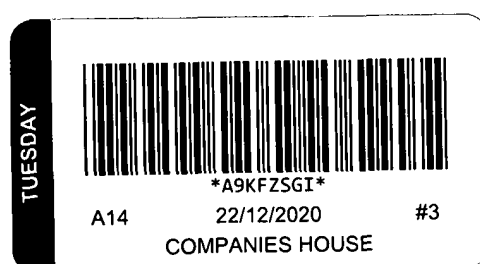


New Earth Solutions (Canford) Limited

Annual report and financial statements

Year ended 30 December 2019

Company registration number: 06249283



New Earth Solutions (Canford) Limited

**Annual report and financial statements
for the year ended 30 December 2019**

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Directors

E Waters
B McCabe

Registered office

The MRF, Station Road, Caythorpe, Grantham, Lincolnshire, NG32 3EW, England

Company registration number

06249283

Auditor

KPMG, Chartered Accountants, 1 Stokes Place, St. Stephen's Green, Dublin 2, Ireland

Banker

NatWest Bank, 208 Lower Blandford Road, Broadstone, Dorset, BH18 8DT, England

Solicitor

Pinsent Masons LLP, 3 Hardman Street, Manchester, M3 3AU, England

New Earth Solutions (Canford) Limited

Strategic report for the year ended 30 December 2019

The directors present their strategic report and financial statements for the year ended 30 December 2019.

Principal Activities and Review of Business

The company contracts with local authorities and commercial customers to provide composting, recycling and waste treatment services. The contracted revenue streams from local authorities underpin the mechanical and biological waste treatment facilities to separate materials for recycling, divert waste away from landfill disposal and generate a refuse derived fuel for energy from waste and combined heat and power plants. UK Government policy supports the sector that the company is active in, waste management. The UK faces tough targets for waste recycling and landfill diversion and has escalating levels of landfill taxation, which support the approach to waste management.

The profit and loss account and other comprehensive income is set out on page 10 and shows turnover for the year of £12,434,436 (2018 - £11,186,797) and an operating loss for the year of £108,150 (2018 - £298,673). As at 30 December 2019, the company had net current liabilities of £4,708,364 (2018 - £2,270,419); however the company will be supported by its fellowgroup undertaking, Pandagreen Limited. The accounts have been prepared on a going concern basis, which assumes that the company will have sufficient funds to trade for the foreseeable future.

Principal Risks and Uncertainties

Facility Processing Capacity Utilisation

During the current year the company's site has consistently traded at or close to capacity and this is forecast to continue for the foreseeable future and will lead further capacity expansion plans. The company's operations are competitive against alternative disposal routes, especially landfill (including the escalating costs of Landfill Tax), and the company has a good track record of securing business, demonstrating the ability to secure both long term and top-up contracts as necessary. The directors therefore do not consider this to be high risk.

Refuse Derived Fuel

One of the company's products from the mechanical process is Refuse Derived Fuel ("RDF") for which the company has contracts with parties all over Europe to dispose of the RDF. The availability of RDF on the market is increasing and the risk is that for additional RDF produced additional third party offtakes will need to be secured. The current market indicates that the prices for offtake of RDF are increasing as capacity to process it is staying stable. Finding new offtakes is important for the company in order to dispose RDF and if no new offtakes, or not enough are found this could result in more cost as RDF would need to be landfilled.

Inflation

The directors have mitigated any significant risk of exposure to cost inflation by ensuring that revenues are subject to annual price increases based upon the movement in cost inflation indices.

COVID-19 pandemic

The directors are monitoring developments around the COVID-19 pandemic and while it has raised significant operational challenges to the company, the directors continue to evaluate the situation and are confident that the company is in a strong position to respond to these challenges. The directors are adhering to guidance as issued by the Government in order to ensure the health and safety of all employees, business partners and the public. The impact of the restrictions has resulted in the loss of earnings.

New Earth Solutions (Canford) Limited

Strategic report (continued)
for the year ended 30 December 2019

Principal Risks and Uncertainties (continued)

Financial instruments

The company's financial instruments comprise cash and liquid resources, and various items, such as trade debtors and trade creditors that arise directly from its operations. The main purpose of these financial instruments is to raise and control the finance for the waste treatment facility.

The group also enters into derivatives transactions (exclusively forward foreign currency contracts). The purpose of such transactions is to manage the currency risks arising from the group's operations.

Derivative transactions are accounted for within other group companies.

It is, and has been throughout the year under review, the group's policy that no trading in financial instruments shall be undertaken.

The main risks arising from the financial instruments are liquidity risk, credit risk, foreign currency risk and interest rate risk. The Board reviews and agrees policies for managing each of these risks and they are summarised below.

Liquidity Risk

The company monitors short term cash flows as part of its weekly control procedures. The directors also consider cash flow projections on a quarterly basis as part of a regular reforecast of business performance. The company's fellow group undertaking, Pandagreen, supports the company in providing funding as required.

Credit Risk

The company's credit risk is primarily attributable to its trade debtors. The majority of the company's revenue is derived from contracts with local authorities and the directors believe that such customers do not present a significant credit risk. Risks against other customers are managed by credit checks on new customers and by monitoring payments against contractual agreements and the group's standard terms and conditions.

Foreign Currency Risk

The export of RDF by each of the MBT waste treatment facilities to Europe is often priced in Euros and as a consequence the cost of treatment reflects currency movements between Sterling and Euros.

Interest Rate Risk

The directors have mitigated interest rate by ensuring that all of the group's borrowings are at fixed interest rates.

Key Performance Indicators

The directors consider turnover, gross profit and operating profit to be key performance indicators for the company.

Turnover was £12,434,436 in the year ended 30 December 2019 compared to £11,186,797 in the year ended 30 December 2018.

A gross profit of £886,387 was made in the year ended 30 December 2019, compared to a gross loss of £298,673 in the year ended 30 December 2018.

The company reduced operating losses from £298,673 for the year ended 30 December 2018 to £108,150 in the year ended 30 December 2019.

The directors are reviewing all costs with a view to achieving an operating profit going forward.

New Earth Solutions (Canford) Limited

Strategic report (continued)
for the year ended 30 December 2019

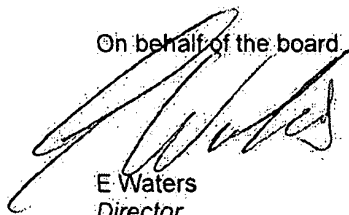
Future Developments

The company plans to continue its present activities.

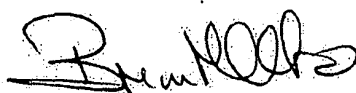
Post Balance Sheet Events

The directors are monitoring developments around COVID-19 and while there is still uncertainty in that regard, the directors continue to evaluate the situation and are confident that the company will be in a strong position to respond to the resulting challenges. There were no other post balance sheet events that affected the amounts or disclosures in the financial statements.

On behalf of the board



E Waters
Director



B McCabe
Director

3 December 2020

New Earth Solutions (Canford) Limited

Directors' report for the year ended 30 December 2019

The directors present their directors' report and financial statements for the year ended 30 December 2019.

Directors

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

E Waters
B McCabe

Going Concern

The directors have reviewed the financial position of the company at 30 December 2019. At 30 December 2019, the company had a loss for the financial year of £176,645, net current liabilities of £4,708,364 and net assets of £55,889. The company's fellow group undertaking, Pandagreen Limited, has confirmed that it will continue to provide financial support for the foreseeable future sufficient to enable the company to continue to trade and meet its liabilities as and when they fall due. Having considered this, the directors therefore are satisfied that it is appropriate to prepare the financial statements on a going concern basis.

The directors are monitoring developments around COVID 19 and while there is still uncertainty in that regard, the directors continue to evaluate the situation and are confident that the company will be in a strong position to respond to the resulting challenges.

Results for the year

The results for the year are set out in the profit and loss account and other comprehensive income on page 10 and in the related notes.

Dividend

A dividend of £2,500,000 was declared and approved in the financial year ended 30 December 2019 (2018: £Nil).

Political Contributions

The company made no political donations or incurred any political expenditure during the year (2018: £Nil).

Information in the Strategic Report

The following directors' report requirements have been upgraded to the strategic report; financial risk management, objectives and policies, information on exposure to price risk, credit risk, liquidity risk and cash flow risk, post balance sheet events and likely future developments in the business of the company.

Disclosure of information to auditor

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's statutory auditor is unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the company's statutory auditor is aware of that information.

New Earth Solutions (Canford) Limited

Directors' report for the year ended 30 December 2019 *(continued)*

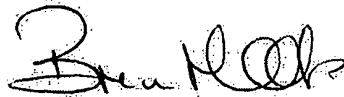
Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor, KPMG, Chartered Accountants, will be deemed to be reappointed and will therefore continue in office.

By order of the board



E Waters
Director



B McCabe
Director

3 December 2020

New Earth Solutions (Canford) Limited

Statement of directors' responsibilities in respect of the strategic report, the directors' report and the financial statements

The directors are responsible for preparing the strategic report, the directors' report and the financial statements in accordance with applicable law and regulations.

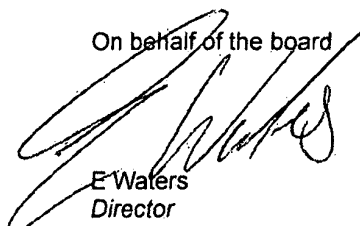
Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with FRS 101 *Reduced Disclosure Framework*.

Under company law, the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that year. In preparing these financial statements, the directors are required to:


- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal controls as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

On behalf of the board



E Waters
Director



B McCabe
Director

3 December 2020



KPMG
Audit
1 Stokes Place
St. Stephen's Green
Dublin 2
D02 DE03
Ireland

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NEW EARTH SOLUTIONS (CANFORD) LIMITED

Report on the audit of the financial statements

Opinion

We have audited the financial statements of New Earth Solutions (Canford) Limited ("the company") for the year ended 30 December 2019, set out on pages 7 to 27, which comprise the profit and loss account and other comprehensive income, the balance sheet, the statement of changes in equity and related notes, including the summary of significant accounting policies set out in note 2. The financial reporting framework that has been applied in their preparation is UK Law and FRS 101 *Reduced Disclosure Framework*.

In our opinion, the accompanying financial statements:

- give a true and fair view of the state of the company's affairs as at 30 December 2019 and of its loss for the year then ended;
- have been properly prepared in accordance with FRS 101 *Reduced Disclosure Framework*; and
- have been properly prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the company in accordance with ethical requirements that are relevant to our audit of financial statements in the UK, including the Financial Reporting Council (FRC)'s Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We have nothing to report on going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease its operations, and as they have concluded that the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NEW EARTH SOLUTIONS (CANFORD) LIMITED (continued)

Report on the audit of the financial statements (continued)

Other information

The directors are responsible for the other information presented in the Annual Report together with the financial statements. The other information comprises the information included in the strategic and directors' report. The financial statements and our auditor's report thereon do not comprise part of the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

Based solely on our work on the other information;

- we have not identified material misstatements in the directors report or strategic report;
- in our opinion, the information given in the directors' report and strategic report is consistent with the financial statements;
- in our opinion, the directors' report and strategic report have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006, we are required 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.

We have nothing to report in these respects.



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NEW EARTH SOLUTIONS (CANFORD) LIMITED (continued)

Respective responsibilities and restrictions on use

Responsibilities of directors for the financial statements

As explained more fully in the directors' responsibilities statement set out on page 6, the directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A fuller description of our responsibilities is provided on the FRC's website at:
www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

Our 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.

4 December 2020

Niall Savage (Senior Statutory Auditor)
for and on behalf of
KPMG Statutory Auditor
Chartered Accountants
1 Stokes Place
St. Stephen's Green
Dublin 2
Ireland

New Earth Solutions (Canford) Limited

Profit and loss account and other comprehensive income for the year ended 30 December 2019

	Note	2019 £	2018 £
Turnover	4	12,434,436	11,186,797
Cost of sales		(11,548,049)	(11,485,470)
		<hr/>	<hr/>
Gross profit/(loss)		886,387	(298,673)
Administrative expenses		(979,236)	-
		<hr/>	<hr/>
Operating loss before exceptional items		(92,849)	(298,673)
Exceptional items	7	(15,301)	-
		<hr/>	<hr/>
Operating loss after exceptional items		(108,150)	(298,673)
Interest payable and similar charges	8	(84,243)	(108,677)
		<hr/>	<hr/>
Loss before taxation		(192,393)	(407,350)
Tax on loss	9	15,748	(114,268)
		<hr/>	<hr/>
Loss for the financial year		(176,645)	(521,618)
Other comprehensive income		-	-
		<hr/>	<hr/>
Total comprehensive expense for the year		(176,645)	(521,618)
		<hr/> <hr/>	<hr/> <hr/>

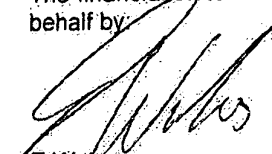
All of the activities of the company are classed as continuing.


New Earth Solutions (Canford) Limited

Balance sheet
as at 30 December 2019

	Note	2019 £	2018 £
Non-current assets			
Intangible assets	10	3,279	3,697
Tangible assets	11	4,359,042	4,667,814
Right of use assets	12	2,100,417	2,091,213
Deferred tax asset	13	270,243	270,243
		<u>6,732,981</u>	<u>7,032,967</u>
Current assets			
Debtors	14	1,991,474	703,018
Cash at bank and in hand	15	58,274	36
		<u>2,049,748</u>	<u>703,054</u>
Creditors: amounts falling due within one year	17	<u>(6,758,112)</u>	<u>(2,973,473)</u>
Net current liabilities		<u>(4,708,364)</u>	<u>(2,270,419)</u>
Total assets less current liabilities		<u>2,024,617</u>	<u>4,762,548</u>
Creditors: amounts falling due after more than one year	18	<u>(1,968,728)</u>	<u>(2,030,014)</u>
Net assets		<u>55,889</u>	<u>2,732,534</u>
Capital and reserves			
Called up share capital	20	1	1
Capital contribution reserve	21	-	8,226,621
Profit and loss account		55,888	(5,494,088)
Shareholder's funds		<u>55,889</u>	<u>2,732,534</u>

The financial statements were approved by the Board of Directors on 3 December 2020 and were signed on its behalf by:


E Waters
Director


B McCabe
Director

Company registration number: 06249283

New Earth Solutions (Canford) Limited

Statement of changes in equity for the year ended 30 December 2019

	Called up share capital £	Capital contribution reserve £	Profit and loss account £	Total equity £
At 31 December 2017	1	8,226,621	(4,972,470)	3,254,152
Total comprehensive expense for the year:				
Loss for the year	-	-	(521,618)	(521,618)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total comprehensive expense for the year	-	-	(521,618)	(521,618)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At 30 December 2018	1	8,226,621	(5,494,088)	2,732,534
Total comprehensive expense for the year:				
Loss for the year	-	-	(176,645)	(176,645)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total comprehensive expense for the year	-	-	(176,645)	(176,645)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Transactions with the shareholder				
Capital contribution transfer to realised profits	-	(8,226,621)	8,226,621	-
Dividends	-	-	(2,500,000)	(2,500,000)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At 30 December 2019	1	-	55,888	55,889
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

New Earth Solutions (Canford) Limited

Notes forming part of the financial statements for the year ended 30 December 2019

1 Reporting entity

New Earth Solutions (Canford) Limited (the "Company") is a private company limited by shares and incorporated, domiciled and registered in the UK. The company's registered office is The MRF, Station Road, Caythorpe, Grantham, Lincolnshire, NG32 3EW, England and the registered number is 06249283.

2 Accounting policies

These financial statements were prepared in accordance with Financial Reporting Standard 101 *Reduced Disclosure Framework* ("FRS 101").

In preparing these financial statements, the company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"), but makes amendments where necessary in order to comply with the Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

The company's intermediate group undertaking, Beauparc Utilities Limited includes the company in its consolidated financial statements. The consolidated financial statements of Beauparc Utilities Limited are prepared in accordance with International Financial Reporting Standards and are available to the public and may be obtained from Panda Waste Management Solutions, Ballymount Road Upper, Dublin 24, Republic of Ireland.

In these financial statements, the company has applied exemptions available under FRS 101 in respect of the following disclosures:

- a cash flow statement and related notes;
- disclosures in respect of the compensation of key management personnel;
- disclosures in respect of transactions with wholly owned subsidiaries;
- disclosures in respect of capital management; and
- the effects of new but not yet effective IFRSs.

These financial statements have been prepared in sterling, which is the functional currency of the company.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

(a) Basis of measurement

The financial statements are prepared on the historical cost basis.

(b) Going concern

The directors have reviewed the financial position of the Company at 30 December 2019. At 30 December 2019, the company had a loss for the financial year of £176,645, net current liabilities of £4,708,364 and net assets of £55,889. The company's fellow group undertaking, Pandagreen Limited, has confirmed that it will continue to provide financial support for the foreseeable future sufficient to enable the company to continue to trade and meet its liabilities as and when they fall due. Having considered this, the directors therefore are satisfied that it is appropriate to prepare the financial statements on a going concern basis.

The directors are monitoring developments around COVID 19 and while there is still uncertainty in that regard, the directors continue to evaluate the situation and are confident that the company will be in a strong position to respond to the resulting challenges.

New Earth Solutions (Canford) Limited

Notes forming part of the financial statements
for the year ended 30 December 2019 (continued)

2 Accounting policies (continued)

(c) Property, plant and equipment

(i) Owned assets

Items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see accounting policy h). Cost includes those costs, including employee and other costs that are directly attributable to bringing assets into working condition for their intended use. The cost of self-constructed assets and acquired assets includes, where relevant, (i) the initial estimate at the time of installation of the assets of dismantling and removing the items and of restoring the site on which they are located and (ii) changes in the measurement of existing liabilities recognised for those costs during the period of use resulting from changes in the timing or outflow of resources required to settle the obligation or from changes in the discount rate.

Costs in relation to assets in development and construction are capitalised, where, in the opinion of the directors, the related project will be successfully developed and the economic benefits arising from future operations will at least equal the amount of capitalised expenditure incurred to date. Costs capitalised to assets in development relate to costs incurred in bringing a project to the consent stage. Costs associated with reaching the consent stage include planning application costs and environmental impact studies. Depreciation commences when the asset is substantially complete and ready for its intended use. Full provision is made for any impairment in the value of the asset.

Financing costs which are directly attributable to the construction of property, plant and equipment are capitalised as part of the cost of those assets. The commencement of capitalisation begins when both finance costs and expenditures for the asset are being incurred and activities that are necessary to get the asset ready for use are in progress. Capitalisation ceases when substantially all the activities that are necessary to get the asset ready for use are complete.

When parts of an item of property, plant and equipment have different useful lives, those components are accounted for as separate items of property, plant and equipment.

(ii) Leased assets

Leases under the terms of which the company assumes substantially all the risks and rewards of ownership are classified as finance leases. Assets acquired by way of finance lease are stated at an amount equal to the lower of its fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation (see below) and impairment losses (see accounting policy h). The capital element of finance lease obligation payments is recorded as a liability, while the interest element is charged to the profit and loss account over the period of the lease to produce a constant rate of charge on the balance of capital repayments outstanding.

(iii) Subsequent expenditure

The company recognises in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item when that cost is incurred if it is probable that the future economic benefits embodied with the item will flow to the company and the cost of the replaced item can be measured reliably for its derecognition. All other costs are recognised in the profit and loss account as an expense as incurred.

New Earth Solutions (Canford) Limited

Notes forming part of the financial statements
for the year ended 30 December 2019 (continued)

2 Accounting policies (continued)

(c) Property, plant and equipment (continued)

(iv) Depreciation

Depreciation is provided on all tangible assets, at rates calculated to write off the cost, less estimated residual value, as follows:

Costs in relation to assets in development and construction are deferred, where, in the opinion of the directors, the related project will be successfully developed and the economic benefits arising from the future operations will at least equal the amount of deferred expenditure incurred to date. Full provision is made for any impairment in the value of the asset.

All other assets are depreciated on a straight line basis over their expected useful lives at the following annual rates:

Plant and machinery	5 to 15 years
In vessel composting facilities	Straight line basis over the term of the contract (or 20 years, if shorter) from the date the plant becomes fully operational
Office equipment	3 years
Fixtures and fittings	5 years

The residual value, if significant and remaining useful lives are reassessed annually.

(d) Intangible assets

Intangible assets separately acquired are capitalised at cost. Intangible assets acquired as part of a business combination are capitalised at fair value as at the date of acquisition.

Following initial recognition, intangible assets, which have finite useful lives, are carried at cost or initial fair value less any accumulated amortisation and accumulated impairment losses.

The amortisation of intangible assets is calculated to write off the book value of intangible assets over their useful lives on a straight-line basis on the assumption of zero residual value. Where amortisation is charged on these assets, the expense is recognised in the profit and loss account.

In addition to any annual amortisation charge, the carrying amount of intangible assets is reviewed for indicators of impairment at each reporting date and is subject to impairment testing when events or changes of circumstances indicate that the carrying values may not be recoverable.

Waste management licenses	20 years
Development costs	5 years

(e) Financial assets

Financial assets other than derivatives are divided into the following categories:

- loans and debtors
- cash and cash equivalents

Under IFRS 9, the Company uses an allowance matrix to measure Expected Credit Loss (ECL) of trade debtors from customers. Loss rates are calculated using a roll rate method based on the probability of a debtor progressing through successive chains of non-payment to write-off. The rates are calculated at a business unit level which reflects the risks associated with geographic region, age mix of customer relationship and type of product purchased.

Trade and other debtors are initially recorded at fair value and, at subsequent reporting dates, at amortised cost. For trade debtors, the Company applies the IFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance.

New Earth Solutions (Canford) Limited

Notes forming part of the financial statements
for the year ended 30 December 2019 (continued)

2 Accounting policies (continued)

(f) Financial liabilities

Financial liabilities are classified as either financial liabilities at fair value through profit or loss account or other financial liabilities. Financial liabilities at fair value through profit or loss account are initially measured at fair value and subsequently stated at fair value, with any resultant gain or loss recognised in profit or loss account. The net gain or loss recognised in profit or loss account incorporates any interest paid on the financial liability.

Other financial liabilities (including trade creditors) are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost using the effective interest rate method. When determining the fair value of financial liabilities, the expected future cash flows are discounted using an appropriate interest rate.

A financial liability is derecognised only when the obligation is extinguished, that is, when the obligation is discharged, cancelled or expired.

(g) Cash and cash equivalents

Cash and cash equivalents principally comprise cash at bank and in hand and short term deposits with an original maturity of three months or less.

(h) Impairment

The carrying amounts of the company's assets, other than deferred tax assets (see accounting policy j), are reviewed at each reporting date to determine whether there is any indication of impairment. Non-depreciable assets are assessed annually for impairment. In assessing an asset for impairment, the recoverable amount of the asset or its cash generating unit is estimated. An impairment loss is recognised when the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the profit and loss account.

(i) Calculation of recoverable amount

The recoverable amount of assets is the greater of their fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

(i) Provisions

Provisions by their nature are liabilities with an uncertain timing or amount. Estimates are made in relation to the future cash outflows likely to arise in connection with obligations existing at the reporting date.

(j) Income tax

Income tax in the profit and loss account represents the sum of current income tax and deferred tax not recognised in other comprehensive income or directly in equity.

Current tax

Current income tax represents the expected tax payable or recoverable on the taxable profit for the period using tax rates and laws that have been enacted, or substantively enacted, at the reporting date and taking into account any adjustments arising from prior periods.

Liabilities for uncertain tax positions are recognised based on the directors' best probability weighted estimate of the probable outflow of economic resources that will be required to settle the liability.

New Earth Solutions (Canford) Limited

Notes forming part of the financial statements for the year ended 30 December 2019 (continued)

2 Accounting policies (continued)

(j) Income tax (continued)

Deferred tax

Deferred tax is recognised on all temporary differences at the reporting date. Temporary differences are defined as the difference between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets and liabilities are not subject to discounting and are measured at the tax rates that are expected to apply in the period in which the asset is realised or the liability is settled based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences (i.e. differences that will result in taxable amounts in future periods when the carrying amount of the asset or liability is recovered or settled).

Deferred tax assets are recognised in respect of all deductible temporary differences (i.e. differences that give rise to amounts which are deductible in determining taxable profits in future periods when the carrying amount of the asset or liability is recovered or settled), carry-forward of unused tax credits and unused tax losses to the extent that it is probable that taxable profits will be available against which to offset these items.

The carrying amounts of deferred tax assets are subject to review at each reporting date and reduced to the extent that future taxable profits are considered to be inadequate to allow all or part of any deferred tax asset to be utilised.

Changes in deferred tax assets or liabilities are recognised as a component of tax income or expense in the profit and loss account, except where they relate to items that are recognised in other comprehensive income or directly in equity, in which case the related deferred tax is also recognised in other comprehensive income or equity, respectively.

(k) Finance expense

Finance expense comprises interest payable on borrowings calculated using the effective interest rate method and the interest element of the finance lease is charged to the profit and loss account over the period of the lease.

(l) Foreign currency

Transactions in foreign currencies are translated to the functional currency at the foreign exchange rate ruling at the date of the transaction. Non-monetary assets that are carried at historical cost are not subsequently re-translated. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the company's functional currency at the foreign exchange rate ruling at that date. The functional currency of the company is the Sterling. Foreign exchange differences arising on translations are recognised in the profit and loss account.

(m) Dividends

Dividends are recognised as a liability in the period in which they are declared and approved by those with authority to do so or, in the case of the interim dividend, when it has been approved by the Board of Directors and paid.

(n) Revenue recognition

Revenue is derived from the provision of goods and services falling within the Company's ordinary activities after the deduction of trade discounts and value-added tax.

IFRS 15 establishes a five-step model for reporting the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. IFRS 15 specifies how and when revenue should be recognised as well as requiring enhanced disclosures.

New Earth Solutions (Canford) Limited

**Notes forming part of the financial statements
for the year ended 30 December 2019 (continued)**

2 Accounting policies (continued)

(n) Revenue recognition (continued)

The Company has early adopted IFRS 15 from 31 December 2017, using the modified retrospective approach. The Company used the five-step model to develop an impact assessment framework to assess the impact of IFRS 15 on the Company's revenue transactions. The results of our IFRS 15 assessment framework and contract reviews indicated that the impact of applying IFRS 15 on our financial statements was not material for the Company and there was no adjustment to retained earnings or material impact on the timing of revenue recognition on application of the new rules at 31 December 2017.

Revenue comprises the fair value of the consideration received or receivable, net of value added tax, rebates and discounts and after eliminating sales within the Company.

(o) Leases

For contracts entered into on or after 31 December 2017, the Company assesses at inception whether the contract is, or contains, a lease. A lease exists if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Company assessment includes whether:

- the contract involves the use of an identified asset;
- the Company has the right to obtain substantially all of the economic benefits from the use of the asset throughout the contract period; and
- the Company has the right to direct the use of the asset.

The company as a lessee

At the commencement of a lease, the company recognises a right-of-use asset along with a corresponding lease liability. The lease liability is initially measured at the present value of the remaining lease payments, discounted using the company's incremental borrowing rate.

The lease term comprises the non-cancellable period of the contract, together with periods covered by an option to extend the lease where the company is reasonably certain to exercise that option based on operational needs and contractual terms. Subsequently, the lease liability is measured at amortised cost by increasing the carrying amount to reflect interest on the lease liability, and reducing it by the lease payments made. The lease liability is re-measured when the company changes its assessment of whether it will exercise an extension or termination option.

Right-of-use assets are initially measured at cost, comprising the initial measurement of the lease liability adjusted for any lease payments made at or before the commencement date, estimated asset retirement obligations, lease incentives received and initial direct costs. Subsequently, right-of-use assets are measured at cost, less any accumulated depreciation and any accumulated impairment losses, and are adjusted for certain re-measurements of the lease liability. Depreciation is calculated on a straight-line basis over the length of the lease.

New Earth Solutions (Canford) Limited

**Notes forming part of the financial statements
for the year ended 30 December 2019 (continued)**

2 Accounting policies (continued)

(o) Leases (continued)

The company has elected to apply exemptions for short-term leases and leases for which the underlying asset is of low value. For these leases, payments are charged to the profit and loss account on a straight-line basis over the term of the relevant lease. Right-of-use assets are presented within non-current assets on the face of the balance sheet, and lease liabilities are shown separately within creditors disclosure note depending on the length of the lease term.

(p) Cost of sales

Cost of sales includes those costs directly attributable to the company's revenue streams including those direct costs associated with the company's composting, recycling and waste treatment services

3 Judgements in applying accounting policies and key sources of estimation uncertainty

Estimates and uncertainties

In the process of applying the company's accounting policies, management are required to make estimates, assumptions and judgements that could materially affect the company's reported results or net asset position.

The areas where key estimates, assumptions and judgements were made by management and are material to the company's reported results or net asset position, are as follows:

Income taxes

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the unused tax losses and unused tax credits can be utilised. The company estimates the most probable amount of future taxable profits, using assumptions consistent with those employed in impairment calculations, and taking into consideration applicable tax legislation in the relevant jurisdiction. These calculations also require the use of estimates.

New Earth Solutions (Canford) Limited

Notes forming part of the financial statements
for the year ended 30 December 2019 (continued)

4 Turnover

The whole of turnover is attributable to the principal activity of the company. All turnover has arisen within the UK.

5 Statutory and other information	2019 £	2018 £
Depreciation of tangible non-current assets	635,697	594,453
Depreciation of right of use assets	295,064	124,230
Amortisation of intangible non-current assets	418	418

Audit and non-audit fees have been borne by a fellow group undertaking in both the current and preceding financial year.

The company had no employees' in both the current and preceding financial year, and accordingly incurred £Nil employee costs in both years.

Directors' remuneration has been borne by a fellow group undertaking in both the current and preceding financial year.

6 Dividends	2019 £	2018 £
£2,500,000 per £1 ordinary share	2,500,000	-

7 Exceptional items	2019 £	2018 £
Restructuring and other integration costs	15,301	-
	15,301	-

Exceptional items in the current financial year relate to re-organisation and integration of the businesses.

8 Interest payable and similar charges	2019 £	2018 £
Right of use lease interest	80,707	76,089
Other finance costs	3,536	32,588
	84,243	108,677

New Earth Solutions (Canford) Limited

Notes forming part of the financial statements
for the year ended 30 December 2019 (continued)

9 Taxation	2019 £	2018 £
<i>Current tax</i>		
UK corporation tax for the year	(15,748)	-
Total current tax	(15,748)	-
<i>Deferred tax</i>		
Origination and reversal of temporary differences	-	114,268
Total deferred tax	-	114,268
Tax on loss	(15,748)	114,268
	2019 £	2018 £
Reconciliation of effective tax charge		
Loss before tax	(192,393)	(407,350)
Tax using the UK corporation tax rate of 19% (2018 – 19%)	(36,555)	(77,396)
Effects of:		
Expenses not deductible for tax purposes	-	736
Non-current asset differences	1,203	-
Adjust closing deferred tax to average rate of 19%	55,370	53,306
Adjust opening deferred tax to average rate of 19%	(53,306)	(45,237)
Deferred tax not recognised	17,540	182,859
Tax (credit)/charge on loss	(15,748)	114,268

The total tax charge in future periods will be affected by any changes to the UK corporation tax rates. Following the 2020 UK budget, the main rate of UK corporation tax will remain at 19% for 2020 and 2021.

The methodology used to determine the recognition and measurement of uncertain tax positions is set out in note 2 'Statement of accounting policies'.

New Earth Solutions (Canford) Limited

Notes forming part of the financial statements
for the year ended 30 December 2019 (continued)

10 Intangible non-current assets

	Waste Management License £	Development Costs £	Total £
Cost			
At 30 December 2018	8,363	-	8,363
Transfer from another group undertaking	-	347	347
	<u>8,363</u>	<u>347</u>	<u>8,710</u>
At 30 December 2019	8,363	347	8,710
Amortisation			
At 30 December 2018	4,666	-	4,666
Amortisation charge for the year	418	-	418
Transfer from another group undertaking	-	347	347
	<u>5,084</u>	<u>347</u>	<u>5,431</u>
At 30 December 2019	5,084	347	5,431
Net book value			
At 30 December 2019	3,279	-	3,279
	<u>3,279</u>	<u>-</u>	<u>3,279</u>
At 30 December 2018	3,697	-	3,697
	<u>3,697</u>	<u>-</u>	<u>3,697</u>

The amortisation charge is recognised within cost of sales in the profit and loss account.

New Earth Solutions (Canford) Limited

Notes forming part of the financial statements
for the year ended 30 December 2019 (continued)

11 Tangible non-current assets

	Plant & Machinery £	In vessel Composting facilities £	Office Equipment £	Fixtures & Fittings £	Total £
Cost					
At 30 December 2018	2,381,387	9,530,040	-	-	11,911,427
Additions	31,626	41,397	-	-	73,023
Transfer from another group undertaking	850,436	-	2,810	202,560	1,055,806
At 30 December 2019	3,263,449	9,571,437	2,810	202,560	13,040,256
Depreciation					
At 30 December 2018	1,771,056	5,472,557	-	-	7,243,613
Depreciation charge for the year	154,911	450,712	506	29,568	635,697
Transfer from another group undertaking	737,340	-	1,154	63,410	801,904
At 30 December 2019	2,663,307	5,923,269	1,660	92,978	8,681,214
Net book value					
At 30 December 2019	600,142	3,648,168	1,150	109,582	4,359,042
At 30 December 2018	610,331	4,057,483	-	-	4,667,814

The net book value of assets held under finance leases is £Nil at 30 December 2019 (2018: £Nil). The directors do not consider the remaining useful lives of property, plant and equipment to be materially different from the periods over which the assets are being depreciated. The depreciation charge is recognised within cost of sales in the profit and loss account.

New Earth Solutions (Canford) Limited

Notes forming part of the financial statements
for the year ended 30 December 2019 (continued)

12 Right of use assets

	Property £	Plant & Equipment £	Total £
Cost			
At 30 December 2018	2,215,443	-	2,215,443
Transfer from another group undertaking	-	586,638	586,638
Terminations	-	(147,516)	(147,516)
	<u>2,215,443</u>	<u>439,122</u>	<u>2,654,565</u>
At 30 December 2019	2,215,443	439,122	2,654,565
Depreciation			
At 30 December 2018	124,230	-	124,230
Depreciation charge for the year	124,231	170,833	295,064
Transfer from another group undertaking	-	196,019	196,019
Terminations	-	(61,165)	(61,165)
	<u>248,461</u>	<u>305,687</u>	<u>554,148</u>
At 30 December 2019	248,461	305,687	554,148
Net book value			
At 30 December 2019	1,966,982	133,435	2,100,417
	<u>1,966,982</u>	<u>133,435</u>	<u>2,100,417</u>
At 30 December 2018	2,091,213	-	2,091,213
	<u>2,091,213</u>	<u>-</u>	<u>2,091,213</u>

13 Deferred tax

	2019 £	2018 £
At beginning of the financial year	270,243	384,511
Accelerated capital allowances	-	98,229
Tax losses	-	(212,497)
	<u>270,243</u>	<u>270,243</u>
At end of the financial year	270,243	270,243

Deferred tax arises from differences in the carrying value of items such as property, plant and equipment, intangibles, retirement benefit obligations, losses forward and other temporary differences in the financial statements and the tax base established by the tax authorities.

14 Debtors

	2019 £	2018 £
Trade debtors	964,195	684,246
Other debtors	156,408	18,772
Amounts due from group undertakings	870,871	-
	<u>1,991,474</u>	<u>703,018</u>
Due within one year	1,991,474	703,018

Amounts due from group undertakings are unsecured, interest free and repayable on demand.

New Earth Solutions (Canford) Limited

Notes forming part of the financial statements
for the year ended 30 December 2019 (continued)

15	Cash and cash equivalents	2019	2018
		£	£
	Cash and cash equivalents	58,274	36
		<hr/>	<hr/>
16	Interest bearing loans and borrowings	2019	2018
		£	£
	Amounts falling due within less than one year		
	Right of use lease liabilities	198,732	94,335
		<hr/>	<hr/>
	Amounts falling due after more than one year		
	Right of use lease liabilities	1,968,728	2,030,014
		<hr/>	<hr/>
		£	£
	Amounts falling due after more than one year		
	Between 1 and 2 years	133,999	97,690
	Between 2 and 5 years	329,167	314,415
	More than 5 years	1,505,562	1,617,909
		<hr/>	<hr/>
		1,968,728	2,030,014
		<hr/>	<hr/>
	The incremental borrowing rates used for the right of use leases are 3% - 4% (2018: 4%)		
17	Creditors: amounts falling due within one year	2019	2018
		£	£
	Trade creditors	846,908	2,739
	Accruals	777,974	637,167
	Other taxation and social security	140,719	-
	Amounts due to group undertakings	4,793,779	2,239,232
	Right of use lease liabilities	198,732	94,335
		<hr/>	<hr/>
		6,758,112	2,973,473
		<hr/>	<hr/>
	Amounts due to group undertakings are unsecured, interest free and repayable on demand.		
18	Creditors: amounts falling due after more than one year	2019	2018
		£	£
	Right of use lease liabilities	1,968,728	2,030,014
		<hr/>	<hr/>

New Earth Solutions (Canford) Limited

Notes forming part of the financial statements
for the year ended 30 December 2019 (continued)

19 Financial instruments

The company's financial instruments may be analysed as follows:

	2019 £	2018 £
Financial assets that are debt instruments measured at amortised cost	2,049,748	703,054
Financial liabilities measured at amortised cost	(8,586,121)	(5,003,487)
	<u>(6,536,373)</u>	<u>(4,300,433)</u>

Financial assets that are debt instruments measured at amortised cost comprise cash at bank and in hand, trade and other debtors and amounts due from group undertakings.

Financial liabilities measured at amortised cost comprise right of use lease liabilities, trade creditors, accruals and amounts due to group undertakings.

20 Called up share capital

	2019 £	2018 £
<i>Allotted, called up and fully paid</i>		
1 ordinary share of £1 each	1	1
	<u>1</u>	<u>1</u>

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the company.

21 Reserves

The capital contribution reserve arose as a result of the following:

- On 9 June 2016, DM OpCo Limited ("DM OpCo") acquired the trade and assets of New Earth Solutions Group Limited ("NESG") and New Earth Solutions Facilities Management Limited ("NESFM"). NESG and NESFM had both entered administration on 7 June 2016. Included in the assets acquired by DM OpCo from NESFM were amounts owed from the company totalling £2,770,647. These amounts were considered irrecoverable by DM OpCo at that date and waived in full. As a result of these amounts being waived by DM OpCo, a capital contribution was recognised in the financial statements.
- On 13 October 2016, the ordinary share capital of the company's previous ultimate parent, DM TopCo Limited was acquired by Pandagreen Limited ("Pandagreen"). As a result of the acquisition the Co-Op bank loan was reassigned to Pandagreen, together with associated security over the company's tangible non-current assets. On 29 November 2016, Pandagreen waived £5,455,974 of the acquired debt, as a capital contribution, reducing loan amounts owed from £7,633,398 to £2,177,424, which was considered to be the fair value of the debt acquired.
- On 28 February 2019, the company entered into a deed of waiver with DM OpCo to formalise the waiver of debt that took place between DM OpCo and the company between 9 June and 31 July 2016. Thereafter, the directors concluded that the DM OpCo waiver and the Pandagreen waiver can be treated as realisable profits and as such can reduce the accumulated losses of the Company. Therefore, £8,226,621 was transferred from the capital contribution reserve and converted to distributable reserves on 28 February 2019.

New Earth Solutions (Canford) Limited

Notes forming part of the financial statements for the year ended 30 December 2019 (continued)

22 Ultimate parent undertaking and controlling party

The company is owned by DM HoldCo Limited who are incorporated in the UK. The company's ultimate holding company is Sretaw 3 Limited, an Irish registered company. At the year end, the company was ultimately controlled by Eamon Waters (99%) and Robert Waters (1% held in trust).

The smallest group in which the results of the company are consolidated is that headed by Beauparc Utilities Limited, Panda Waste Management Solutions, Ballymount Road Upper, Dublin 24, Ireland. The largest group in which the results of the company are consolidated is that headed by Sretaw 3 Limited, an Irish registered company with its registered office at Panda Waste Management Solutions, Ballymount Road Upper, Dublin 24, Ireland. The consolidated financial statements of the group are available to the public and may be obtained from Sretaw 3 Limited, Panda Waste Management Solutions, Ballymount Road Upper, Dublin 24, Ireland.

23 Related party transactions

The company has availed of the exemption outlined in paragraph 8(k) of FRS 101 from disclosing transactions entered into between members of the group, where the company as a party to the transaction is a wholly owned member.

24 Post balance sheet events

The directors are monitoring developments around COVID 19 and while there is still uncertainty in that regard, the directors continue to evaluate the situation and are confident that the company will be in a strong position to respond to the resulting challenges. There were no other post balance sheet events that affected the amounts or disclosures in the financial statements.

25 Capital commitments and contingencies

The company had no material capital commitments or contingent liabilities at 30 December 2019 (2018 - Nil).