grass Door Limited	United Kingdom	100%	Developer & operator of biomass heat generating projects
Newry Biomass Limited	Northern Ireland	50.02%	Energy utility company
Enfield Biomass Limited	United Kingdom	100%	Energy utility company
Moneygorm Wind Turbine Limited (formerly Reforce Energy (West) Limited)	Republic of Ireland	100%	Dormant company
React Energy No. 1 Limited	Republic of Ireland	100%	Investment company
Plymouth Biomass Limited	United Kingdom	100%	Energy utility Company
Clay Cross Biomass Limited	United Kingdom	90%	Energy utility company
Altilow Wind Turbine Limited	Republic of Ireland	100%	Generation of electricity through wind
Kedco Group Holdings USA Inc.	United States of America	100%	Dormant company

The shareholding in each company above is equivalent to the proportion of voting power held.

The registered office for all of the above companies is Building 1000, City Gate, Mahon, Cork, except for Enfield Biomass Limited, Plymouth Biomass Limited and Grass Door Limited, whose registered office is c/o Origen Capital LLP, 26 Dover Street, London W1S 4LY, England; Newry Biomass Limited, whose registered office is c/o CGDM, 27 Patrick Street, Newry, Co. Down BT35 8EB, Northern Ireland; Clay Cross Biomass Limited, whose registered office is Larkfleet House, Southfields Business Park, Falcon Way, Bourne, Lincolnshire PE10 0FF, England; and Kedco Group Holdings USA Inc., whose registered office is 2711 Centreville Road Suite 400, Wilmington, DE 19808, USA.

19. CONSTRUCTION CONTRACTS

Contracts in progress at the balance sheet date:	**2016** **€**	**2015** **€**
Construction costs incurred plus recognised profits less recognised losses to date	150,847	150,847
Less payments received in advance	-	-
	150,847	150,847

Recognised and included in the financial statements as amounts due:	**2016** **€**	**2015** **€**
From customers under construction contracts	150,847	150,847
To customers under construction contracts	-	-
	150,847	150,847

At 30 June 2016, retentions held by customers for contract work amounted to €Nil (2015: €Nil). Advances received from customers for contract work amounted to €Nil (2015: € Nil).

20. TRADE AND OTHER RECEIVABLES

	2016 €	2015 €
Group		
Trade receivables	-	13,800
Allowance for impairment of trade receivables	-	-
	-	13,800
VAT receivable	16,341	81,665
Payments on account	37,490	-
Prepayments	49,683	44,438
Corporation tax	102	96
Accrued income	9,745	-
Other receivables	44,668	1,800
	158,029	141,799

The following table shows an analysis of trade receivables split between past due and within terms accounts. Past due is when an account exceeds the agreed terms of trade, which are typically 60 days.

	2016 €	2015 €
Within terms	-	13,800
Past due more than one month but less than two months	-	-
Past due more than two months	-	-
	-	13,800

Included in the Group's trade receivables balance are debtors with carrying amount of €Nil (2015: €Nil) which are past due at year end and for which the Group has not provided.

The Group does not hold any collateral over these balances. No interest is charged on overdue receivables. The quality of past due not impaired trade receivables is considered good. The carrying amount of trade receivables approximates to their fair values.

The Group's policy is to recognise an allowance for doubtful debts of 100% against all receivables over 120 days because historical experience has been that trade receivables that are past due beyond 120 days are not recoverable. Allowances for doubtful debts are recognised against trade receivables between 60 days and 120 days based on estimated irrecoverable amounts determined by reference to past default experience of the counterparty and an analysis of the counterparty's current financial position.

20. TRADE AND OTHER RECEIVABLES - continued

In determining the recoverability of a trade receivable, the Group considers any changes in the credit quality of the trade receivable from the date credit was initially granted up to the end of the current reporting period. The concentration of the credit risk is limited due to the customer base being large and unrelated, and the fact that no one customer holds balances that exceeds 10% of the gross assets of the Group. The maximum exposure risk to trade and other receivables at the reporting date by geographic region, ignoring provisions, is as follows:

	2016	2015
	€	€
Ireland	-	13,800
United Kingdom	-	-
	-	13,800

Other receivables relate to deposits on rental contracts amounting to €2,338 (2015: €1,800) and payments on account related to shares of €42,330 (2015: €Nil). The aged analysis of other receivables is within terms.

There is no concentration of credit risk with respect to receivables as disclosed in Note 5 under credit risk.

	2016	2015
Company	€	€
Amounts due from subsidiary undertakings	446,143	1,131,183
Allowance for impairment of balances	(51,857)	(1,131,183)
	394,286	-
Prepayments	10,936	8,368
Corporation Tax	96	96
VAT Receivable	4,820	24,356
Other receivables	44,668	1,800
	454,806	34,620

The concentration of credit risk in the individual financial statements of REACT Energy plc relates to amounts due from subsidiary undertakings. The directors have reviewed these balances in the light of the impairment review carried out on the investments by REACT Energy plc in its subsidiaries.

The directors considered the future cash flows arising from subsidiaries and are satisfied that the appropriate impairment has been applied to these balances.

21. CASH AND CASH EQUIVALENTS

For the purposes of the cash flow statement, cash and cash equivalents include cash on hand and in banks and bank overdrafts. Cash and cash equivalents at the end of the financial year as shown in the cash flow statement can be reconciled to the related items in the balance sheet as follows:

	2016	2015
Group	**€**	**€**
Cash and bank balances	324,195	211,346
Bank overdrafts (Note 24)	(546)	(5)
	323,649	211,341
Company		
Cash and bank balances	191,927	69,839
Bank overdrafts (Note 24)	(546)	(5)
	191,381	69,834

22. EQUITY

Share Capital

At 30 June 2015	***Authorised Number***	***Allotted and called up Number***	***Authorised €***	***Allotted and called up €***
Ordinary shares of €0.10 each	200,000,000	30,669,522	20,000,000	3,066,952
Deferred ordinary shares of €0.40 each	200,000,000	22,370,042	80,000,000	8,948,017
Deferred convertible "A" ordinary shares of €0.01 each	10,000,000,000	99,117,952	100,000,000	991,180
				13,006,149

At 30 June 2016	***Authorised Number***	***Allotted and called up Number***	***Authorised €***	***Allotted and called up €***
Ordinary shares of €0.10 each	200,000,000	75,140,494	20,000,000	7,514,049
Deferred ordinary shares of €0.40 each	200,000,000	22,370,042	80,000,000	8,948,017
Deferred convertible "A" ordinary shares of €0.01 each	10,000,000,000	99,117,952	100,000,000	991,180
				17,453,246

The holders of the ordinary shares are entitled to receive dividends as declared and are entitled to one vote per share at meetings of the company. All ordinary shares are fully paid up.

22. EQUITY-continued

The Company was incorporated on 2 October 2008 with an initial authorised share capital of €100,000,000 divided into 100,000,000 ordinary shares of €1.00 each of which 38,100 ordinary shares of €1.00 each fully paid up were issued. On 14 October 2008 the ordinary shares were subdivided so that each ordinary share had a nominal value of €0.01 each as opposed to the previous nominal value of €1.00 each. On 3 December 2010, the trading denomination of the Company's ordinary shares of €0.01 each changed from Euro to pounds sterling. This does not affect the nominal valuation of the shares.

Share Premium
Proceeds received in excess of the nominal value of the shares issued during the year have been included in share premium, less registration and other regulatory fees.

Company Share Premium
The share premium included in the consolidated and company statement of financial position is different by €18,934,079 due to the reverse acquisition of the Group which occurred on 13 October 2008. The reverse acquisition resulted to a reverse acquisition reserve which has been netted off against the share premium in the consolidated statement of financial position.

Movements in the year to 30 June 2016
On 24 July 2015, as part of the Scheme of Arrangement approved by the High Court in Dublin, the Company issued 37,470,972 new Ordinary Shares to creditors of the Company and its related companies to the value of €5,724,731 (giving an effective price per share of £0.11) through a debt for equity exchange.

On 21 October 2015, as part of an equity kicker attached to the Ecofinance loan (see note 24 below), the Concert Party exercised its right to be issued shares as part of the Equity Kicker, and the maximum number of shares, 7,000,000 new Ordinary Shares, was issued as a result.

Share Warrants
The following share warrants were in existence and remain unexercised as at 30 June 2016:

Detail	Number	Grant Date	Expiry Date	Exercise Price (GBP)	Fair Value at Grant Price (GBP)
Origen Capital Partners LLP re Altair SLN (Note 24)	3,150,000	14/07/2015	13/07/2022	£0.10	£-
Nirvana Capital Ltd re Ecofinance SLF (Note 24)	35,300,000	14/07/2015	13/07/2022	£0.10	£-
	38,450,000				

23. NON-CONTROLLING INTERESTS

	2016	2015
	€	€
Balance at beginning of year	2,455,567	-
Share of loss for the year	(499,009)	(626)
Non-controlling interest arising on the acquisition of Newry Biomass Limited (see Note 28)	-	2,412,125
Unrealised foreign exchange (losses)/gains	(316,778)	44,068
	1,639,780	2,455,567

24. BORROWINGS

Group		**2016** **€**	**2015** **€**
Current liabilities			
At amortised cost			
Bank overdrafts		546	5
8% loan facility	4	589,334	-
Convertible shareholder loan	1	-	1,742,027
Secured loan note	3	-	2,298,377
9% Loan Note	3	-	351,445
12% Loan note	1	-	100,098
15% Shareholder loans	1	-	173,115
Bank borrowings	5	1,116,250	1,131,250
		1,706,130	5,796,317
Financial liabilities carried at FVTPL			
Business Expansion Scheme Shares	6	105,000	105,000
		105,000	105,000
		1,811,130	5,901,317
Non-current liabilities			
At amortised cost			
7.5% convertible secured loan note	3	2,518,259	-
15% secured loan facility	2	861,362	-
		3,379,621	-

Company		€	€
Current liabilities			
Bank overdrafts		546	6
8% loan facility	4	589,334	-
Convertible shareholder loan		-	1,742,027
Secured loan note		-	2,298,377
9% Loan Note		-	351,445
		589,880	4,391,855
Non-current liabilities			
7.5% convertible secured loan note	3	2,518,259	-
15% secured loan facility	2	861,362	-
		3,379,621	-

Borrowings at amortised cost

1. Debt dealt with under Scheme of Arrangement

Borrowings of, in aggregate, €2,015,240 at 30 June 2015 were converted to equity on 24 July 2015 as part of the Scheme of Arrangement announced on 14 July 2015 (see Note 22 above).

2. 15% Secured Loan Note Facility

On 15 July 2015, the Board of REACT announces that it has raised £1,000,000 (before expenses) through a Secured Loan Facility ("SLF"). EcoFinance, a group which sources finance for renewable energy projects, has provided the SLF. The SLF is at a fixed rate of 15% per annum, the interest on which will be paid monthly in arrears. The SLF is for a five-year term and the principal together with any accrued interest will be repayable by a bullet repayment at the end of the term. The SLF is secured by mortgage debentures, cross guarantees and share pledges over REACT and its subsidiary companies.

24. BORROWINGS – continued

2. 15% Secured Loan Note Facility – continued

The carrying amount of the SLF at 30 June 2016 is as follows:

	€
Proceeds from the issue of the SLF	1,416,631
Less: Transaction costs	(445,519)
Net proceeds	971,112
Accreted transaction costs	91,898
Currency gains on retranslation	(201,648)
Carrying amount of SLF at 30 June 2016	861,362

The face value of the SLF at 30 June 2016 is €1,205,945.

3. 7.5% convertible secured loan note

On 24 July 2015, as part of the Scheme of Arrangement announced on 14 July 2015 as approved by the High Court in Dublin, the existing secured debt held by Altair Group Investment Limited ("Altair" or "the Secured Creditor"), comprising the 9% Secured Loan Note of £1.5 million issued in 2014 and the Examinership financing facility of €500,000, was refinanced by way of a new two-year 7.5% £2 million Convertible Secured Loan Note ("CSLN"), repayable in July 2017, and is secured by the same security package granted in favour of EcoFinance. This is governed by an inter-creditor deed under which the SLF security plus interest and costs shall rank in priority to the CSLN security plus interest and costs. Under the terms of the CSLN, the Secured Creditor has the right to convert up to £1 million into new Ordinary Shares at £0.10.

The carrying amount of the CSLN at 30 June 2016 is as follows:

	€
Amounts rolled up from previous facilities	2,742,430
Additional proceeds issued on CSLN	110,000
Less: Transaction Costs	(131,565)
Net Proceeds	2,720,865
Accreted Interest	194,796
Accreted Transaction Costs	63,484
Currency gains on retranslation	(460,886)
Carrying amount of CSLN at 30 June 2016	2,518,259

The face value of the CSLN at 30 June 2016, including accrued interest, is €2,586,340.

4. 8% Loan Facility

On 8 January 2016, (subsequently amended in March 2016), the Company announced that it had secured a €750,000 Facility from EBIOSS. The Company may use the proceeds from the Facility for the continuing investment in its portfolio of biomass gasification projects in the UK, and for working capital for the Group.

The key terms of the Facility are as follows:

- quantum of €750,000, which may be drawn down in three equal monthly instalments of €250,000;
- interest rate of 8% per annum on outstanding capital balances, which will accrue and be repaid in full on repayment of the Facility;

24. BORROWINGS - continued

4. 8% Loan Facility – continued

- proceeds from the Facility, which is unsecured, will be, other than in respect of the second tranche of €250,000, used solely to fund development costs associated with the Company's identified biomass gasification projects in the UK;
- drawdown of the Facility will be subject to the agreement of the Company and EBIOSS; and
- from 7 January 2017, EBIOSS may, at any time, demand that the Company repays the drawn down proportion of the Facility plus accrued interest. The Company may, at any time, elect to repay the Facility plus accrued interest.

€575,000 has been drawn down up to 30 June 2016 with respect to the above facility.

5. Bank borrowings

Bank borrowings amounting to €1,116,250 (2015: €1,131,250) at the balance sheet date are secured by a charge over a wind turbine owned by the Group. Current interest rates are variable and average 4.0% per annum. All amounts due with respect to this facility are repayable on demand by the bank at any time at its absolute discretion. However, without prejudice to the Bank's right to demand immediate payment, the facility is to be repaid by way of 60 quarterly instalments. The repayment schedule of these instalments is as follows:

	2016	**2015**
Payable by instalments	**€**	**€**
Due less than one year	86,000	15,000
Due between one and five years	344,000	344,000
Due more than five years	686,250	772,250
	1,116,250	1,131,250

The directors consider the carrying amount of borrowings approximates to their fair value.

Borrowings at FVTPL

6. BES Shares

As part of the acquisition of Reforce Energy Limited and subsidiaries, the Group took responsibility over 105,000 "B" Ordinary Shares of €1 each issued by Reforce Energy Limited as part of the Business Expansion Scheme in Ireland. As part of this scheme, Newry Biomass No. 1 Limited entered into a put and call option agreement, dated 20 December 2012, whereby Newry Biomass No. 1 Limited may be required to purchase the outstanding "B" Ordinary Shares in Reforce Energy Limited at a price to be agreed with between Newry Biomass No. 1 Limited and the holders of the "B" Ordinary Shares in Reforce Energy Limited. The option may be exercised on any date between 1 January 2017 and 31 March 2017. Under the provisions of IAS 32 *Financial Instruments: Presentation*, these shares have been disclosed as a financial liability.

25. TRADE AND OTHER PAYABLES

Group	**2016** **€**	**2015** **€**
VAT payable	3,459	69,025
Trade payables	5,007,611	1,844,490
Other payables	119,849	150,106
Accruals	277,982	2,098,851
Shareholder prepayment	-	186,717
PAYE & social welfare	16,245	91,426
	5,425,146	4,440,615

The carrying amount of trade and other payables approximates fair value. All trade and other payables fall due within one year. Included in trade and other payables at 30 June 2016 is a liability of €5,092,317 related to the purchase of biomass gasifier equipment for the repowering of the Newry Biomass project (2015: €Nil).

Trade and other creditors are payable at various dates in accordance with the suppliers' usual and customary credit terms. Corporation tax and other taxes including social insurance are repayable at various dates over the coming months in accordance with the applicable statutory provisions.

Company	**2016** **€**	**2015** **€**
Trade payables	6,752	180,516
PAYE & social welfare	14,832	69,343
Shareholder prepayment	-	186,717
Accruals	114,659	1,335,512
	136,243	1,772,088

The shareholder prepayment relates to an amount advanced under an irrevocably undertaking to subscribe £100,000 at the next equity fundraising to be undertaken by the Company. In the current year, this amount was converted into New Ordinary Shares of REACT energy plc as a result of the Scheme of Arrangement arising from the Examinership process.

The carrying amount of trade and other payables approximates fair value. All trade and other payables fall due within one year.

26. DEFERRED TAXATION

A deferred tax asset has not been recognised at the balance sheet date in respect of trading tax losses. Due to the history of past losses, the company has not recognised any deferred tax asset in respect of tax losses to be carried forward which are approximately €16.7 million at 30 June 2016.

27. RELATED PARTY TRANSACTIONS

The Group's related parties include its joint venture and key management. In addition REACT Energy plc had a convertible loan in the year ended 30 June 2015 from its main shareholder Farmer Business Developments plc ("FBD") on which interest is rolled up.

As part of the Scheme of Arrangement to exit the Examinership process, FBD loan facilities totalling €1,742,027 were converted into 11,402,360 ordinary shares on 24 July 2015 (see note 24). At 30 June 2016, the balances due to FBD with respect to the loan facilities, including rolled up interest, totalled €Nil (2015: €1,742,027).

Finance costs recognised in the income statement in respect of loans from related parties amounted to:

	2016	**2015**
	€	**€**
Investor loans (Note 24)	-	72,147

Interest from investor loan has been rolled up into the loan balance.

Transactions with key management personnel
Key management of the Group are the members of REACT Energy plc's board of directors. Key management personnel remuneration includes the following expenses:

	Fees/ Salary/ Exps	Other	Pension	Bonus	Gain on share options	2016	2015
	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Directors							
Gerry Madden	250	-	-	-	-	250	282
Brendan Halpin	85	-	-	-	-	85	90
Steve Dalton	-	-	-	-	-	-	34
Dermot O'Connell	22	-	-	-	-	22	22
Edward Barrett	6	-	-	-	-	6	11
Total	363	-	-	-	-	363	439

At 30 June 2016, directors' remuneration unpaid (including past directors) amounted to €26,000 (2015: €420,663). The unpaid directors' remuneration at 30 June 2015 was settled during the year by way of issue of shares in REACT Energy plc as part of the Scheme of Arrangement approved by the High Court.

Details of each director's shareholding that were in office at the year-end are shown in the Directors' Report.

There were no outstanding balances with related parties at 30 June 2016.

As part of the development of the Enfield Biomass project, the group was contracted to pay development fee to a number of individuals including B Halpin, a director of the Company, and his close relative. Total development fee accrued during the year and unpaid at 30 June 2016 amounts to €Nil (2015: €184,168). As part of the Scheme of Arrangement arising from the Company's Examinership process, the development fees payable were converted to new Ordinary Shares in REACT Energy plc at £0.11 per share.

27. RELATED PARTY TRANSACTIONS - continued

Transactions with joint ventures

During the year ended 30 June 2016, sales of €Nil was made to jointly controlled entities, namely Newry Biomass Limited (2015: €136,052). Newry Biomass Limited became a subsidiary of the Group on 8 May 2015.

Transactions with associate undertakings

During the year ended 30 June 2016, sales of €45,996 were made to associate undertakings (2015: €67,979). In addition, property, plant and equipment were transferred to the associate undertaking in the year ended 30 June 2015, realising proceeds of €282,734 (2016: €Nil). Included in trade and other payables at 30 June 2016 is balances of €Nil payable to associate undertakings (2015: €2,741)

28. BUSINESS COMBINATIONS

Assuming control of Newry Biomass Limited

On 8 May 2015, Newry Biomass Limited ("NBL"), a company which previously was under the joint control of both the Group and its majority shareholder, Farmers Business Developments plc ("FBD"), issued an additional share to the Group's subsidiary, Newry Biomass No. 1 Limited. The issue of the additional share passed the overall control of NBL to the Group from that point onwards.

Under the terms of the Shareholders' agreement between the Group and FBD, the rights to the share in profits generated by NBL are calculated by reference to how much capital each shareholder contributes to the company. FBD is entitled to 50.90% of the economic benefits derived from NBL whereas the Group is entitled to 49.10% of the economic benefits.

NBL owns the 4MW Biomass advanced gasification project located in Newry, Co. Down, Northern Ireland. The project is currently on 'care and maintenance' pending additional funding required to engage a new technology provider. The Group took control of NBL to enable it to access the funds required to engage a new technology provider.

Assets acquired and liabilities recognised at the date of acquisition

	€
Non-current assets	
Plant and equipment	5,564,830
Current assets	
Trade and other receivables	19,560
Current liabilities	
Trade and other payable	(836,454)
	4,747,936

Previously held equity interests and non-controlling interests

The interest in NBL previously held by the Group as a joint venture was valued at €Nil prior to the assumption of control. Following the assumption of control, the value of the Group's previously held equity interest in NBL was determined as €2,335,810, being the proportionate share of the net assets of Newry Biomass Limited. The non-controlling interest recognised at the acquisition date was measured by reference to the non-controlling interest's proportionate share of the net assets of NBL, amounting to €2,412,125 (See Note 23).

28. BUSINESS COMBINATIONS - continued

Consideration transferred

	€
Cash	1

Goodwill arising on acquisition

	€
Consideration transferred	1
Plus: Fair value of previous equity interests	2,335,810
Plus: Non-controlling interests	2,412,125
Less: Fair value of identifiable net assets acquired	(4,747,936)
Goodwill arising on acquisition	-

Impact of acquisitions on the results of the Group

Included in the loss for the year ended 30 June 2015 is a loss of €1,246 relating to NBL. Revenue for the period includes €Nil in respect of NBL. Had the acquisition of NBL been effected at 1 July 2014, there would have been no change in revenue, and the loss for the period from continuing operations of the Group would have been increased by €669,239 – this includes an impairment cost of €575,263.

The directors of the Group consider these pro-forma numbers to represent an approximate measure of the performance of the combined group on an annualised basis and to provide a reference point for comparison in future periods.

29. DISCONTINUED OPERATIONS

On 27 August 2014 the following non-trading and dormant group companies entered into voluntary liquidation and a liquidator was appointed: Kedco Block Holdings Limited, Kedco Energy Limited, Granig Trading Limited, Kedco Power Limited and Castle Homes Supplies Limited. From that date these companies and their respective assets and liabilities are no longer consolidated as part of Group financial results.

On 29 September 2014, Kedco Fabrication Limited ("KFL"), entered into creditors' voluntary liquidation following the appointment of a liquidator to the company. From that date this company and its respective assets and liabilities are no longer consolidated as part of Group financial results.

The consolidated profit and loss have been restated to classify the profit from the liquidated companies as discontinued operations.

29. DISCONTINUED OPERATIONS - continued

The following assets and liabilities were no longer consolidated by the Group as a result of the above liquidations during the year ended 30 June 2015:

	Carrying value at liquidation €
Assets	
Investment properties	391,304
Trade and other receivables	522
Cash on hand and at bank	11,559
Total assets relating to subsidiaries liquidated	403,385
Liabilities	
Amounts due to customers under construction contracts	499,220
Trade and other payables	1,888,502
Borrowings	3,322,921
Total liabilities relating to subsidiaries liquidated	5,710,643
Gain realised on derecognition of assets and liabilities relating to liquidated subsidiaries	5,307,258

Details of the profit and loss of discontinued operations is analysed as follows:

	2016 €	2015 €
Revenue	-	147,552
Cost of sales	-	-
Gross profit	-	147,552
Operating costs	-	(34,447)
Finance costs	-	(9,730)
Profit/(loss) before tax	-	103,375
Income tax charge	-	-
Profit/(loss) on discontinued operations for the period	-	103,375
Profit recognised on de-recognition of subsidiaries	-	5,307,258
Total profit/(loss) for the period	-	5,410,633

Net cash inflow on de-recognition of subsidiaries	€
Consideration paid in cash	-
Cash and cash equivalent balances disposed of (liability)	165,991
Net cash inflow on de-recognition	165,991

29. DISCONTINUED OPERATIONS – continued

Cash flows from discontinued operations	2016	2015
	€	€
Net cash inflows from operating activities	-	11,458
Net cash outflows used in financing activities	-	(545)
Net cash inflows/(outflows)	-	10,913

There was no other disposal of subsidiaries in the year ended 30 June 2016.

30. CONTINGENT LIABILITIES

In the normal course of business, the Group has contingent liabilities arising from various legal proceedings with third parties, the outcome of which is uncertain. Provision for a liability is made when the directors believes that it is probable that an outflow of funds will be required to settle the obligation where it arises from an event prior to the year end. It is the policy of the Group to rigorously defend all legal actions taken against the Group.

31. EVENTS AFTER THE BALANCE SHEET DATE

Increase and extension of Loan Facility

The Company announced on 12 December 2016 that a €750,000 loan facility secured in January 2016 from EBIOSS has now been fully utilised. It also announced that the terms of the facility had been amended by agreement between the parties such that the amount of the facility was increased by €600,000 to €1,350,000 and the repayment date of the increased facility was extended to 7 January 2018. The increased facility is to cover the working capital requirements of the Company.

Project finance Heads of Agreement

On 11 October 2016, the Company announced that it had signed conditional heads of agreement with several parties to potentially fund, through a combination of debt and equity, the repowering of its 4MW biomass gasification project located in Newry, Co. Down, Northern Ireland ("Newry Biomass") and owned by its 50.02% subsidiary, Newry Biomass Limited ("NBL").

The Heads of Agreement envisage a total investment of up to £11.2 million to be made both directly and indirectly through the Company, into NBL, through a combination of debt and equity. If an agreement is concluded, the equity component of the investment is to be provided by a sub fund of the Ethika Fund SICAV Plc, a Professional Investor Fund ("Ethika"), and Kyotherm SAS, a France-based equity investor in biomass, geothermal energy and energy saving projects. Under the terms of the Heads of Agreement, Ethika is also to procure the debt financing for the repowering.

The terms of the Heads of Agreement between the parties are legally binding, however, are subject to the completion of, *inter alia*, legal, financial and technical due diligence, which is currently underway and is expected to be completed before the end of the calendar year, and therefore may change from that set out in the Heads of Agreement. There can be no guarantee that definitive agreement will be concluded on the terms currently envisaged or at all, or on the timetable envisaged.

31. EVENTS AFTER THE BALANCE SHEET DATE - continued

Project finance Heads of Agreement - continued
There is a possibility that the equity component of the investment may require, *inter alia*, shareholder approval; however, this will not be known until the conclusion of the due diligence exercise. In the event that shareholder approval is required, the Company will prepare and send the necessary documentation to the shareholders to convene a general meeting of the Company to approve the proposals.

32. COMPANY PROFIT AND LOSS

As a consolidated group income statement is published, a separate income statement for the parent company is omitted from the group financial statements by virtue of section 304(2) of the Companies Act, 2014. The Company's loss for the financial year was €3,606,007 (2015: €2,419,272).

33. APPROVAL OF FINANCIAL STATEMENTS

These consolidated financial statements were approved by the Board of Directors on 22 December 2016.