Tamar Energy Limited

Report and Financial Statements

31 March 2013

Directors

P Crewe
N E H Ferguson
O P Hopkes
Rizwan Kherati
D A Kunzer
A C Lovell
Sir Michael Peat
Lord James Russell
B R Sautelle Smith
Mansoor Shakil
G D M Thomas
W B Weil

Secretary

S C Hilton Knox

Auditors

Ernst & Young LLP
1 More London Place
London SE1 2AF

Registered Office

Bridge House
London Bridge
London SE1 9QR

Registered No 07703877

Directors' report

The directors present their report and Group financial statements for the year ended 31 March 2013

Comparatives reflect the period from the date of incorporation of 13 July 2011 to 31 March 2012, including a commencement of trading on 22 February 2012

The consolidated accounts consist of the parent company, Tamar Energy Limited, and its subsidiaries

Results and dividends

The results for the year show a loss after taxation, attributable to members of the parent undertaking of £(6,466,607) (2012 loss £(574,367))

The directors do not propose the payment of a dividend

Principal activity

The principal activity of the Group continued to be the acquisition, development, construction and operation of Anaerobic Digestion (AD) and composting plants and their related activities

Review of business

The Group was established in February 2012 in order to focus on producing energy from organic waste matter Backed by a strong investor group, including RIT Capital Partners, Fajr Capital, Lord Rothschild, the Duchy of Cornwall, Sainsbury's, Ludgate and other private investors, the company has raised £97 million of commitments to help it develop a network of over forty AD plants over the next five years, with capacity of around 100MW

The Group and its shareholders continue in their aim to lead the development of the industry in the UK, simultaneously dealing with the handling of waste and green energy generation The focus of the management team has been to develop and build capability to help the company achieve these goals and address areas of risk and uncertainty

The Group currently has four projects under construction, the first three of which will start to output electricity early in 2014 It has a further 20 plants at various stages of development

On 31 October 2012 the Company purchased 100% of the share capital of Tamar Organics Limited from Countrystyle Recycling Limited

The acquisition resulted in the Company acquiring the development rights to three of Countrystyle's sites with full planning permission for AD facilities in the south of England and the development of a fourth AD facility subject to planning

The Tamar Organics division also took over the management and operation of six of Countrystyle's in vessel and open windrow composting sites in the South East and East Anglia Countrystyle's hugely experienced organics management team also transferred to Tamar Organics as part of the acquisition

We believe that both businesses will benefit substantially from this acquisition due to the synergies between high quality composting and AD

The Tamar Organics division contributed £1,140,838 of revenue, £121,340 of gross profit and £(220,239) EBITDA to the Group during the period 31 October 2012 to 31 March 2013

Directors' report

Directors

The directors who held office during the year were

F Adams	(resigned 26 June 2012)
P Crewe	
W Elliott	(resigned 25 April 2012)
N E H Ferguson	
O P Hopkes	
Rizwan Kherati	(appointed 17 May 2013)
D A Kunzer	
A C Lovell	
Sir Michael Peat	(appointed 27 June 2012)
D H W Poulson	(resigned 25 April 2012)
M J Powell	(resigned 15 December 2012)
G R Power	(resigned 25 April 2012)
Lord James Russell	(appointed 23 May 2012)
B R Sautelle Smith	(appointed 29 May 2013)
Mansoor Shakil	(appointed 27 June 2012)
G D M Thomas	
W B Weil	(appointed 23 May 2012)
Asad Zafar	(resigned 29 May 2013)

All directors, being eligible, offer themselves for election at the forthcoming Annual General Meeting

Committees

The following committees existed during the year and the members were

Investment Committee

G D M Thomas	(chairman)
A C Lovell	
Sir Michael Peat	
Asad Zafar	(resigned 29 May 2013)
Mansoor Shakil	(appointed 29 May 2013)

Audit and Risk Committee

Sir Michael Peat	(chairman)
O P Hopkes	
Rizwan Kherati	(appointed 29 May 2013)
Lord James Russell	
W B Weil	

Remuneration Committee

G D M Thomas	(chairman)
P Crewe	
N E H Ferguson	
Rizwan Kherati	(appointed 29 May 2013)
M J Powell	(resigned 15 December 2012)
Mansoor Shakil	(appointed 29 May 2013)

Directors' report

Advisory Board

Sir Michael Peat (chairman)
Iqbal Khan
A C Lovell
M Mason
Lord Rothschild
N Sachdev
G D M Thomas
A White

Company secretary

S C Hilton-Knox was appointed company secretary on 15 June 2012

Disclosure of information to the auditors

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

Risks and uncertainties

The Group has identified the principal risks that it faces under nine areas

Risk	Nature of Risk	Impact	Mitigation	Reporting & Monitoring
Market and economic environment	- Political risk to green energy support - Strong competition - Electricity price may be reduced due to reducing oil and gas prices	- Reduced FITs/ROCs - Competition for sites and feedstock - Reduced income	- Offset by RHI regime available for gas to grid plants - Well capitalised and not restricted to debt financing - Able to achieve first mover advantage - Able to acquire competitors - Strong development team providing pipeline	- Membership of industry forums - Maintaining close contact with government departments
Attracting, developing and retaining staff	- A high calibre workforce is crucial to the Group achieving its aims	- Adverse impact on project delivery - Adverse impact on growth	- Remuneration system firmly linked to performance - Remuneration includes long-term incentives such as share option schemes - Continual formal performance appraisal system providing regular assessment of individual performance and options for personal development	- Remuneration Committee - Regular operational review - Board review - Performance reviews

Directors' report

Financial	- Currency rate risk - Liquidity risk - Counterparty risk - Management of working capital	- Potentially adverse impact on profit & loss and due to fluctuations in foreign exchange rates - Insufficient funding to enable the rollout of plants per the business plan - Failure of any financial institution or contractor in which funds are placed could result in the loss of those funds	- Continual monitoring of relevant foreign currency rates - Known foreign currency transactional exposures are managed via foreign forward exchange contracts - The company does not speculate with derivative instruments - Board and Investment Committee review forecasts, plant investments and the requirement for further funding - The Group carries out credit risk assessments on all its key suppliers - The Group reviews its treasury position daily and places surplus cash on short term deposits	- Daily treasury reviews - Weekly rolling cash forecasts - Investment Committee and Board reviews - Credit risk assessments - Audit Committee
Business development	- Planning permission - Capacity to develop - Competitor activity - Development failure and cost overruns - Time to develop	- Threat to portfolio build out rate	- Project and corporate public relations - Specialist third party consultants - Feedstock agreements - Strong development pipeline	- Regular Investment Committee and Board review - Project development dashboard
Technology	- Technology risk - Plant economics	- Technology which does not operate as intended - New innovations may allow more competitive solutions	- New technology assessed by an external expert prior to adoption - Develop relationships with independent research groups to ensure that emerging technology threats are identified early	- Expert and research group reports
Construction	- Counterparty risk - Serious accident or incident - Scope gaps on Construction Management contracts	- Cost and time penalties effecting speed of planned rollout	- Bonds and guarantees incorporated into contracts - Comprehensive health & safety policy - Move towards EPC contracts	- Investment Committee review - Health and Safety dashboard and log reviewed monthly by construction - Regular Board review
Feedstock	- Feedstock availability	- Reduced income as sites not able to operate at full capacity	- AD sites selected based on population and agricultural density	- Feedstock reports

Directors' report

Operational	- Serious harm to employees, customers, subcontractors, the public or the environment	- Exposure to significant potential liabilities and reputational damage	- Comprehensive health and safety policy - Health and safety audits and advisors - Training - Accident incidence rate is monitored closely in all operating companies	- Health and safety dashboard and log reviewed monthly by operations - Regular Board review
Legal	- Acquisition risk (misrepresentation by seller or breach of warranty) - Breach of contract	- Financial loss - Reputational damage - Consequential loss	- Warranties and indemnities sought - Counter party risk assessed - In-house Construction and Commercial lawyers provide expertise	- Review of all contracts by in-house legal department - Investment Committee and Board review

Going concern

The Board recognises the Group's exposure to liquidity risk and that the Group's ability to continue operating is dependent on there being sufficient cash to sustain day-to-day operations whilst seeking a route to developing the existing operations and new investment opportunities The Board continually monitors this situation, and further details of the Group's financial risk management objectives and policies are set out in note 24 to the financial statements

Auditors

A resolution to reappoint Ernst & Young LLP as auditors will be put to the members at the Annual General Meeting

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

On behalf of the Board

Alan C Lovell

A C Lovell - Director

Date 29 May 2013

Statement of directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable United Kingdom law and regulations Company law required the directors to prepare group financial statements for each financial year Under that law, the directors have elected to prepare group Financial Statements under International Financial Reporting Standards as adopted by the European Union

Under Company Law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and of the profit or loss of the Group for that period In preparing those financial statements the directors are required to

- present fairly the financial position, financial performance and cashflows of the Group,
- select suitable accounting policies in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors and then apply them consistently,
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information,
- provide additional disclosures when compliance with the specific requirements in IFRSs as adopted by the European Union is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the group's and company's financial position and financial performance,
- state that the company has complied with IFRSs, as adopted by the European Union subject to any material departures disclosed and explained in the financial statements, and
- make judgements that are reasonable

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group's and company's transactions and disclose with reasonable accuracy at any time the financial position of the group and 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 group and company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

Independent auditors' report

to the members of Tamar Energy Limited

We have audited the Group and Company financial statements of Tamar Energy Limited for the year ended 31 March 2013 which comprise the Group Income Statement, the Group Statement of Comprehensive Income, the Group and Parent Company Statement of Financial Position, the Group Statement of Changes in Equity, the Group and Parent Company Statement of Cash Flows and the related notes 1 to 28 The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union

This report is made solely to the Company's 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 set out on page 7, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error This includes an assessment of whether the accounting policies are appropriate to the Group's and Company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the Director, and the overall presentation of the financial statements In addition, we read all the financial and non-financial information in the report and financial statements to identify material inconsistencies with the audited financial statements If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report

Opinion on the financial statements

In our opinion the financial statements

- give a true and fair view of the state of the Group's and Company's affairs as at 31 March 2013 and of the loss of the Group for the year then ended,
- have been properly prepared in accordance with IFRSs as adopted by the European Union, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

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

Independent auditors' report

to the members of Tamar Energy Limited Limited

Matters on which we are required to report by exception

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

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

Ernst + Young LLP

Paul Wallek (Senior Statutory Auditor)
For and on behalf of Ernst & Young LLP (Statutory Auditor)
London

30/5/13

Group income statement

for the year ended 31 March 2013

	Notes	Year ended 31 March 2013 £	Period ended 31 March 2012 £
Revenue	3	1,140,838	–
Cost of sales		(1,019,498)	–
Gross profit		121,340	–
Administrative expenses		(4,584,786)	(230,416)
Development expenditure		(1,976,258)	(232,863)
Other operating income	4	–	8,876
Group operating loss from continuing operations	5	(6,439,704)	(454,403)
Finance income	8	135,195	3,617
Finance costs	9	(210,438)	(15,973)
Exceptional item	6	(869,484)	(218,251)
Loss from continuing operations before taxation		(7,384,431)	(685,010)
Income tax	10	880,048	110,643
Loss for the year		(6,504,383)	(574,367)
Loss for the year attributable to			
Owners of the parent		(6,466,607)	(574,367)
Non-controlling interests		(37,776)	–
		(6,504,383)	(574,367)

Group statement of comprehensive income

for the year ended 31 March 2013

	Year ended 31 March 2013 £	Period ended 31 March 2012 £
Loss for the year	(6,504,383)	(574,367)
Other comprehensive income	–	–
Total comprehensive income for the year	(6,504,383)	(574,367)
Attributable to		
Owners of the parent	(6,466,607)	(574,367)
Non-controlling interests	(37,776)	–
	(6,504,383)	(574,367)

Group statement of financial position

at 31 March 2013

	Notes	2013 £	2012 £
Assets			
Non-current assets			
Property, plant and equipment	12	13,893,506	11,368
Intangible assets	13	7,983,570	5,071,572
Investments	16	160,750	–
Deferred tax asset	10	1,377,397	491,940
		23,415,223	5,574,880
Current assets			
Inventories	18	226,108	–
Trade and other receivables	19	4,411,302	318,790
Cash and cash equivalents	20	6,820,777	14,823,794
		11,458,187	15,142,584
Total assets		34,873,410	20,717,464
Equity and liabilities			
Equity			
Equity share capital	25	296,101	174,292
Share premium		29,818,782	17,186,252
Other reserves		1,123,012	915,361
Retained earnings		(7,040,974)	(574,367)
Equity attributable to owners of the parent		24,196,921	17,701,538
Non-controlling interests		(35,165)	–
Total equity		24,161,756	17,701,538
Liabilities			
Non-current liabilities			
Financial liabilities	22	3,006,734	2,544,639
Deferred tax liabilities	10	148,873	–
		3,155,607	2,544,639
Current liabilities			
Trade and other payables	21	7,064,465	471,287
Financial liabilities	22	491,582	–
		7,556,047	471,287
Total liabilities		10,711,654	3,015,926
Total equity and liabilities		34,873,410	20,717,464

The financial statements were approved by the Board of Directors on 29 May 2013 and were signed on its behalf by A C Lovell, Director

Alan C Lovell

Registered No 07703877

Company statement of financial position

at 31 March 2013

	Notes	2013 £	2012 £
Assets			
Non-current assets			
Property, plant and equipment	12	4,594,447	6,482
Financial assets	15	2,741,230	–
Investments	16	10,613,640	4,523,100
Deferred tax asset	10	1,321,610	108,473
		19,270,927	4,638,055
Current assets			
Inventories	18	215,279	–
Trade and other receivables	19	5,476,972	134,445
Cash and short-term equivalents	20	6,287,033	14,756,599
		11,979,284	14,891,044
Total assets		31,250,211	19,529,099
Equity and liabilities			
Equity			
Equity share capital	25	296,101	174,292
Share premium		29,818,782	17,186,252
Other reserves		1,123,012	915,361
Retained earnings		(5,948,497)	(525,083)
Total equity		25,289,398	17,750,822
Liabilities			
Non-current liabilities			
Financial liabilities	22	1,976,988	1,584,639
Current liabilities			
Trade and other payables	21	3,723,218	193,638
Financial liabilities	22	260,607	–
		3,983,825	193,638
Total liabilities		5,960,813	1,778,277
Total equity and liabilities		31,250,211	19,529,099

The financial statements were approved by the Board of Directors on 29 May 2013 and were signed on its behalf by A C Lovell, Director

Alan C Lovell

Registered No 07703877

Group statement of changes in equity

for the year ended 31 March 2013

Group	*Equity share capital* £	*Share premium* £	*Other reserves* £	*Retained earnings* £	*Shareholders equity* £	*Non-controlling interests* £	*Total equity* £
At 13 July 2011	–	–	–	–	–	–	–
Total comprehensive income	–	–	–	(574,367)	(574,367)	–	(574,367)
Shares issued during the period	134,292	13,226,252	–	–	13,360,544	–	13,360,544
Issue of shares related to business combinations	40,000	3,960,000	–	–	4,000,000	–	4,000,000
Equity component of convertible loan notes issued	–	–	915,361	–	915,361	–	915,361
At 31 March 2012	174,292	17,186,252	915,361	(574,367)	17,701,538	–	17,701,538
Total comprehensive income	–	–	–	(6,466,607)	(6,466,607)	(37,776)	(6,504,383)
Shares issued during the year (note 25)	121,809	12,632,530	–	–	12,754,339	–	12,754,339
Equity component of convertible loan notes issued	–	–	207,651	–	207,651		207,651
Acquisition subsidiaries	–	–	–	–	–	2,611	2,611
At 31 March 2013	296,101	29,818,782	1,123,012	(7,040,974)	24,196,921	(35,165)	24,161,756

Company statement of changes in equity

for the year ended 31 March 2013

Company	*Equity share capital* £	*Share premium* £	*Other reserves* £	*Retained earnings* £	*Shareholders equity* £
At 13 July 2011	–	–	–	–	–
Total comprehensive income	–	–	–	(525,083)	(525,083)
Shares issued during the period	134,292	13,226,252	–	–	13,360,544
Issue of shares related to business combinations	40,000	3,960,000	–	–	4,000,000
Equity component of convertible loan notes issued	–	–	915,361	–	915,361
At 31 March 2012	174,292	17,186,252	915,361	(525,083)	17,750,822
Total comprehensive income	–	–	–	(5,423,414)	(5,423,414)
Shares issued during the year (note 25)	121,809	12,632,530	–	–	12,754,339
Equity component of convertible loan notes issued	–	–	207,651	–	207,651
At 31 March 2013	296,101	29,818,782	1,123,012	(5,948,497)	25,289,398

Group statement of cash flows

For the year ended 31 March 2013

	Notes	*Year ended 31 March 2013* £	*Period ended 31 March 2012* £
Operating activities			
Loss for the year before tax		(7,384, 431)	(685,010)
Depreciation and amortisation		237,017	498
Loss on disposal of property, plant and equipment		1,010	–
Finance costs		· 210,438	15,973
Finance income		(135,195)	(3,617)
Loss on forward exchange contracts marked to market		260,607	–
Working capital adjustments			
Increase in inventories		(226,108)	–
Increase in trade and other receivables		(4,092,512)	(137,189)
Increase in trade and other payables		7,040,497	212,059
Cash generated from operations		(4,088,677)	(597,286)
Income taxes paid		–	–
Net cash from operating activities		(4,088,677)	(597,286)
Investing activities			
Acquisition of subsidiary net of cash acquired		(4,245,124)	(435,803)
Acquisition of intangible asset		(300,000)	–
Acquisition of associate		(100,000)	–
Acquisition of trade investment		(1,000)	–
Purchase of property, plant and equipment		(14,116,294)	(4,736)
Interest paid		(130,038)	–
Increase in external loans		1,187,861	–
Interest received		135,195	1,075
Net cash flow from investing activities		(17,569,400)	(439,464)
Financing activities			
Proceeds from issue of share capital	25	12,754,339	13,360,544
Increase in external loans		300,721	–
Proceeds from issue of convertible loan notes		600,000	2,500,000
Net cash flow from financing activities		13,655,060	15,860,544
Net increase in cash and cash equivalents		(8,003,017)	14,823,794
Cash and cash equivalents at beginning of year	20	14,823,794	–
Cash and cash equivalents at 31 March		6,820,777	14,823,794

Company statement of cash flows

for the year ended 31 March 2013

	Notes	Year ended 31 March 2013 £	Period ended 31 March 2012 £
Operating activities			
Loss for the year before tax		(6,636,555)	(656,656)
Depreciation		28,468	197
Finance costs		169,134	12,329
Finance income		(181,007)	(3,614)
Loss on forward exchange contracts marked to market		260,607	–
Transfer of property, plant and equipment from subsidiary		–	(1,943)
Working capital adjustments			
Increase in inventories		(215,279)	–
Increase in trade and other receivables		(2,039,592)	(131,903)
Increase in trade and other payables		3,417,970	181,308
Cash generated from operations		(5,196,254)	(600,282)
Income taxes paid		–	–
Net cash from operating activities		(5,196,254)	(600,282)
Investing activities			
Acquisition of subsidiary net of cash acquired		(4,249,289)	(499,999)
Acquisition of associate		(100,000)	–
Acquisition of trade investment		(1,000)	–
Purchase of property, plant and equipment		(4,616,433)	(4,736)
Interest paid		(123,271)	–
Interest received		135,147	1,072
Net cash flow from investing activities		(8,954,846)	(503,663)
Financing activities			
Proceeds from issue of share capital	25	12,754,339	13,360,544
Increase in loans from group undertakings		(7,672,804)	–
Proceeds from issue of convertible loan notes		600,000	2,500,000
Net cash flow from financing activities		5,681,535	15,860,544
Net increase in cash and cash equivalents		(8,469,566)	14,756,599
Cash and cash equivalents at beginning of year	20	14,756,599	–
Cash and cash equivalents at 31 March		6,287,033	14,756,599

Notes to the financial statements

at 31 March 2013

1. General information

Tamar Energy limited is a private company incorporated and domiciled in England and Wales The address of the Company's registered office is Bridge House, London Bridge, London SE1 9QR

The principal activity of the company and its subsidiaries is the acquisition, development, construction and operation of anaerobic digestion and composing plants and their related activities The group's interests are located in the UK The principal accounting policies adopted by the group are set out in note 2

2. Accounting policies

Statement of compliance

The group financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and Interpretations issued by the International Financial Reporting Interpretation Committee (IFRICs) as adopted by the European Union and applied in accordance with the Companies Act 2006 as they apply to the financial statements of the Group and company for the year ended 31 March 2013

Basis of preparation

The Group and company of financial statements are prepared on the historical cost basis, as modified by the valuation of intangible assets acquired in business combinations, and the revaluation of certain financial instruments The financial statements are presented in Sterling

No income statement is presented for Tamar Energy Limited as permitted by Section 408 of the Companies Act 2006

Basis of consolidation

The group financial statements comprise the financial statements of Tamar Energy Limited and all of its subsidiaries as at 31 March 2013 Subsidiary undertakings acquired during the period are recorded under the acquisition method of accounting, and their results consolidated from the date of acquisition, being the date on which the company obtains control, and continue to be consolidated until the date such control ceases

The financial statements of the subsidiaries are prepared for the same reporting period as the parent undertaking, using consistent accounting policies

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated in full

Business combinations

All business combinations are accounted for by applying the acquisition method of accounting The cost of the acquisition is measured at the aggregate of fair values, at the date of exchange of assets given, liabilities assumed, and equity instruments issued by the group in exchange for control of the acquire The acquiree's identifiable assets, liabilities, and contingent liabilities that meet the conditions for recognition under IFRS 3 are recognised at their fair value at the acquisition date All costs directly attributable to the business combination are recorded in the Income Statement

Notes to the financial statements

at 31 March 2013

2 Accounting policies (continued)

New and amended standards and interpretations

The accounting policies adopted are consistent with those of the previous financial year, except for the following amendments to IFRS effective as of 1 January 2012

- IAS 12 *Income Taxes (Amendment) – Deferred Taxes Recovery of Underlying Assets*

The amendment clarified the determination of deferred tax on investment property measured at fair value and introduces a rebuttable presumption that deferred tax on investment property measured using the fair value model in IAS 40 should be determined on the basis that its carrying amount will be recovered through sale It includes the requirement that deferred tax on non-depreciable assets that are measured using the revaluation model in IAS 16 should always be measured on a sale basis The amendment is effective for annual periods beginning on or after 1 January 2012 and there has been no effect on the group's financial position, performance or its disclosures

Standards issued but not yet effective

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

IAS 1 Presentation of Items of Other Comprehensive Income – Amendments to IAS 1

The amendments to IAS 1 change the grouping of items presented in other comprehensive income (OCI) Items that could be reclassified (or 'recycled') to profit or loss at a future point in time (for example, net gain on hedge of net investment, exchange differences on translation of foreign operations, net movement on cash flow hedges and net loss or gain on available-for-sale financial assets) would be presented separately from items that will never be reclassified (for example, actuarial gains and losses on defined benefit plans and revaluation of land and buildings) The amendment affects presentation only and has no impact on the Group's financial position or performance The amendment becomes effective for annual periods beginning on or after 1 July 2012, and will therefore be applied in the Group's first annual report after becoming effective

IAS 28 Investments in Associates and Joint Ventures (as revised in 2011)

As a consequence of the new IFRS 11 Joint Arrangements, and IFRS 12 Disclosure of Interests in Other Entities, IAS 28 Investments in Associates, has been renamed IAS 28 Investments in Associates and Joint Ventures, and describes the application of the equity method to investments in joint ventures in addition to associates The revised standard becomes effective for annual periods beginning on or after 1 January 2013

IFRS 11 Joint Arrangements

IFRS 11 replaces IAS 31 Interests in Joint Ventures and SIC-13 Jointly-controlled Entities — Non-monetary Contributions by Venturers IFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation Instead, JCEs that meet the definition of a joint venture must be accounted for using the equity method This standard becomes effective for annual periods beginning on or after 1 January 2013, and is to be applied retrospectively for joint arrangements held at the date of initial application

Notes to the financial statements

at 31 March 2013

2. Accounting policies (continued)

***New and amended standards and interpretations** (continued)*

IFRS 12 Disclosure of Interests in Other Entities

IFRS 12 includes all of the disclosures that were previously in IAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in IAS 31 and IAS 28 These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities A number of new disclosures are also required, but has no impact on the Group's financial position or performance This standard becomes effective for annual periods beginning on or after 1 January 2013

IFRS 13 Fair Value Measurement

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted The Group is currently assessing the impact that this standard will have on the financial position and performance, but based on the preliminary analyses, no material impact is expected This standard becomes effective for annual periods beginning on or after 1 January 2013

Annual Improvements May 2012

These improvements will not have an impact on the Group, but include

IFRS 1 First-time Adoption of International Financial Reporting Standards

This improvement clarifies that an entity that stopped applying IFRS in the past and chooses, or is required, to apply IFRS, has the option to re-apply IFRS 1 If IFRS 1 is not re-applied, an entity must retrospectively restate its financial statements as if it had never stopped applying IFRS

IAS 1 Presentation of Financial Statements

This improvement clarifies the difference between voluntary additional comparative information and the minimum required comparative information Generally, the minimum required comparative information is the previous period

IAS 16 Property Plant and Equipment

This improvement clarifies that major spare parts and servicing equipment that meet the definition of property, plant and equipment are not inventory

IAS 32 Financial Instruments, Presentation

This improvement clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with IAS 12 Income Taxes

The Directors do not anticipate that the adoption of the above standards and interpretations will have a material impact on the Group's financial statements in the period of initial application

Notes to the financial statements

at 31 March 2013

2. Accounting policies (continued)

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any provision for impairment losses Cost comprises the aggregate amount paid and the fair value of any other consideration given to acquire the asset and includes costs directly attributable to making the asset capable of operating as intended

Items of property, plant and equipment are depreciated to their estimated residual values on a straight line basis over their expected useful lives The depreciation methods, estimated remaining useful lives and residual values are reviewed at each reporting date, taking account technological innovations and asset maintenance programmes A change resulting from the review is treated as a change in accounting estimate The depreciation expense is recognised in the income statement

Depreciation commences when an asset is available for use The following depreciation rates apply

Computer equipment	–	50% per annum
Fixtures and fittings	–	33% per annum
Plant and equipment	–	14% per annum
Motor vehicles	–	14% per annum
Leasehold improvements	–	over the period of the lease
Land and buildings	–	4% per annum

Land is not depreciated

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected through its continued use or disposal Gains or losses which arise on de-recognition are included in the income statement in the period of de-recognition The gain or loss is calculated as the difference between the net disposal proceeds and the carrying amount of the item as at the date of sale

Anaerobic digestion plants are recognised in the statement of financial position at the point at which they are considered to be virtually certain to proceed to completion Expenses incurred prior to the point of virtual certainty are charged against income when incurred

Impairment of non-financial assets

Impairment of non-financial assets is reviewed at each reporting date or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable, to determine whether there is any indication of impairment If any such indication exists, the recoverable amount of the asset is estimated

If the recoverable amount of the asset is estimated to be less than the carrying amount, the carrying amount of the asset or cash-generating unit is reduced to the recoverable amount The impairment is recognised in the income statement as an expense Recoverable amounts are estimated for individual assets or, where an individual asset cannot generate cash flows independently, the recoverable amount is determined for the larger cash-generating unit to which the asset belongs

A previously recognised impairment will be reversed insofar as estimates change as a result of an event occurring after the impairment was recognised An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised A reversal of impairment is recognised in the income statement

Notes to the financial statements

at 31 March 2013

2. Accounting policies (continued)

After recognition of an impairment loss, the depreciation or amortisation charge for the asset is adjusted in the future periods to allocate the asset's revised carrying amount, less its residual value, on a systematic basis over its useful life

Hire purchase and leasing commitments

Assets held under finance leases, which transfer to the group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease, with a corresponding liability being recognised for the lower of the fair value of the leased asset and the present value of the minimum lease payments Lease payments are apportioned between the reduction of the lease liability and finance charges in the income statement so as to achieve a constant rate of interest on the remaining balance of the liability Assets held under finance leases are depreciated over the shorter of the estimated useful life of the asset and the lease term

Rentals paid under operating leases are charged to the consolidated income statement on a straight-line basis over the period of the lease

Goodwill

Goodwill represents the excess of the consideration transferred over the fair value of the identifiable assets acquired and liabilities assumed on the acquisition of a subsidiary Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses Goodwill which is recognised as an asset is reviewed for impairment at least annually Any impairment in value is charged to the consolidated income statement

Other intangible assets

Other intangible assets comprise the fair value of a long term operating lease and are recorded at cost on initial recognition Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and impairment losses

The useful life of the long term operating lease is finite It is amortised over the lease term and assessed for impairment whenever there is an indication that it may be impaired Amortisation begins when the asset is available for use and shall cease at the earlier of the date the asset is classified as held for sale and the date the asset is derecognised Impairment of intangible assets is assessed in terms of note 14

The amortisation period is reviewed annually Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method as appropriate, and treated as a change in accounting estimate

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the income statement when the asset is derecognised

Investments in subsidiaries

Subsidiary undertakings are all entities over which the group has the power to govern the financial and operating policies so as to obtain benefit from their activities

The investments in subsidiaries held by the company are valued at cost less any provision for impairment that is considered to have occurred, the resultant loss being recognised in the income statement

Notes to the financial statements

at 31 March 2013

2 Accounting policies (continued)

Financial instruments

Financial instruments recognised on the balance sheet include loans receivable, accounts receivable, cash and cash equivalents, loans payable, accounts payable and other financial liabilities

Initial recognition and measurement

Financial assets and financial liabilities are recognised on the balance sheet when the group becomes party to the contractual provisions of the instrument Financial instruments are initially recorded at fair value plus, in the case of a financial asset or financial liability not at fair value through profit and loss, directly attributable transaction costs Subsequent measurement and impairment for each classification is specified in the sections below

All regular way purchases and sales of financial assets are recognised on the trade date i e the date that the Group commits to purchase or sell the financial asset

De-recognition of financial assets and liabilities

A financial asset, or a portion of a financial asset, is derecognised where

- The rights to receive cash flows from the asset have expired,
- The group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement, or
- The group has transferred the rights to receive cash flows from the asset and either

  (i) has transferred the substantially all the risks and rewards of the asset or

  (ii) has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset

A financial liability is de-recognised when the obligation under the liability is discharged, cancelled or has expired

Fair value

The fair value of investments, where there is no active market, is determined using valuation techniques Such techniques include using the recent arm's length market transactions, reference to the current market value of another instrument, which is substantially the same, discounted cash flow analysis and option pricing models Equity investments for which fair values cannot be reliably measured are recognised at cost less impairment

Financial assets at fair value through profit or loss

The group classifies its derivatives in the form of forward exchange contracts, as held-for-trading financial assets or financial liabilities The group has not elected to designate any other financial instruments in this category

The fair value of forward exchange contracts is calculated by reference to current forward exchange contracts traded in the open market with similar maturity profiles, at the balance sheet date Those with positive values are recognised as current assets and those with negative values are recognised as current liabilities Gains and losses arising from changes in the fair value are recognised in the income statement

Notes to the financial statements

at 31 March 2013

2. Accounting policies (continued)

Financial instruments (continued)

Loans and receivables

Loans receivable, accounts receivable and cash and cash equivalents are classified as loans and receivables Cash and cash equivalents comprise cash on hand Subsequent to initial measurement, loans and receivables are carried at amortised cost using the effective interest rate method Gains and losses are recognised in income when the loans and receivables are derecognised or impaired, as well as through the amortisation process

Loans and receivables reflected on the balance sheet are net of an allowance for uncollectible amounts

Financial liabilities

Loans and accounts payables are classified as financial liabilities and are subsequently measured at amortised cost Gains and losses are recognised in income when the financial liabilities are derecognised or impaired as well as through the amortisation process

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 Group after deducting all of its liabilities Any instrument that includes a repayment obligation is classified as a liability

Where the contractual liabilities of financial instruments (including share capital) are equivalent to a similar debt instrument, those financial instruments are classified as financial liabilities, and are presented as such in the statement of financial position Finance costs and gains or losses relating to financial liabilities are included in the income statement 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 features meeting the definition of a financial liability then such capital is classed as an equity instrument Dividends and distributions relating to equity instruments are debited direct to equity

Impairment of financial assets

The group's financial assets are reviewed at each reporting date or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable, to determine whether or not there is any indication of impairment

Assets carried at amortised cost

If there is objective evidence that an impairment loss has been incurred, it is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate The loss is recognised in profit or loss

The group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment

Notes to the financial statements

at 31 March 2013

2. Accounting policies (continued)

Impairment of financial assets (continued)

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed Any subsequent reversal of an impairment loss is recognised in the income statement, to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date

Assets carried at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument held at cost, then the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset The loss is recognised in profit or loss Such impairment losses are not reversed

Compound instruments

Compound financial instruments, being convertible loans, comprise both liability and equity components

For compound instruments including equity components, at issue date the fair value of the liability component is estimated by discounting its future cash flows at an interest rate that would have been payable on a similar debt instrument without any equity conversion option The liability component is accounted for as a financial liability The difference between the net issue proceeds and the liability component, at the time of issue, is the residual or equity component, which is accounted for as an equity reserve

Inventory

Inventory consists of raw materials in the form of feedstock and finished goods Inventory is valued at the lower of cost and net realisable value Write-downs to net realisable value and inventory losses are expenses in the period in which the write-downs or losses occur Net realisable value is the estimated selling price in the ordinary course of business, less necessary costs to make the sale

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand

Equity

Equity comprises the following

- "Share capital" represents the nominal value of equity shares, consisting of investor ordinary shares, performance shares, sponsor warrant shares, management warrant shares and loan enforcement shares
- "Share premium" represents the excess over nominal value of the fair value of consideration received for equity shares consisting of investor ordinary shares, performance shares and loan enforcement shares, net of expenses of the share issues
- "Other reserves" represents the equity component of convertible loan notes issued
- "Retained earnings" include all current results as disclosed in the consolidated income statement

Notes to the financial statements

at 31 March 2013

2. Accounting policies (continued)

Taxation

Current taxes are based on the results shown in the financial statements and are calculated using tax rates enacted or substantially enacted by the period end

The charge for taxation is based on the profit or loss for the period and takes into account taxation deferred because of timing differences between the treatment of certain items for accounting and taxation purposes

Provision is made at current rates for deferred tax in respect of all timing differences that have originated but not reversed at the period end Deferred tax assets are only recognised to the extent that they are regarded as recoverable

Revenue recognition

Revenue is recognised to the extent it is probable that the economic benefits will flow to the group and the revenue can be reliably measured Revenue is measured at the fair value of the consideration received or receivable, excluding discounts and value added tax

Services rendered

Revenue earned from gate fees is recognised when the service is rendered

Sale of goods

Revenue from the sale of compost is recognised when the significant risks and rewards of ownership have been transferred to the customer This is considered to occur when the product is physically transferred to the customer

Interest

Interest is accrued and recognised on a time-proportion basis at the effective rate implicit in the instrument

Employee benefit costs

The group operates a defined contribution pension scheme Contributions payable to the group's pension scheme are charged to the consolidated income statement in the period to which they relate

Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency at exchange rates prevailing at the date of the transaction Monetary assets and liabilities are translated at exchange rates prevailing at the balance sheet date Non-monetary items carried at cost are translated using the exchange rate at the date of the transaction, whilst assets carried at fair value are translated at the exchange rates when the fair value was determined

Notes to the financial statements

at 31 March 2013

2 Accounting policies (continued)

Significant accounting estimates and assumptions

The preparation of financial statements in conformity with IFRSs requires the management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values that not readily apparent from other sources Actual results may differ from these estimates

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

The most critical accounting policies and estimates in determining the financial condition and results of the group are those requiring a greater degree of subjective or complete judgement These relate to

- Impairment reviews covering investments, goodwill and other intangible assets
- Fair values of acquired investments
- Capitalisation and depreciation of property, plant and equipment
- Calculation of the equity component of convertible loan notes

3. Revenue

	2013	*2012*
	£	*£*
Sale of goods and services	1,140,838	–

4. Other operating income

	2013	*2012*
	£	*£*
Rents received	–	8,876

5. Group operating loss

This is stated after charging/(crediting)

	2013	*2012*
	£	*£*
Depreciation owned assets	193,915	498
Depreciation leased assets	39,231	–
Amortisation of intangible assets	3,538	–
Total depreciation and amortisation expense	237,017	498
Operating lease payments	171,536	14,019
Operating lease income	–	(8,876)
Auditors' remuneration	87,850	25,000
Auditors' remuneration for non-audit services	54,067	9,200

Notes to the financial statements

at 31 March 2013

6. Exceptional item

	2013	2012
	£	£
Legal fees – mergers & acquisition	468,877	218,251
Professional fees – debt financing	140,000	–
Loss on valuation of FECs	260,607	–
	869,484	218,251

7. Staff costs and directors' emoluments

	2013	2012
	£	£
Wages and salaries	2,787,577	75,569
Social security costs	249,456	8,811
	3,037,032	84,380

The average monthly number of employees during the year was made up as follows

	2013	2012
	No	No
Directors and administrative staff	28	2
Operating staff	22	1
	50	3

Directors' remuneration	603,414	53,982
Employer's national insurance	60,395	7,157
Directors' pension contributions	16,495	1,000

The number of directors to whom retirement benefit were accruing was 3 (2012 2)

The highest paid director received aggregate remuneration of £207,955, and pension contributions of £nil

8 Finance income

	2013	2012
	£	£
Interest receivable	135,195	3,617

Notes to the financial statements

at 31 March 2013

9. Finance costs

	2013 £	2012 £
Interest on loans	210,438	15,973

10. Tax

(a) Tax charged/(credited) in the income statement

	2013 £	2012 £
Current tax		
UK corporation tax	3,129	–
Deferred tax:		
Origination and reversal of temporary differences	(885,501)	(110,643)
Impact of change in tax rates	2,324	–
Total deferred tax	(883,177)	(110,643)
Income tax charge/(credit) in the income statement	(880,048)	(110,643)

(b) Reconciliation of the total tax charge

The tax expense in the income statement for the year is higher than the standard rate of corporation tax in the UK of 24% (2012 – 26%) The differences are reconciled below

	2013 £	2012 £
Accounting loss before income tax	(7,384,431)	(685,010)
At UK standard rate of corporation tax of 24% (2012 – 26%)	(1,772,264)	(178,103)
Effects of		
Expenses not deductible for tax purposes	–	59,925
Capital allowances in excess of depreciation	–	(1,685)
Other timing differences	–	9,220
Adjustments in respect of previous periods	384,653	–
Permanent differences	328,214	–
Impact of change in tax rates on income statement	2,324	–
Losses generated not utilised	20,155	–
Losses carried back into pre-acquistion period	99,406	–
Impact of change in tax rates on losses	57,464	–
Total tax expense reported in the income statement	(880,048)	(110,643)

Notes to the financial statements

at 31 March 2013

10. Tax (continued)

(c) Deferred tax

The deferred tax included in the group and company Statement of Financial Position relates to the following

	Group 2013	Group 2012	Company 2013	Company 2012
	£	£	£	£
Deferred tax asset				
Accelerated capital allowances	53,670	–	–	–
Pre-trading expenditure/tax losses	1,323,727	491,940	1,267,940	108,473
	1,377,397	491,940	1,321,610	108,473
Deferred tax liability				
Accelerated capital allowances	(79,873)			
Intangible assets	(69,000)	–	–	–

The deferred tax included in the group Income Statement relates to the following

	Group 2013	Group 2012
	£	£
Accelerated capital allowances	53,670	–
Pre-trading expenditure/tax losses	831,787	110,643
Impact of rate change	(2,280)	–
	883,177	110,643

(d) Factors that may affect future tax charges

At the year end there were group deductible temporary differences totalling approximately £5,755,335 arising in relation to pre-trading expenditure which are anticipated to crystallise and become available for set off against future taxable profits The related deferred tax asset of £1,323,727 has been recognised in respect of these losses as the directors consider the level and timing of future profits to be sufficiently certain to allow recognition of the deferred tax asset

From 1 April 2013, the main UK corporation tax rate will be 23%, subsequently reducing to 21% in 2014 and 20% in 2015 The change in the main UK rate to 23% was substantively enacted as at the balance sheet date This change will impact the reversal of the temporary differences from this date onwards, reducing the Group's deferred tax assets and liabilities from the year ended 31 December 2012 The subsequent reduction was included within the Finance Bill 2013 and therefore is not yet substantively enacted, and so is not reflected in these financial statements

11. Loss of parent company

As permitted by Section 408 of the Companies Act 2006, the income statement of the parent company is not presented as part of these financial statements The parent company's loss for the financial year was £5,423,414 (2012 – loss £525,083)

Notes to the financial statements

at 31 March 2013

12. Property, plant and equipment

Group	*Plant under construction* £	*Leasehold improvements* £	*Land and Buildings* £	*Computer equipment* £	*Plant and equipment* £	*Motor vehicles* £	*Fixtures and fittings* £	*Total* £
Cost:								
At 13 July 2011	–	–	–	–	–	–	–	–
Additions	–	–	–	4,736	–	–	–	4,736
Acquisition of subsidiary	–	–	–	3,780	–	–	5,663	9,443
At 1 April 2012	–	–	–	8,516	–	–	5,663	14,179
Additions	9,549,486	227,013	2,100	134,094	–	–	38,447	9,951,140
Acquisition of subsidiary	–	1,400	2,489,393	–	1,663,436	3,721	7,204	4,165,154
Disposals	–	–	–	–	–	–	(1,225)	(1,225)
At 31 March 2013	9,549,486	228,413	2,491,493	142,610	1,663,436	3,721	50,089	14,129,248
Depreciation:								
At 13 July 2011	–	–	–	–	–	–	–	–
Provided during the year	–	–	–	197	–	–	301	498
On acquisition of subsidiary	–	–	–	1,837	–	–	476	2,313
At 1 April 2012	–	–	–	2,034	–	–	777	2,811
Provided during the year	–	12,448	22,605	29,711	160,432	627	7,323	233,146
Disposals	–	–	–	–	–	–	(215)	(215)
At 31 March 2013	–	12,448	22,605	31,745	160,432	627	7,885	235,742
Net book value:								
At 31 March 2013	9,549,486	215,965	2,468,888	110,865	1,503,004	3,094	42,204	13,893,506
At 1 April 2012	–	–	–	6,482	–	–	4,886	11,368

Notes to the financial statements

at 31 March 2013

12. Property, plant and equipment (continued)

Company	*Plant under construction* £	*Leasehold improvements* £	*Fixtures and fittings* £	*Computer equipment* £	*Total* £
Cost:					
At 13 July 2011	–	–	–	–	–
Additions	–	–	–	4,736	4,736
Additions on acquisition of subsidiary	–	–	–	3,780	3,780
At 1 April 2012	–	–	–	8,516	8,516
Additions	4,360,879	118,190	25,870	115,416	4,620,355
Transfer to group undertaking	–	–	(1,690)	(2,562)	(4,252)
At 31 March 2013	4,360,879	118,190	24,180	121,370	4,624,619
Depreciation:					
At 13 July 2011	–	–	–	–	–
Provided during the year	–	–	–	197	197
Acquisition of subsidiary	–	–	–	1,837	1,837
At 1 April 2012	–	–	–	2,034	2,034
Provided during the year	–	–	300	28,168	28,468
Transfer to group undertaking	–	–	(188)	(142)	(330)
At 31 March 2013	–	–	112	30,060	30,172
Net book value at 31 March 2013	4,360,879	118,190	24,068	91,310	4,594,447
Net book value at 1 April 2012	–	–	–	6,482	6,482

Assets held under finance leases

The carrying value of plant and equipment held under finance leases and hire purchase contracts at 31 March 2013 by the group was £490,965 (2012 nil)

Notes to the financial statements

at 31 March 2013

13 Intangible assets

Group	*Goodwill* £	*Other* £	*Total* £
Cost:			
At 13 July 2011	–	–	–
Additions	5,071,572	–	5,071,572
At 1 April 2012	5,071,572	–	5,071,572
Additions	2,615,536	300,000	2,915,536
At 31 March 2013	7,687,108	300,000	7,987,108
Amortisation:			
At 13 July 2011	–	–	–
Provided during the year	–	–	–
At 1 April 2012	–	–	–
Provided during the year	–	3,538	3,538
At 31 March 2013	–	3,538	3,538
Net book value:			
At 31 March 2013	7,687,108	296,462	7,983,570
At 1 April 2012	5,071,572	–	5,071,572

Impairment tests for goodwill

Goodwill is reviewed annually for impairment, and where applicable, any impairment change in included in the consolidated income statement (see note 14)

Other intangible assets

Other intangible assets relates to the fair value of a long term operating lease on acquisition

14. Impairment of goodwill and other intangible assets

Goodwill acquired through business combinations and other intangible assets have been allocated for impairment testing purposes to

- the projects acquired as part of Adgen Energy Limited which are in development or construction at the balance sheet date,
- the Tamar Organics Group as a whole, and
- the Ongar site

These represent the lowest level within the group at which goodwill is monitored for internal management purposes

The group performed its annual impairment test as at 31 March 2013 The recoverable amount of the goodwill was determined by using a discounted cash flow calculation The calculation uses projected cash flows based on historical information and financial budgets covering a 20 year period Cash flows are discounted at a nominal rate of 10%

Notes to the financial statements

at 31 March 2013

15. Financial assets

		Group		Company
	2013	2012	2013	2012
	£	£	£	£
Financial assets – non-current				
Loans to group undertakings	–	–	2,741,230	–

Details of the terms of these loans are given in note 26

16. Investments

		Group		Company
	2013	2012	2013	2012
	£	£	£	£
Trade investment	10,000	–	10,000	–
Investment in associates	150,750	–	150,750	–
Investment in subsidiaries	–	–	10,452,890	4,523,100
	160,750	–	10,613,640	4,523,100

(a) Investment in associates

The group has a 25% interest in Carousel Renewables Limited which is involved in the treatment and disposal of non-hazardous waste

The following table illustrates summarised financial information of the group's investment in Carousel Renewables Limited

	2013	2012
	£	£
Share of the associate's balance sheet		
Non-current assets	31,861	–
Current assets	–	–
Current liabilities	–	–
Non-current liabilities	–	–
Share of net assets	31,861	–
Share of the associate's results		
Revenue	–	–
Profit for the year	–	–

Notes to the financial statements

at 31 March 2013

16. Investments (continued)

(b) Investment in subsidiary undertakings

Details of the investments in which the group holds 50% or more of the nominal value of any class of share capital are as follows

Name of company	*Holding*	*Proportion of voting rights and shares held*	*Nature of business*
Adgen Energy Limited	Ordinary shares	100%	Anaerobic digestion plants
Holbeach Biogas Limited	Ordinary shares	95%	Anaerobic digestion plants
Sutton Grange AD Limited	A Ordinary shares	72 5%	Anaerobic digestion plants
Tamar Organics Limited	Ordinary shares	100%	Waste collection, recycling & treatment services
Tamar Recycling (Suffolk) Limited#	Ordinary shares	100%	Waste collection, recycling & treatment services
Tamar Composting (East Anglia Limited#	Ordinary shares	100%	Waste disposal & recycling services
Tamar Renewable Power (Essex) Limited#	Ordinary shares	100%	Dormant
T J Composting Group Limited#	Ordinary shares	100%	Dormant
T J Composting Services Limited#	Ordinary shares	100%	Dormant
The Beddingham Compost Company Ltd#	Ordinary shares	100%	Dormant

Held by a subsidiary undertaking

(c) Trade investment

The company owns 1 A share in Green Gas Trading Limited

Notes to the financial statements

at 31 March 2013

17 Business combinations

Acquisitions during the year ended 31 March 2013

On 31 October 2012, the Company acquired 100% of the share capital of Tamar Organics Limited, a private company incorporated based in England, having operations in the UK The business combination has been accounted for using the acquisition accounting method The consideration of £4,249,289 was satisfied by cash as shown below

The fair values of the identifiable assets and liabilities of Tamar Organics Limited as at the date of acquisition were

	Fair value recognised on acquisition £
Property, plant and equipment	4,165,157
Intangible assets	300,000
Trade and other receivables	928,166
Cash and cash equivalents	4,165
Trade and other payables	(874,245)
Deferred tax liabilities	(146,593)
Interest bearing loans and borrowings	(347,578)
Intercompany loan	(2,395,320)
Total identifiable net assets at fair value	1,633,752
Goodwill arising on acquisition (note 13)	2,615,537
Total purchase consideration transferred	4,249,289
Purchase consideration	
Cash	4,249,289
Analysis of cash flows on acquisition	
Net cash acquired with the subsidiary (included in cash flows from investing activities)	(4,165)
Net cash flow on acquisition	4,245,124

Notes to the financial statements

at 31 March 2013

18. Inventories

	Group 2013	Group 2012	Company 2013	Company 2012
	£	£	£	£
Good for resale	226,108	–	215,279	–

19 Trade and other receivables

	Group 2013	Group 2012	Company 2013	Company 2012
	£	£	£	£
Trade receivables	810,555	9,052	38,173	–
Amounts owed by group undertaking	–	–	3,639,294	65,991
Other debtors	697,686	118,009	245,763	3,123
Other taxes	2,456,329	128,598	1,401,263	62,789
Prepayments	446,732	63,131	152,479	2,542
	4,411,302	318,790	5,476,972	134,445

The short term carrying values are considered to be a reasonable approximation of the fair value The amounts owed by group undertakings are repayable on demand

Trade receivables are non-interest bearing and are generally on 30 days' terms and are shown net of a provision for impairment As at 31 March 2013, trade receivables at nominal value of £33,310 were determined to be impaired because of poor payment history or insolvency of the debtor and fully provided for Movements in the provision for impairment of receivables were as follows

	Group 2013	Group 2012	Company 2013	Company 2012
	£	£	£	£
At 1 April	–	–	–	–
Charge for the year	33,310	–	–	–
Amounts written off	–	–	–	–
Unused amounts reversed	–	–	–	–
	33,310	–	–	–

Notes to the financial statements

at 31 March 2013

19. Trade and other receivables (continued)

As at 31 March, the analysis of trade receivables that were past due but not impaired is as follows

			Past due but not impaired				
	Total	*Neither past due nor impaired*	*<30 days*	*30-60 days*	*60-90 days*	*90-120 days*	*<120 days*
	£	£	£	£	£	£	
2013	810,555	197,183	141,489	106,395	61,453	255,964	480
2012	9,052	–	9,052	–	–	–	–

20. Cash and short-term deposits

	Group		Company	
	2013	*2012*	*2013*	*2012*
	£	£	£	£
Cash at bank	6,820,777	14,823,794	6,287,033	14,756,599

21 Trade and other payables

	Group		Company	
	2013	*2012*	*2013*	*2012*
	£	£	£	£
Trade payables	4,355,709	266,809	1,737,904	117,999
Other taxes and social security costs	172,097	20,969	106,247	–
Corporation tax	212,468	–	–	–
Other Creditors	234,640	20,937	115,405	12,665
Deferred lease liability	261,384	–	221,178	–
Accruals	1,728,167	162,572	1,542,484	62,974
Deferred consideration	100,000	–	–	–
	7,064,465	471,287	3,723,218	193,638

The above payables were all unsecured

The short term carrying values are considered to be a reasonable approximation of fair value

Notes to the financial statements

at 31 March 2013

22 Financial liabilities

		Group		Company
	2013	2012	2013	2012
	£	£	£	£
Current				
Obligations under finance leases and hire purchase contracts (note 23)	130,975	–	–	–
Other loans	100,000	–	–	–
Forward exchange contracts	260,607	–	260,607	–
	491,582	–	260 607	–
Non-current.				
Convertible loans	1,976,988	1,584,639	1,976,988	1,584,639
Others loans	860,000	960,000	–	–
Obligations under finance leases and hire purchase contracts (note 23)	169,746	–	–	–
	3,006,734	2,544,639	1,976,988	1,584,639

Convertible loans

The principal sum drawn down on the unsecured convertible loans of £3,100,000 may be converted to Investor Preference Shares at the conversion rate, being one share for each £1 of principal sum held at the date of conversion This may occur at any time by mutual agreement or immediately prior to, but conditional upon, an exit, being a sale, listing or other return of assets in accordance with the company's Articles of Association

Details regarding the rights and restrictions attached to the Investor Preference Shares are set out in the company's Articles of Association which can be obtained from the company's registered office

No capital repayments are due on the convertible loans until the repayment date in 2037

Interest is payable on the convertible loans at a rate of 6% per annum on the principal sum drawn down

The present value of the liability element of the convertible loans is £1,976,988 (2012 - £1,584,639) and the equity element is £1,123,012 (2012 - £915,361)

Other loans

Other loans consist of fixed rate unsecured loan notes issued to Adgen Energy Limited in two instalments on 7 April 2011 (£560,000) and 19 October 2011 (£400,000) The loan notes are redeemable in 3 annual instalments of £100,000, £250,000 and £610,000 starting in December 2013 and the final redemption date is 13 December 2015 However, any amount of the loan may be recalled or redeemed by the company at any time given two weeks' notice The loan is guaranteed by Tamar Energy Limited

Interest is payable on the loan notes at the following rates

From the date of issue until the 2nd anniversary of the date of issue	0%
From 2nd anniversary to 3rd anniversary	7%
From 3rd anniversary to 4th anniversary	8%
From 4th anniversary to 5th anniversary	9%
From the 5th anniversary to the redemption date	10%

Notes to the financial statements

at 31 March 2013

23. Lease obligations

Obligations under finance leases and hire purchase contracts

The group uses finance leases and hire purchase contracts to acquire plant and machinery These leases have terms of renewal but no purchase options and escalation clauses Renewals are at the option of the lessee Future minimum lease payments under finance leases and hire purchase contracts are as follows

	2013	*2012*
	£	*£*
Not later than one year	142,170	–
After one year but not more than five years	192,883	–
	335,053	–
Less finance charges allocated to future periods	(34,332)	–
Present value of minimum lease payments	300,721	–
The present value of minimum lease payments is analysed as follows		
Not later than one year	130,975	–
After one year but not more than five years	169,746	–
	300,721	–

Obligations under operating leases

Future minimum rentals payable under non-cancellable operating leases are as follows

		Group		*Company*
	2013	*2012*	*2013*	*2012*
	£	*£*	*£*	*£*
Land and buildings				
Not later than one year	569,318	67,728	240,761	–
After one year but not more than five years	3,429,859	125,724	2,076,630	–
After five years	10,921,301	–	6,123,397	–
	14,920,478	193,452	8,440,788	–

		Group		*Company*
	2013	*2012*	*2013*	*2012*
	£	*£*	*£*	*£*
Other assets				
Not later than one year	–	–	–	–
After one year but not more than five years	–	1,808	–	–
After five years	–	–	–	–
	–	1,808	–	–

Notes to the financial statements

at 31 March 2013

24. Financial instruments

Risk management objectives and policies

The group's principal financial assets comprise cash and cash equivalents, trade and other receivables, other taxes and prepayments The group's liabilities comprise trade payables, other payables including taxes and social security, accrued expenses and borrowings

All the group's financial assets are classified as cash or receivables All the group's financial liabilities are measured at amortised cost

The Board determines as required the degree to which it is appropriate to use financial instruments to mitigate financial risks

Credit risk

The group's cash at bank is held with reputable international banks Cash is held either on current account or on short-term deposit at fixed rates of interest The fair value of cash and cash equivalents at 31 March 2013 did not differ materially from their carrying value

Interest rate risk

The group has no material exposure to interest rate risk

Fair value of financial instruments

The fair values of the group's financial instruments at 31 March 2013 did not differ materially from their carrying values

The group's long term convertible loan note borrowing, a compound financial instrument, did not differ from its carrying value

Liquidity risk

The group at its present stage of development is not funded by revenue from operations It therefore finances its operations through the issue of equity share capital and debt in order to ensure sufficient cash resources are maintained to meet short-term liabilities and future project development requirements Management monitors availability of funds in relation to forecast expenditures in order to ensure timely fundraising and has the ability to slow down build rate should the need arise The Board has confidence in the group's ability to manage its liquidity going forward

Notes to the financial statements

at 31 March 2013

25. Share capital

Authorised	*2013* *No*	*2012* *No*	*2013* *£*	*2012* *£*
Investor ordinary shares of 1p each	92,750,000	92,750,000	927,500	927,500
Performance shares of 1p each	1,250,000	1,250,000	12,500	12,500
Sponsor warrant shares of 1p each	29,150	29,150	292	292
Management shares of 1p each	45,850	45,850	458	458
Loan enforcement shares of 1p each	2	2	–	–
SSL warrant shares	25,000	25,000	250	250
Investor preference shares	10,000,000	10,000,000	100,000	100,000
			1,041,000	1,041,000

Allotted, called up and fully paid	*2013* *No*	*2012* *No*	*2013* *£*	*2012* *£*
Investor ordinary shares of 1p each	28,934,167	16,125,000	289,342	161,250
Performance shares of 1p each	625,000	1,250,000	6,250	12,500
Sponsor warrant shares of 1p each	29,150	29,150	292	292
Management warrant shares of 1p each	21,750	25,000	217	250
Loan enforcement shares of 1p each	2	2	–	–
			296,101	174,292

Between 1 March 2012 and 22 August 2012, 8,312,500 investor ordinary shares and 4,250 management warrants were issued as part of the final tranche of round one financing

Between 29 August 2012 and 25 September 2012 5,205,000 investor ordinary shares were issued as part of the first tranche of the second drawdown from Investors

On 28 September 2012 the issued share capital was reduced by 708,333 investor ordinary shares, 625,000 performance shares and 7,500 management warrant shares This reduction was due under the leaver provisions and the share repurchase agreement of a director who left during the year

Rights, preferences and conditions

Ordinary shares carry one vote per investor if voting on a show of hands and one vote per share if voting on a poll or by written resolution

Loan enforcement shares carry one vote per investor if voting on a show of hands and one vote for each £1 of investor loan held if voting on a poll or by written resolution

Performance shares, sponsor warrant shares and management warrant shares do not carry voting rights but shareholders are entitled to attend general meetings

Further details regarding the rights attached to the various classes of share capital are set out in the company's Articles of Association which can be obtained from the company's registered office

Notes to the financial statements

at 31 March 2013

26. Related party transactions

Adgen Energy Limited has a loan agreement with Sustainable Technology Investments (Guernsey) Limited, a shareholder of Tamar Energy Limited At the period end, £960,000 plus accrued interest of £60,924 was owing to Sustainable Technology Investments (Guernsey) Limited Interest totalling £34,796 was charged on this loan during the year During the prior period, £5,000 of rent was recharged to Sustainable Technology Investments (Guernsey) Limited (current year £nil)

Included in note 15 is £2,413,780 owed to the company by Holbeach Biogas Limited, the wholly owned subsidiary of Adgen Energy Limited This amount includes accrued interest of £44,494 charged at the rate of 12% per annum during the year This loan is receivable in quarterly instalments once certain conditions are met, and has a final repayment date of 17 May 2022

Included in note 15 is £327,449 by Sutton Grange AD Limited This amount includes accrued interest of £1,367 charged at the rate of 12% per annum during the year This loan is receivable in quarterly instalments once certain conditions are met, and has a final repayment date of 19 March 2023

During the year, Holbeach Biogas Limited purchased goods amounting to £33,808 from AH Worth Farms Limited, a company in which D Worth, a director of Holbeach Biogas Limited, is also a director and shareholder The amount due to Holbeach Biogas Limited at 31 March 2013 was nil

During the year, Tamar Organics Limited sold goods and services amounting to £155,929, Tamar Recycling (Suffolk) Limited sold goods and services amounting to £120,779 and Tamar Composting (East Anglia) Limited sold goods and services amounting to £1,394 to Envar Composting Limited, a company in which W Elliott was also a director The amounts owed to the company at 31 March 2013 were £108,136, £122,288 and £358 respectively

Details of convertible loans are provided in note 22 These loans are £1,550,000 each and are held by P A Bostock and C P Deruig as Trustees of the Chatsworth Settlement, and The Duchy of Cornwall

Details of directors' emoluments are disclosed in note 7

27. Capital commitments

At 31 March 2013, amounts contracted for but not provided in the financial statements for the acquisition of property, plant and equipment amounted to £15,382,779 for the group

28. Capital management

The group's objective when managing capital is to safeguard the entity's ability to continue as a going concern and develop its investment in new anaerobic digestion plants and other waste management activities to provide returns for shareholders and benefits for other stakeholders

The group's capital structure comprises all the components of equity (all share capital, share premium, retained earnings when earned and other reserves) When considering the future capital requirements of the group and the potential to fund specific project development via debt, the directors consider the risk characteristics of the underlying assets in assessing the optimal capital structure

Management information

for the year ended 31 March 2013

The following pages do not form part of the statutory financial statements which are the subject of the independent auditors' report on pages 6 to 7

Detailed income statement

for the year ended 31 March 2013

	2013	2012
	£	£
Revenue		
Gate fees	1,091,828	–
Organic sales	49,115	–
Other sales	(72)	–
Other operating income	(33)	–
	1,140,838	–
Cost of sales		
Plant material	124,028	–
Plant property costs	163,200	–
Plant payroll and personnel costs	283,743	–
Vehicles, plant and machinery	180,246	–
Haulage	176,187	–
Plant general costs	92,094	–
	1,019,498	–
Gross profit	121,340	–
Overheads		
Administration	52,910	–
Audit and accountancy fees	181,559	23,179
Financial expenses	46,143	289
General expenses	1,348	872
Insurance	68,719	1,225
IT and services	259,840	5,935
Legal and professional fees	192,614	12,493
Marketing	79,504	2,590
Other operating expenditure	76	–
Other personnel costs	361,166	67,572
Payroll	2,812,763	85,999
Rent and property	175,683	26,113
Repairs and maintenance	9,720	–
Travel and subsistence	101,796	3,651
Utilities	2,919	–
Depreciation and amortisation	237,016	498
Profit/loss on disposal of assets	1,010	–
Administrative expenses	4,584,786	230,416
Development expenditure	1,976,258	232,863
Other operating income	–	(8,876)
Group operating loss	(6,439,704)	(454,403)