Grant Thornton

Financial statements
Vertal Limited

For the year ended 30 November 2009

Company No 05832968

Company information

Company registration number	05832968
Registered office	Riverside House 43 Willow Lane Mitcham Surrey CR4 4NA
Directors	N I Aitchison S J Buckland W J M Carr D P Hill P Killoughery L J Mekitarian G J Woolfman
Secretary	R H Burnett-Hall
Bankers	Clydesdale Bank plc Renaissance House Basing View Basingstoke RG21 4EQ National Westminster Bank plc 151 High Street Guildford GU1 3AH
Solicitors	Fladgate LLP 25 North Row London W1K 6DJ
Auditor	Grant Thornton UK LLP Chartered Accountants Statutory Auditor Churchill House Chalvey Road East Slough Berkshire SL1 2LS

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Chairman's statement

I am pleased to report that the Company made significant progress during the year

The Board's objectives to procure funding, and then undertake the construction and subsequent operation of the Company's first commercial scale, auto-thermal thermophilic aerobic digestion ("ATAD") composting plant, for the recycling of food waste, were achieved

In February 2009 funds managed by Foresight Group contracted to provide £5 million of capital into the Company, (approximately £4 6 million net of costs) and these funds were duly received in the form of investment and loans during the period February to August 2009 In December 2009, the Company secured a further £500,000 in the form of a senior loan from Clydesdale Bank on a five year term Since February 2009, the Company has pursued its business plan to construct and open for operation a 70,000 tonne per year ATAD composting plant to recycle food waste into organic fertiliser and fertiliser products

Having obtained funding, the Company entered into a lease for its chosen premises in the Willow Lane industrial estate in Mitcham, Surrey Civil works commenced in June 2009 to convert the existing building to the new requirements The processing equipment was ordered, with construction and installation of the plant commencing in August 2009

Construction was completed in November 2009, with a period of commissioning commencing in the same month The commissioning phase continued into the new financial year and all necessary regulatory approvals were received in February 2010 and the plant opened for business

The Board is confident of the Company's prospects in 2010 Since the year end additional funding has been secured from shareholders in April 2010 and July 2010, to finance the ongoing development of the Company and plant operations at Mitcham It is anticipated further funding will continue to be secured, as outlined within the basis of preparation section of the principal accounting policies set out on page 8

Following the announcement of the Mitcham plant opening and the initial marketing campaign, the level of interest within the industry and from potential customers was substantial Whilst the initial processing volumes from customers were low, the plant is now processing significant food waste volumes, from major contractors within the waste industry, and from local council contracts within London and the Home Counties The Board currently anticipates that the Mitcham plant will be operating at close to full capacity by December 2010

With the plant installation at Mitcham, the Board believes that the Company has demonstrated an effective competitive solution for the disposal and recycling of food waste As a result the Board believes it is well placed to roll-out the construction of a number of similar plants around the UK

Given the pressure to turn away from the utilisation of landfill, including the increase in the Landfill Tax to £80 per tonne by 2014, the Board believes that the Company has the opportunity to develop further sites The Company is presently identifying potential sites for further plant installations

The Board accepts that to execute the development plan whilst continuing to manage and operate the existing facility is challenging However, the Board looks forward to continued progress by the Company during 2010, and into the following year

Graham Woolfman
Chairman

Date 20 August 2010

Report of the directors

The directors present their report and the financial statements of the company for the year ended 30 November 2009

Principal activities

The principal activity of the company during the year was the development and establishment of an industrial plant for the commercial management and recycling of food waste

Results and dividends

The loss for the year, after taxation, amounted to £1,199,722 (2008 £295,210) The directors have not recommended a dividend (2008 £nil)

Going concern

The Board is confident of the Company's prospects in 2010 Since the year end, the company has acquired funding from investors to repay short term bank loans of £1,235,000 included within creditors due within one year at 30 November 2009 The Company has also secured a £500,000 loan facility from Clydesdale Bank Up to the end of July 2010, £836,000 of additional investment has also been received, however further funding of approximately £535,000 is required by October 2010 based upon the working capital requirements of the current business plan

Having made initial enquiries to existing investors, the directors are confident that the additional funding required can be secured as outlined within the going concern section of the principal accounting policies set out on page 8 There is however no guarantee that future funding will be forthcoming

Directors

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

G J Woolfman (Chairman)
L J Mekitarian (Managing Director)
D P Hill
S J Buckland
W J M Carr
N I Aitchison (appointed 19 February 2009)
P Killoughery (appointed 17 March 2009)

Report of the directors (continued)

Directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

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

In so far as the directors are aware

- there is no relevant audit information of which the company's auditor is unaware, and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information

Auditor

Grant Thornton UK LLP were appointed auditor on 13 August 2009 as the company's first auditor in accordance with section 485(3) of the Companies Act 2006 In accordance with section 485(4) of the Companies Act 2006 a written resolution to reappoint Grant Thornton UK LLP as auditors has been sent out with these financial statements

Small company provisions

This report has been prepared in accordance with the special provisions for small companies under Part 15 of the Companies Act 2006

BY ORDER OF THE BOARD

WJ Carr

W J M Carr
Director

Date 20/08/10

Company No 05832968

GrantThornton

Report of the independent auditor to the members of Vertal Limited

We have audited the financial statements of Vertal Limited for the year ended 30 November 2009 which comprise the principal accounting policies, profit and loss account, balance sheet and the related notes The financial reporting framework that has been applied in their preparation is applicable law and the Financial Reporting Standard for Smaller Entities (Effective April 2008) (United Kingdom Generally Accepted Accounting Practice applicable to Smaller Entities)

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

Respective responsibilities of directors and auditor

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

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www frc org uk/apb/scope/UKNP

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 30 November 2009 and of its loss for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice applicable to Smaller Entities, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Emphasis of matter - Going concern

In forming our opinion on the financial statements, which is not qualified, we have considered the adequacy of the disclosure made on page 8 within the principal accounting policies to the financial statements concerning the Company's ability to continue as a going concern The financial statements have been prepared on a going concern basis, the validity of which depends upon future funding being available The financial statements do not include any adjustments that would result from the failure to obtain additional funding Our opinion is not qualified in this respect

Report of the independent auditor to the members of Vertal Limited (continued)

Opinion on other matters prescribed by the Companies Act 2006
In our opinion the information given in the Report of the directors for the financial year for which the financial statements are prepared is consistent with the financial statements

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

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

Grant Thornton UK LLP

Paul Creasey
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Slough

20 August 2010

Principal accounting policies

Basis of accounting

The financial statements have been prepared under the historical cost convention, and in accordance with the Financial Reporting Standard for Smaller Entities (effective April 2008) The directors have reviewed the principal accounting policies and consider them to be the most appropriate for the Companyl

Going Concern

The Company made significant progress in the engineering and trialing of its pilot plant during the year Commercial processing was initially forecast to commence in late 2009 however, despite significant efforts, the plant did not go live until February 2010

The directors have performed sensitivity analysis upon current forecasts and identified that further funding and investment may be necessary in the forthcoming year Since the year end, the Company has acquired further funding from investors to repay short term bank loans of £1,235,000 included within creditors due within one year at 30 November 2009 The Company has also secured a £500,000 loan facility from Clydesdale Bank Up to the end of July 2010, £836,000 of additional investment has also been received, however further funding of approximately £535,000 is required by October 2010 based upon the working capital requirements of the current business plan

Having made initial enquiries to existing investors, the directors are confident that the additional funding required can be secured There is however no guarantee that future funding will be forthcoming

The directors believe that the Company will continue as a going concern having considered the financial prospects for the Company over the next 12 months including reviewing the potential for securing sources of additional revenue and funding On this basis, the directors consider therefore that it is appropriate to prepare these financial statements on a going concern basis The financial statements do not contain any adjustments that may arise if this basis is not appropriate

Turnover

Turnover shown in the profit and loss account represents the total amount receivable by the Company for goods supplied and services provided during the year, excluding VAT Turnover is recognised when all obligations have been fulfilled

Research and development

Expenditure on process design and development is written off to the profit and loss account in the year in which it is incurred

Fixed assets

All fixed assets are initially recorded at cost

Principal accounting policies (continued)

Depreciation

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows

Plant & Machinery 10% - 33% straight line

Tangible fixed assets are depreciated when their physical construction is complete and they are ready for use

Deferred taxation

Deferred tax is recognised on all timing differences where the transactions or events give the company an obligation to pay more tax in the future, or a right to pay less tax in the future has occurred by the balance sheet date Deferred tax assets are recognised when it is more likely than not that they will be recovered Deferred tax is measured on an undiscounted basis using rates that have been enacted or substantively enacted by the balance sheet date

Financial instruments

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

Where the contractual obligations of financial instruments (including share capital) are equivalent to a similar debt instrument, those financial instruments are classed as financial liabilities Financial liabilities are presented as such in the balance sheet Finance costs and gains or losses relating to financial liabilities are included in the profit and loss account Finance costs are calculated so as to produce a constant rate of return on the outstanding liability

Where the contractual terms of share capital do not have any terms meeting the definition of a financial liability then this is classed as an equity instrument Dividends and distributions relating to equity instruments are debited direct to equity

Profit and loss account

	Note	2009 £	2008 £
Turnover		**16,659**	–
Cost of sales		**(14,989)**	–
Gross profit		**1,670**	–
Other operating charges	1	**(1,077,443)**	(291,351)
Operating loss	2	**(1,075,773)**	(291,351)
Interest payable and similar charges		**(129,490)**	(3,859)
Interest receivable		**5,541**	–
Loss on ordinary activities before taxation		**(1,199,722)**	(295,210)
Taxation		–	–
Loss for the financial year		**(1,199,722)**	(295,210)

All of the activities of the company are classed as continuing

The Company has no recognised gains or losses other than the result for the year as set out above

Balance sheet

	Note	2009 £	2008 £
Fixed assets			
Tangible assets	3	**3,463,804**	85,499
Current assets			
Debtors	4	**303,017**	25,958
Cash at bank		**641,969**	34,937
		944,986	60,895
Creditors amounts falling due within one year	5	**(1,635,628)**	(78,309)
Net current liabilities		**(690,642)**	(17,414)
Creditors. amounts falling due after one year	6	**(1,896,660)**	-
Total assets less liabilities		**876,502**	68,085
Capital and reserves			
Called-up equity share capital	8	**23,738**	3,458
Share premium account	9	**2,426,699**	175,642
Shares awaiting issue	10	**-**	263,198
Profit and loss account	11	**(1,573,935)**	(374,213)
Shareholders' funds		**876,502**	68,085

These financial statements have been prepared in accordance with the special provisions for small companies under Part 15 of the Companies Act 2006 and with the Financial Reporting Standard for Smaller Entities (effective April 2008)

These financial statements were approved by the directors and authorised for issue on 20/08/10, and are signed on their behalf by

WJL Carr

W J M Carr
Director

Notes to the financial statements

1 Other operating charges

	2009	2008
	£	£
Administrative expenses	**1,077,443**	291,351

2 Operating loss

Operating loss is stated after charging

	2009	2008
	£	£
Directors' emoluments	**267,890**	79,750
Depreciation of owned fixed assets	**9,621**	30,377
Operating lease costs		
Land and buildings	**153,574**	9,400
Auditor's fees	**8,975**	3,500

3 Tangible fixed assets

	Plant & Machinery
	£
Cost	
At 1 December 2008	122,261
Additions	3,387,926
At 30 November 2009	3,510,187
Depreciation	
At 1 December 2008	36,762
Charge for the year	9,621
At 30 November 2009	46,383
Net book value	
At 30 November 2009	**3,463,804**
At 30 November 2008	85,499

4 Debtors

	2009	2008
	£	£
Trade debtors	**13,189**	-
Amounts due from related parties	**19,088**	-
VAT recoverable	**199,227**	26,916
Other debtors	**71,513**	42
	303,017	26,958

Included within other debtors is a deposit for £9,000 (2008 £nil) held as security by National Westminster Bank plc for credit card facilities extended to the Company

5 Creditors: amounts falling due within one year

	2009	2008
	£	£
Bank loans	**1,235,000**	-
Interest on bank loans	**30,468**	-
Trade creditors	**225,610**	71,613
Amounts due to related parties	**97,396**	-
Social security and other taxes	**17,573**	2,702
Other creditors	**29,581**	3,994
	1,635,628	78,309

6 Creditors: amounts falling due in greater than one year

	2009	2008
	£	£
Amounts owed to related parties	**1,800,000**	-
Interest owed to related parties	**96,660**	-
	1,896,660	-

7 Related party transactions and ultimate controlling party

The Foresight Group hold 50% of the issued share capital of the Company

Included within creditors falling due in greater than one year are £1,800,000 (2008 £nil) of working capital loans advanced by the Foresight Group and used to develop the business The loans fall due for repayment in April 2014 Compound interest is accrued daily on the balance owed £96,660 (2008 £nil) was charged and accrued during the year

The Foresight Group have also provided security against £1,235,000 borrowed from Barclays Bank plc and included within creditors falling due within one year This amount fell repayable in March 2010 and was replaced by further investment from the Foresight Group Under the terms of the security provided by the Foresight Group, interest is payable on the amount underwritten Interest totalling £28,482 has been accrued under this agreement on this loan since it was issued

Foresight holds security over its loans to the Company by way of a debenture with fixed and floating charges over fixed assets, intellectual property, stock and book debts both present and future

N I Aitchison, a Director of Vertal Limited was appointed as an Investor Director to represent the Foresight Group During 2009, The Foresight Group charged Vertal Limited £25,014 (2008 £nil) representing fees of the Investor Director At the year end, £20,892 of this amount was outstanding and is included within trade creditors

The Foresight Group also charged Vertal Limited, £150,000 as a negotiation and arrangement fee equal to 3 per cent of the investment funds raised during the year

During the year, Vertal Limited purchased £13,291 of fixed assets from and recharged overheads, for services utilised, of £16,207 to George Killoughery Limited George Killoughery Limited is a company controlled by Killoughery Holdings Limited P Killoughery is a Director and shareholder in both Vertal Limited and Killoughery Holdings Limited At 30 November 2009, £8,205 (2008 £nil) is included within trade creditors and £18,638 (2008 £nil) is included within trade debtors as owed by/to Vertal Limited to/from George Killoughery Limited, with regard to these transactions

During the year, Killoughery Construction Limited, a company controlled by P Killoughery, supplied Vertal Limited with fixed assets totalling £491,776 At 30 November 2009, £68,280 (2008 £nil) is included within trade creditors with respect to these fixed asset additions

Vertal Limited lease their premises based at Riverside House, Mitcham from Killoughery Properties Limited, a company controlled by Killoughery Holdings Limited During the year, Killoughery Properties Limited charged rent of £153,574 (2008 £nil) to Vertal Limited

8 Share capital

Authorised share capital

	2009	2008
	£	£
1,522,048 Ordinary shares of £0 01 each	**15,520**	20,000
447,952 'A' Ordinary shares of £0 01 each	**4,480**	-
1,800,000 'C' Ordinary shares of £0 01 each	**18,000**	-
	38,000	-

On 19 February 2009, a special resolution was passed to redesignate 447,952 ordinary shares of £0 01 each as "A" ordinary shares of £0 01 each On the same date, the authorised share capital was increased to £38,000 by creating a further class of share named "C" ordinary

Allotted, called up and fully paid

	2009		2008	
	No	£	No	£
Ordinary shares of £0 01 each	**447,952**	**4,480**	345,840	3,458
'A' ordinary shares of £0 01 each	**337,309**	**3,373**	-	-
'C' ordinary shares of £0 01 each	**1,588,500**	**15,885**	-	-
	2,373,761	**23,738**	345,840	3,458

On 16 January 2009, the Company issued 68,779 ordinary shares of £0 01 each for cash consideration amounting to £206,337

On 19 January 2009, the Company issued 33,333 ordinary shares of £0 01 each for cash consideration amounting to £99,999

On 19 February 2009, the Company issued 179,181 'A' ordinary shares of £0 01 each for cash consideration amounting to £200,001, and 900,000 'C' ordinary shares of £0 01 each for cash consideration amounting to £900,000

On 3 April 2009, the Company issued 158,128 'A' ordinary shares of £0 01 each for cash consideration amounting to £176,500, and 688,500 'C' ordinary shares of £0 01 each for cash consideration amounting to £688,500

The 'C' ordinary shares of £0 01 each do not entitle the holder to attend or vote at any general meetings of the Company In addition, holders of these shares are not entitled to any dividends In the event of winding up or sale of the Company, the holders of 'C' ordinary shares are entitled to receive, in priority to any other class of share, certain amounts as stated in the Company's Articles of Association Whilst 'C' ordinary shares exist, the Company is unable to pay any dividend

The balance of any remaining assets shall be distributed amongst the holders of the ordinary and 'A' ordinary shares pari passu according to the number of shares held

8 Share capital continued

Contingent rights to allotment of shares

At 30 November 2009, the Company had 223,980 (2008 Nil) granted to certain Directors in respect of ordinary shares The options are exercisable at £8 93 per ordinary Share

The options become exercisable on a sale or listing, on a quoted exchange in the United Kingdom, of the Company and upon satisfying certain conditions 111,990 of the options lapse upon the individual ceasing to be either an employee or a Director of the Company

9 Share premium account

	2009	2008
	£	£
Balance brought forward	**175,642**	118,800
Premium on shares issued in the year	**2,251,057**	56,842
Balance carried forward	**2,426,699**	175,642

10 Shares awaiting issue

	2009	2008
	£	£
Shares awaiting issue	-	263,198

11 Profit and loss account

	2009	2008
	£	£
Balance brought forward	**(374,213)**	(79,003)
Loss for the financial year	**(1,199,722)**	(295,210)
Balance carried forward	**(1,573,935)**	(374,213)

12 Operating lease commitments

At 30 November 2009 the Company had aggregate annual commitments under non-cancellable operating leases in respect of land and buildings as set out below

	2009	2008
	£	£
Operating leases which expire		
After more than 5 years	**381,250**	-

13 Capital commitments

At 30 November 2009 the Company had capital commitments of £153,676 (2008 £nil)