Registered number: 06968057

NEW EARTH SOLUTIONS (WEST) LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JANUARY 2014

NEW EARTH SOLUTIONS (WEST) LIMITED

COMPANY INFORMATION

DIRECTORS	W E Riddle D Stockley M S Scobie J Fogg D J Whitaker
COMPANY SECRETARY	S Bates Quayseco Limited
REGISTERED NUMBER	06968057
REGISTERED OFFICE	Key House 35 Black Moor Road Ebblake Industrial Estate Verwood Dorset BH31 6AT
INDEPENDENT AUDITORS	BDO LLP Bridgewater House Finzels Reach Counterslip Bristol BS1 6BX
BANKERS	Norddeutsche Landesbank Girozentrale 1 Wood Street London EC2V 7WT The Co-operative Bank Plc PO Box 101 1 Balloon Street Manchester M60 4EP Royal Bank of Scotland Group Plc 3 Hampshire Corporate Park Templars Way Chandlers Ford SO53 3RY

NEW EARTH SOLUTIONS (WEST) LIMITED

CONTENTS

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 JANUARY 2014

The directors present their report and the financial statements for the year ended 31 January 2014.

DIRECTORS' RESPONSIBILITIES STATEMENT

The directors are responsible for preparing 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 the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 period.
In preparing these financial statements, the directors are required to:

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

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

RESULTS

The loss for the year, after taxation, amounted to £195,845 *(2013 - loss £829,137)*.

DIRECTORS

The directors who served during the year were:

W E Riddle
D Stockley
M S Scobie
J Fogg
D J Whitaker

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, likely future developments in the business of the company and research and development.

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 JANUARY 2014

DISCLOSURE OF INFORMATION TO AUDITORS

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

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

AUDITORS

Under section 487(2) of the Companies Act 2006, BDO LLP will be deemed to have been reappointed as auditors 28 days after these financial statements were sent to members or 28 days after the latest date prescribed for filing the accounts with the registrar, whichever is earlier.

This report was approved by the board on 13 October 2014 and signed on its behalf.

D Stockley
Director

STRATEGIC REPORT
FOR THE YEAR ENDED 31 JANUARY 2014

INTRODUCTION

New Earth Solutions (West) Limited is wholly owned by New Earth Solutions Facilities Management No2 Limited, which is in turn wholly owned by New Earth Solutions Facilities Management Limited. The detailed text below has been taken from the Business Review of New Earth Solutions Facilities Management Limited.

The contracted revenue streams from local authorities underpin the delivery of mechanical and biological waste treatment facilities to separate materials for recycling, divert waste away from landfill disposal and generate a biomass-rich fuel suitable as a replacement for fossil fuels.

NESFM's state-of-the-art facilities are scalable, can be constructed quickly, and are proven to be attractive to local authorities and other commercial waste producers.

The NESFM operations are managed and operated under contract by New Earth Solutions Group Limited ("NESGL") on behalf of NESFM.

NESFM's business plans include the development of energy recovery plants by its sister company, New Earth Energy Facilities Management Limited ("NEEFM"), to utilise refuse derived fuel ("RDF") prepared at its waste treatment facilities.

During the last four years NEAT Technology Group Limited ("NTGL"), NEEFM's technology provider has developed and patented innovative energy recovery technology, which utilises the RDF from NESFM's waste treatment facilities to generate renewable energy in the form of electricity and heat.

UK Government policy and fiscal support for the two sectors that NESFM, NEEFM and NESGL (together "New Earth") are active in, waste management and renewable energy from waste, remain strong and attractive. The UK faces tough targets for waste recycling and landfill diversion and has escalating levels of landfill taxation, which support their approach to waste management.

There is mounting pressure to secure energy from renewable sources as part of the drive towards a low-carbon economy and to increase the overall contribution of the UK's energy supply from renewable sources. NESGL's waste to energy process that makes use of RDF is eligible for substantial UK government subsidies to encourage this transition in the UK overall energy mix.

In seven years, NESGL and NESFM has grown from a single site in Dorset to having a national presence, having won 20 local authority contracts, representing over 5 million tonnes and circa £400m of future revenues and operating five waste treatment facilities. In addition, NEEFM's first dedicated energy recovery facility is operational and expected to ramp up to full capacity during 2014/15.

In order to finance its rapid growth, NESFM has drawn upon the support and performance of New Earth Recycling & Renewables (Infrastructure) plc ("NERR"), an open-ended infrastructure fund that was established to invest in NESFM, NEEFM and NESGL and remains a consistent source of funds along with senior debt provided to NESFM by Norddeutsche Landesbank Girozentrale ("Nord") and The Co-Operative Bank plc ("Co-Op").

COMPANY STRUCTURE

NESFM, NEEFM and NESGL operate a traditional special purpose vehicle (SPV) organisation structure for its waste treatment facilities and local authority contracts and for its energy recovery facility. There are three major infrastructure holding companies within this structure, with quite distinct roles and responsibilities:

(1) **New Earth Solutions Facilities Management Ltd (NESFM)** - The property holding company for waste assets which owns all the assets of the five operational waste treatment facilities, including all Land and Buildings, Plant and Equipment and owns all local authority waste contracts.

(2) **New Earth Energy Facilities Management Ltd (NEEFM)** - The property holding company for energy assets which owns the newly constructed energy recovery facility at Avonmouth, including the Land, Buildings, Plant and Equipment and energy supply contract and purchasing power agreement.

(3) **New Earth Solutions Group Ltd (NESGL)** - The holding company of the Operator and developer of individual waste treatment and energy recovery facilities.

NESGL has a contract with NESFM and NEEFM to operate the five operational waste treatment facilities on behalf of NESFM and to operate the energy recovery facility on behalf of NEEFM.

In addition, New Earth Technology Group Ltd ("NTGL") - The technology company and project developer of Avonmouth Energy Facility was demerged from NESGL in January 2013 to provide separate and greater focus for both the infrastructure and operating assets of New Earth (NESGL, NESFM and NEEFM) from its technology partner NTGL.

NTGL holds all the major intellectual property relating to the proprietary NEAT waste to energy technology.

OWNERSHIP STRUCTURE

NESFM is financed by a combination of equity and mezzanine debt provided by a dedicated infrastructure fund, NERR, which is managed and promoted by an experienced asset manager, Premier Group (Isle of Man) Ltd who has over £328m of funds under management. In addition, NESFM is also financed by senior debt from Nord and Co-op, secured on the assets of the five operational waste treatment facilities.

NERR alongside NESGL's senior management team is the majority owner of the major property holding companies, NESFM and NEEFM and a minority owner in the operating holding company NESGL.

A simplified equity ownership structure is shown in the table below:

Company	NERR Ownership	Management Ownership	NESGL Equity Ownership
NESFM - Waste treatment property	89.95%	-	10.05%
NEEFM - Energy recovery property	90.0%	-	10.0%
NESGL - Operator	40.3%	59.7%	-
NTGL - Technology and project developer	42.3%	57.7%	-

Management Ownership includes all senior management and middle management and where appropriate past employees who have contributed to the development and growth of NESFM, NEEFM and NESGL. Senior Management retains a 25% carried interest in NESGL holdings in the property companies.

CORPORATE STRUCTURE - AIMS AND OBJECTIVES

Within the waste industry and in other major infrastructure sectors it is quite common to use special purpose vehicles to develop each individual project or facility and to separate out the ownership of the assets into property companies that then contract with a dedicated company to operate those assets on its behalf over the life of the facility.

This model has the following benefits for the stakeholders in each company, which are as follows:

(A) Property Companies

The aim of the property companies within the structure is one of ownership of all the assets, including long term waste supply contracts. Both equity and debt providers to these companies aim to benefit from the long term income streams that each facility can generate over its life time which is usually in excess of 25 years and the increased capital value such assets can command.

By their nature they are invested in long term infrastructure assets with an initial significant capital investment and are often further developed with subsequent expansions as each site is commercially maximised.

For investors, they provide an ideal vehicle to invest with both senior and mezzanine debt that is secured on their substantial assets with equity investors benefiting from increases in the capital value of such assets after servicing debt costs. Investors are keen to maximise the long term potential of each facility site as a strategic asset in a similar way as other traditional commercial property investors manage their property estate, hence why they are referred to as property companies.

It is for this reason that the majority of NERR investments are held in the two major property holding companies, namely NESFM and NEEFM.

(B) Operating Companies

NESGL acts as the operating holding company for all NESFM's waste treatment and NEEFM's energy recovery facilities. Its aim is to focus its efforts on operating these facilities as efficiently as possible and to maximise their long term trading performance. Unlike the property companies, which are essentially investment vehicles, it has all the skills and manpower to operate and further develop existing and new sites.

From an investors point of view NESGL has a low asset and debt base, as it does not own the infrastructure assets. Under this structure NESGL does have equity upside potential as its gains the majority of any trading outperformance as the trading returns retained by the property companies is relatively fixed.

NERR has a minority share in this company for potential upside return whilst NESGL's senior management have the majority share in this company.

Prior to the end of this financial year NESGL, in addition to its pure operating role, had undertaken all new project development work within NESFM and NEEFM and developed its proprietary waste to energy technology. When those projects have reached a certain level of maturity NESGL has traditionally sold down its equity interest in those projects to NERR via NESFM and NEEFM creating a substantial development profit.

GROWTH STRATEGY

The growth strategy of NESFM, NEEFM and NESGL has developed over the last seven years into three distinct phases:

Phase 1 – Win local authority contracts for the management and treatment of residual ('black bag'), green and food waste streams by tendering for medium to long term contracts and use the contracts to secure funding for the construction of waste treatment facilities within subsidiaries of NESFM;

Phase 2 - Focus on the operation of the facilities and servicing of contracts as well as continue to expand and develop these facilities to increase their processing capacity through winning additional contracts. Realise development profits on individual facilities as they mature to reinvest in further projects;

Phase 3 - Develop a renewable energy business using our partner's, NTGL, proprietary technology by constructing energy recovery facilities located next to its waste treatment facilities, supplied with RDF produced by those facilities.

This enables the maximisation of the commercial potential of each waste contract by earning increased revenues received from the sale of power and UK Government subsidies for renewable heat and power. Successful implementation of this phase should enable NESGL to fulfil its ambition to offer local authorities and other waste producers a fully integrated waste to energy solution with substantial economic and environmental benefits.

POST BALANCE SHEET EVENTS

Sale of non-core assets

In line with its business plan, which seeks to focus on the provision of residual waste treatment solutions and the expansion of its energy from waste facilities, New Earth Solutions Group Limited ("NESG") has negotiated to sell certain non-core organic waste contracts. This transaction, which would generate profits for NESG and New Earth Solutions Facilities Management Limited ("NESFM"), would include land at Willow, near Bristol, which has consent for the development of an anaerobic digestion facility. The Willow land is expected to be sold for £1,200k. The net book value of the land to be sold was £1,750k in New Earth Solutions (Willow) Limited ("NESW") as at 31 January 2014, and in anticipation of the completion of the transaction the Directors have cautiously decided to reflect a write down in the net book value of the land of £550k in NESW and £206k in NESG's consolidated balance sheet at 31 January 2014. The expected sale of contracts together with the sale of the Willow land are together expected to be profitable for the NESG and NESFM groups.

Refinancing of Avonmouth Energy facility

In line with its normal policy of refinancing major new plants after commissioning, during September 2014 New Earth Energy Facilities Management Limited Group refinanced the Avonmouth Energy facility raising £20m of senior debt finance in New Earth Energy (Avonmouth) Limited ("NEEAL") from Macquarie Bank Limited. This enabled the repayment of short term NEEAL Loan Notes of £5.9m and provides cash for New Earth Group as operator of the Avonmouth facility and New Earth Recycling & Renewables (Infrastructure) plc to continue to execute their strategic objectives.

OPERATIONAL REVIEW - WASTE TREATMENT FACILITIES

During the year ended 31 January 2014, NESFM continued to grow strongly. All five of the New Earth's waste treatment facilities operated throughout 2013/14 at or close to capacity.

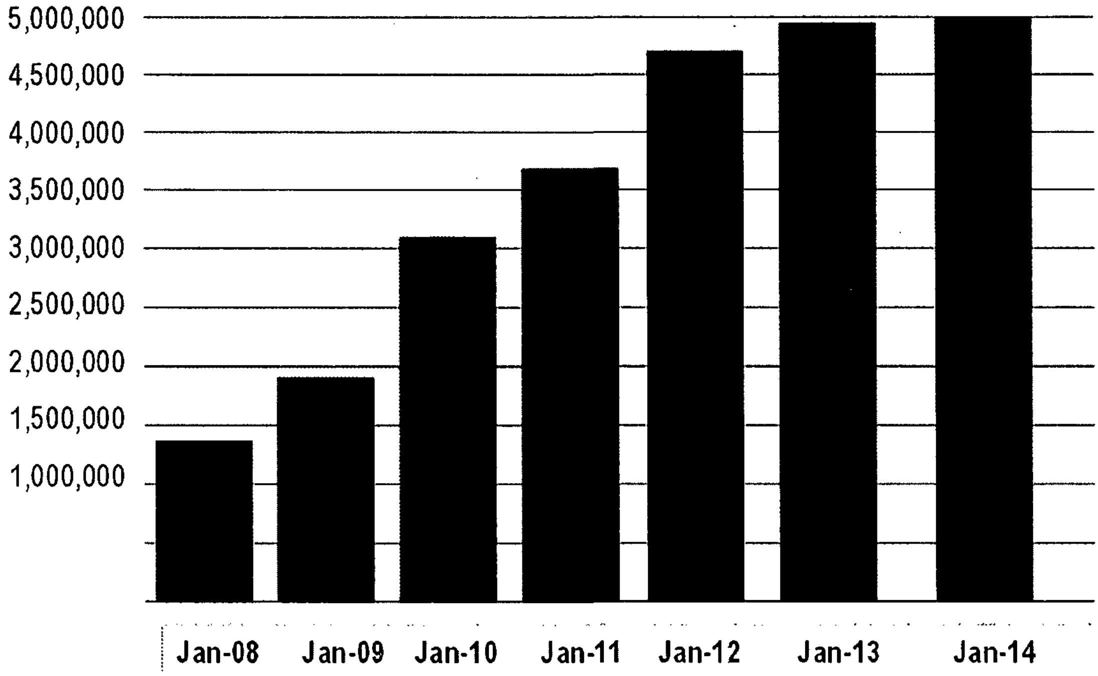
Whilst at close to full capacity all five facilities do have significant expansion opportunities over time and are developed according to a site specific strategic plan to maximise the value from a trading and capital value perspective.

NESFM benefits greatly from a substantial number of medium to long term contracts it has won with local authorities which enables it to predict the tonnage it will manage in future years with a high degree of certainty. It is this level of contracted tonnage available that helps NESFM to plan its day to day operations and the need to raise finance and construct new facilities.

NESFM's current contracted waste order book now stands at approximately 3 million tonnes of waste with 20 major local authority contracts won, representing in excess of £200m of guaranteed future revenues.

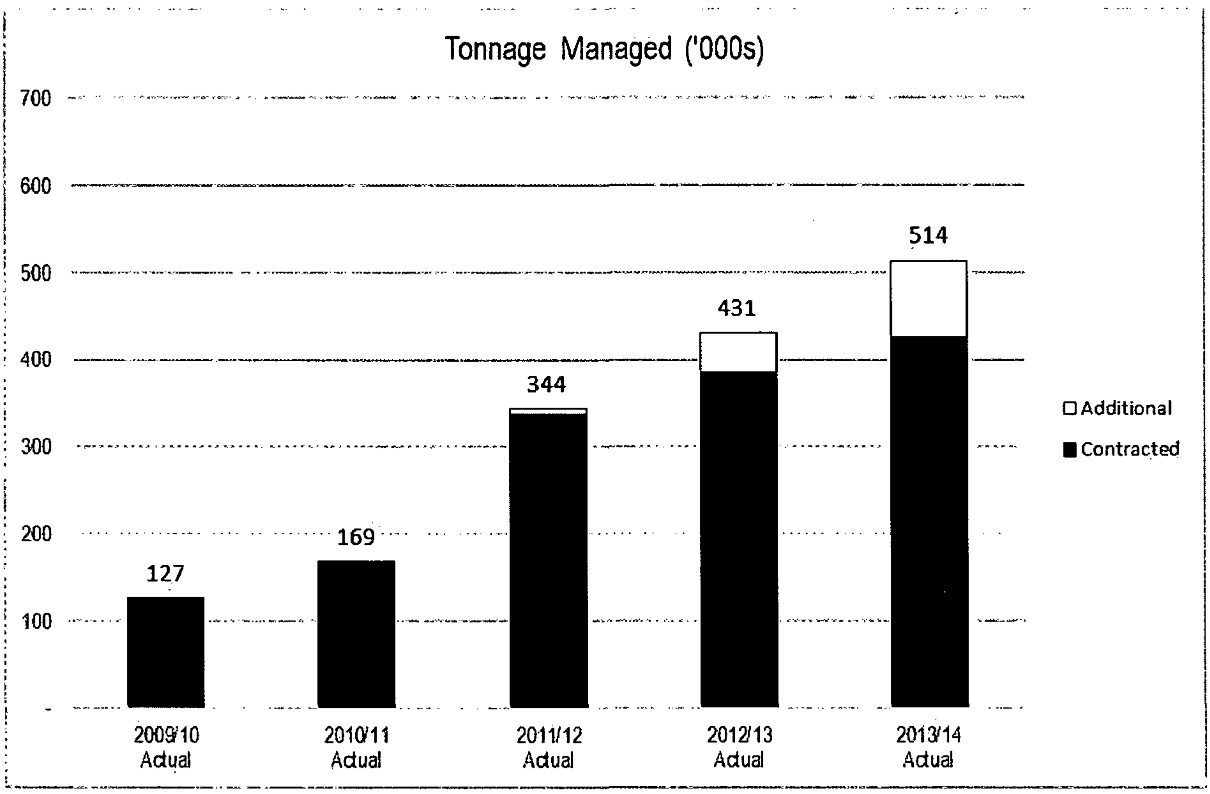
The table below illustrates the substantial growth NESFM has achieved in the last seven years, which has resulted in five operational waste treatment facilities to date. The table also includes a sixth waste treatment facility to be constructed in 2015 in Galashiels, Scottish Borders and opened in 2016/17. The Scottish Borders facility, which has a contracted waste order book of 1.9m tonnes, will be operated by NESGL and the contracting entity is currently owned by NERR and NESGL.

Contracted waste order book (tonnes)



NESFM has continued to increase the quantity of waste that it controls under contracts from local authorities ("contracted tonnage"). Additional capacity at the facilities has been filled using short term contracts or ad hoc sales with both the private and public sectors ("additional tonnage"). The total of the contacted tonnage and the additional tonnage provide the total managed in a financial year ("managed tonnage").

In the year ended 31 January 2014 NESFM derived revenue from 514,000 managed tonnes of waste (2012/13 431,000 tonnes), an increase of 19% from the previous year. The main driver of growth was increased tonnage being treated at the Avonmouth facility, in particular, a new Heads of Valleys contract. The table below illustrates the significant growth NESFM has achieved in the last four years, from 127,000 managed tonnes in 2009/10 to 514,000 in 2013/14 an annual increase of 97,000 tonnes.



NESFM has experienced a marked increase in the demand for its waste treatment facilities in the last twelve months and this trend is continuing in the current year. The majority of this demand is from the private sector for treatment of its commercial and industrial waste and this is included in the table above as Additional Tonnage.

With Landfill tax increased to £80 per tonne in April 2014, the private sector waste producers that have traditionally used landfill as their waste disposal route are now looking for alternative treatment solutions such as NESFM's waste treatment facilities. In terms of total waste produced in the UK, commercial and industrial waste is estimated to be double the size of the local authority waste market. As a result NESFM is expecting considerable demand over the next five years to come from this source, initially on an ad hoc basis, but increasingly on short to medium term contracts that will provide useful increases in marginal revenues over and above its contracted revenues.

KEY PERFORMANCE INDICATORS

NESFM produces key performance indicators for each of its operating facilities, as shown in the table below.

	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14
Tonnes Managed ('000s)	86	127	169	344	431	514
Revenue (£'000)	4,393	7,630	10,707	23,646	31,090	38,939
Average Revenue per tonne (£)	51.08	60.29	63.39	68.71	72.07	75.79
Landfill Diversion (%)	61%	77%	84%	88%	95%	92%

Total revenue over the last five years has grown from £4,393k to £38,939k and in the last year increased by £7,849k an increase of 25%, mainly as the Avonmouth waste treatment facility ramped up its operations.

Average Revenue per tonne has increased from £51.08 per tonne to £75.79 per tonne an increase over the period of £24.71 per tonne. NESFM is continuing to benefit from the annual rises in Landfill Tax making its waste treatment facilities an increasingly competitive alternative to landfill for waste producers.

NESFM's local authority contracts are also automatically adjusted on an annual basis for inflation, a factor that provides a substantial inflation hedge over the considerable life of its medium to long term contracts.

The landfill diversion performance achieved by NESFM's operator NESGL is a key performance figure for NESFM and its customers. The performance achieved by NESGL has increased substantially over the last six years and now stands at 92% of all waste received, a testament to the efficiency of the waste treatment facilities and NESGL's operations of them. Landfill diversion rates reduced from 95% in 2012/13 to 92% in 2013/14. This was a direct result of a short term closure of the Avonmouth Waste facility to undertake capital works that enabled it to feed RDF fuel directly into the co-located Avonmouth energy facility. In 2014/15 the landfill diversion rate has returned to +95%.

INDIVIDUAL FACILITY REVIEWS

Canford, Dorset

The facility at Canford in Poole has a capacity of 90,000 tonnes per annum ("tpa"). It is fully utilised in treating residual municipal waste from Bournemouth Borough Council and Dorset County Council under contracts that extend up to 2021 as well as a new contract to treat municipal waste from Poole Borough Council, via sub-contract with Viridor, up to 2027.

Blaise, Kent

The facility at Blaise provides composting capacity of 60,000 tpa and is underpinned by a fifteen plus five year contract for source segregated organic waste from Kent County Council. The remaining capacity is now contracted to receive green waste from Mid-Kent and West Kent for period extendable for up to 12 years.

The Blaise site has planning consent for up to 100,000 tpa of capacity. In total the site has contracts for up to 80,000 tpa.

Sharpness, Gloucestershire

The Sharpness facility has a 48,000 tpa permitted capacity. It is currently being used as a fuel preparation satellite operation for Avonmouth due to the significant growth in tonnage treated at Avonmouth over the last 12 months.

Cotesbach, Leicestershire

Cotesbach is a 50,000 tpa capacity waste treatment facility servicing a four to six year contract to treat residual waste from Leicestershire County Council. The contract provides 45,000 tpa of inputs. Any spare capacity in the facility is sold jointly by New Earth and its partner, Lafarge Aggregates Limited, under a joint marketing agreement.

Avonmouth, Bristol

This facility provides processing capacity of up to 210,000 tpa. It is underpinned by a 120,000 tpa residual waste treatment contract with the West of England Partnership of local authorities. The contract commenced in April 2011 and runs for nine years. In February 2013, NESFM was appointed by two Welsh local authorities – Torfaen and Blaenau Gwent - to treat and dispose of 40,000 tpa of residual waste under a contract for up to eight years. The Avonmouth facility is currently treating around 75% of this waste. Other contracts for top-up wastes bring the site to full capacity.

In 2013/14 this facility started to benefit from savings in both transport and disposal costs resulting from, disposing its RDF at the New Earth's new co-located renewable energy recovery facility. There will be additional savings in 2014/15 as the energy recovery facility is ramped up to full capacity.

FINANCIAL PERFORMANCE

Given that NESFM is essentially a property company its financial performance is mainly judged by the directors on its ability generate cash from its operations to enable it to repay its borrowings when due and the market value of its tangible fixed assets. These include all the land and building, plant and equipment and the value of its local authority contracts.

Based on the above criteria, the directors are pleased with the financial performance of NESFM. The business generated cash from operations of £3,796k. Net debt increased £1,332k up to £67,328k.

NESFM has performed ahead of budgeted expectations in the current year and has developed in line with the strategic objectives of the directors, who remain confident of the business plan.

Current trading results and projections for NESFM are in line with expectations and NESFM is projecting to continue to be cash generative over the next 18 months.

Consolidated Profit and Loss Account

Turnover increased to £38,939k from £31,090k over the previous year, an increase of £7,849 (25%), reflecting an increase in tonnage through the Avonmouth waste facility. This was achieved without significant capital expenditure and essentially on the same asset base as last year.

Gross profit also increased to £7,929k from £7,205k an increase of £724k (10%) from the previous year.

Interest payable decreased from £6,900k to £6,829k, reflecting capital repayments in the year.

Overall the loss for the year, which includes a depreciation charge of £3,510k for tangible fixed assets was £757k compared to £945k in 2012/13.

The directors do not recommend the payment of a dividend.

Reconciliation of NESFM Consolidated Balance Sheet to NERR's Net Asset Value

NESFM's main shareholder, NERR, consolidates the results of its subsidiary NESFM under International Financial Reporting Standards ("IFRS") which they believe more correctly reflects the value of NESFM, which prepare their accounts under the basis of UK GAAP.

The main difference between the two accounting bases is that under UK GAAP, Fixed Assets, including all Land and Buildings and Plant and Equipment of the waste treatment facilities are valued at cost less depreciation compared to IFRS which requires Fixed Assets to be valued at their current market value.

In order to reconcile the difference between the two accounting treatments and to calculate the funds monthly Net Asset Value ("NAV"), NERR makes various adjustments to NESFM accounts to arrive at its definition of value:

(1) Tangible Fixed Assets are valued on the basis of their market value by GVA, the UK largest independent commercial property adviser. In the year ended 31 January 2014 this resulted in an uplift from the depreciated cost of £61,677k to £126,501k an increase of £64,824k.

(2) Intangible Fixed Assets are considered a sunk cost by NERR and therefore the amount of £1,900k is removed from the valuation in NERR's calculation of its NAV.

(3) Capitalised Debt costs are considered a sunk cost and the amount of £3,571k is removed from the valuation in NERR's calculation of its NAV.

The resulting adjusted NAV of NESFM as per the table below shown as Capital and Reserves equates to £57,952k. NERR currently owns 89.95% of NESFM and this equates to £52,128k, which after a provision of £548k for deferred consideration, indicates £51,580k for inclusion in NERR's NAV calculation for February 2014.

Following a resolution by the Board of NERR to hold equity values at their December '13 values during a period of significant change, NERR's valuation of its interest in NESFM of £51,580k represented approximately 23.5% of its total NAV in February 2014 of £216m. In addition to its equity interest in NESFM, NERR also owns two Classes of Loan Notes issued by NESFM of £18,000k and £13,526k (exclusive of rolled up interest).

A consolidated balance sheet reconciliation table is shown below:

	Audited	Adjustments	NAV
	£000	£000	£000
FIXED ASSETS			
Intangible assets	1,900	(1,900)	0
Tangible assets	61,677	64,824	126,501
	63,577	62,924	126,501
CURRENT ASSETS			
Debtors	4,545		4,545
Cash at bank	3,634		3,634
	8,179	0	8,179
CREDITORS: amounts due within one year	(4,941)		(4,941)
NET CURRENT ASSETS	3,238	0	3,238
TOTAL ASSETS LESS CURRENT LIABILITIES	66,815	62,924	129,739
CREDITORS: amounts due after one year	68,176	3,571	71,747
PROVISIONS FOR LIABILITIES	40		40
CAPITAL AND RESERVES	(1,401)	59,353	57,952
	66,815	**62,924**	**129,739**

Consolidated Balance Sheet

The consolidated balance sheet shows net assets less current liabilities of £66,815k compared to £69,101k in the previous year, based on UK GAAP statutory figures. The £2,126k decrease in creditors falling due within one year was primarily as a result of working capital amounts owed to associates. Creditors over one year decreased by £1,569k to £68,176k and cash balances stood at £3,634 from £6,684k in the previous year.

Senior debt for the five existing operational sites has been provided by Nord and Co-Op on an equal basis. The debt, which is held by NESFM, is for £38.8m to be repaid within 8 years. The directors can confirm that they have met all the covenant requirements of this facility, the latest tests of this being 31st January 2014 and 31 July 2014.

Consolidated Cash Flow Statement

NESFM's cash flow from operations was £3,796k from £11,465k a decrease of £7,669k. This figure has decreased due to a reduction in creditors.

Capital expenditure reduced substantially from £3,582k to £14k, reflecting all sites being at full operation in the year.

During the year the NESFM repaid a net £2,598k of debt, compared to £2,667k in the prior year.

Overall net debt for NESFM has increased by £1,332k from £65,996k to £67,328k.

Net interest payments during the year were £4,234k, down from £4,524k.

CORPORATE RESPONSIBILITIES, POLICIES AND PERFORMANCE

Health and Safety and Employees

NESFM monitors NESGL as its waste operator and their responsibilities regarding the health and safety of NESGL employees and the provision of a safe working environment. As such NESGL employees are encouraged to be proactive in avoiding accidents occurring at work. In addition, there are strict procedures in place aimed at protecting the health and safety of customers, contractors and other visitors to the operational sites.

Best industry practice and near-miss reporting is employed to ensure that health and safety systems and standards are maintained to the highest levels.

Health and safety is regularly reviewed by the directors of NESFM and NESGL and performance is measured and reported as part of its key performance indicators.

NESGL has accreditation to the OHSAS: 18000 standard for its health and safety systems and employs dedicated health and safety staff.

Management Systems

The management systems are regularly reviewed and updated to ensure they continue to be effective as the NESFM expands. As its operator, NESGL has a formalised system of quality and environmental management. This has been enshrined within the NESGL integrated management system (IMS) that has been developed in conjunction with external specialist consultants. The IMS system has been externally audited and accredited as meeting recognised international standards for quality management (ISO9001) and environmental management (ISO14001). This system has been being expanded across all of the operations and is applied to new facilities as they come on line.

Key Performance Indicators

NESFM produces key performance indicators for each of its operating facilities on a weekly basis. These include both operational and financial measures that assist in the timely monitoring and control of the NESFM (and NESGL as its operator) business and facilities, enabling performance improvement and corrective management actions. The metrics include a review of incoming quantities of sales tonnage, sales price, recycling/ diversion levels and all key variable operating costs and cash flows. They are produced weekly for each site and reviewed by the directors. Action plans to enhance performance are put in place and followed through to completion.

Environmental Policies

NESGL, as operator of NESFM's waste treatment and NEEFM's renewable energy recovery facilities, is dedicated to delivering cost-effective technical and environmental solutions to the UK's waste problems. NESGL is providing sustainable waste treatment processes to local authority and commercial customers across the UK, helping them optimise recycling and minimise their impact on the environment by diverting waste away from landfill and generating low-carbon renewable energy.

NESGL is committed to leading the industry in minimising the impact of its activities on the environment.

The key points of its strategy to achieve this are:

(1) Minimise waste by evaluating operations and ensuring they are as efficient as possible.

(2) As an operator in the waste recycling sector, actively promote recycling both internally and amongst its customers and suppliers.

(3) Source and promote a product range to minimise the environmental impact of both production and distribution.

(4) Meet or exceed the environmental legislation that relates to the waste industry and renewable energy sector.

PRINCIPAL RISKS AND UNCERTAINTIES

Facility Processing Capacity Utilisation

NESFM is ultimately exposed if NESGL as its operator fails to fully utilise all of the processing capacity within its operational facilities. During the current year NESFM's five sites have consistently trading at or close to capacity and this is forecast to continue for the foreseeable future and will lead further capacity expansion plans in line with NESGL's strategic growth plans. NESFM's operations are competitive against alternative disposal routes, especially landfill (including the escalating costs of Landfill Tax), and the Group 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.

Inflation

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

FINANCIAL INSTRUMENTS

NESFM financial instruments comprise borrowings, 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 finance for the NESFM waste treatment facilities.

The NESFM also enters into derivatives transactions (exclusively interest rate swaps and forward foreign currency contracts). The purpose of such transactions is to manage the interest rate and currency risks arising from the NESFM's operations and its sources of finance.

It is, and has been throughout the period under review, the NESFM policy that no trading in financial instruments shall be undertaken.

The main risks arising from the NESFM financial instruments are interest rate risk and liquidity risk. The Board reviews and agrees policies for managing each of these risks and they are summarised below. These policies have remained unchanged since 1 February 2013.

STRATEGIC REPORT (continued)

Liquidity Risk

NESFM 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. It is this exercise that ensures that appropriate funding facilities are identified and available to NESFM and can be drawn upon as necessary. The directors remain confident that the finance from the NERR fund will be available for the foreseeable future.

Credit Risk

NESFM's credit risk, mainly with associate companies, is primarily attributable to its trade debtors. The majority of the 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 NESFM's standard terms and conditions.

Foreign Currency Risk

NESFM's acquires certain fixed assets and has certain operating costs in Euro denomination. In order to protect NESFM's sterling balance sheet from the movements in the Euro/Sterling exchange rate, NESFM has acquired future dated foreign exchange options. No forward contracts for currency have been used during 2013/14. The directors do not consider this risk significant.

Interest Rate Risk

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

During 2013/14 NESFM debt with Nord and Co-Op had fixed interest rates over the period of the loan. This was achieved by utilising long term interest rate hedging instruments. For other loans the NESFM borrows at fixed interest rates for the life of the loan.

This report was approved by the board on 13 October 2014 and signed on its behalf.

D Stockley
Director

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF NEW EARTH SOLUTIONS (WEST) LIMITED

We have audited the financial statements of New Earth Solutions (West) Limited for the year ended 31 January 2014, which comprise the Profit and loss account, the Balance sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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 Auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As explained more fully in the Directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's (FRC's) Ethical Standards for Auditors.

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

OPINION ON FINANCIAL STATEMENTS

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 January 2014 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

OPINION ON OTHER MATTER PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF NEW EARTH SOLUTIONS (WEST) LIMITED

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

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

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

BDO LLP.

Simon Brooker (senior statutory auditor)

For and on behalf of
BDO LLP, statutory auditor

Bristol
United Kingdom

Date: 13/10/2014

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 JANUARY 2014

	Note	2014 £	*2013* *£*
TURNOVER	1,2	**18,338,959**	*12,752,889*
Cost of sales		**(14,728,558)**	*(10,277,272)*
GROSS PROFIT		**3,610,401**	*2,475,617*
Administrative expenses		**(3,683)**	*(13,140)*
OPERATING PROFIT	3	**3,606,718**	*2,462,477*
Interest receivable and similar income		**10,367**	-
Interest payable and similar charges	5	**(3,772,930)**	*(3,538,681)*
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		**(155,845)**	*(1,076,204)*
Tax on loss on ordinary activities	6	**(40,000)**	*247,067*
LOSS FOR THE FINANCIAL YEAR	14	**(195,845)**	*(829,137)*

All amounts relate to continuing operations.

There were no recognised gains and losses for 2014 or 2013 other than those included in the Profit and loss account.

The notes on pages 19 to 24 form part of these financial statements.

NEW EARTH SOLUTIONS (WEST) LIMITED
REGISTERED NUMBER: 06968057

BALANCE SHEET
AS AT 31 JANUARY 2014

	Note	£	2014 £	£	2013 £
FIXED ASSETS					
Tangible assets	7		27,414,996		*28,718,751*
CURRENT ASSETS					
Debtors	8	1,224,556		*593,943*	
Cash at bank		800,000		*1,000,000*	
		2,024,556		*1,593,943*	
CREDITORS: amounts falling due within one year	10	(2,531,507)		*(3,400,398)*	
NET CURRENT LIABILITIES			(506,951)		*(1,806,455)*
TOTAL ASSETS LESS CURRENT LIABILITIES			26,908,045		*26,912,296*
CREDITORS: amounts falling due after more than one year	11		(28,786,299)		*(28,634,705)*
PROVISIONS FOR LIABILITIES					
Deferred tax	12		(40,000)		-
NET LIABILITIES			(1,918,254)		*(1,722,409)*
CAPITAL AND RESERVES					
Called up share capital	13		1		*1*
Profit and loss account	14		(1,918,255)		*(1,722,410)*
SHAREHOLDERS' DEFICIT	15		(1,918,254)		*(1,722,409)*

The financial statements were approved and authorised for issue by the board and were signed on its behalf on
13 October 2014.

M S Scobie
Director

The notes on pages 19 to 24 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JANUARY 2014

1. ACCOUNTING POLICIES

1.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards.

1.2 Going concern

The company incurred a loss for the year of £195,845 (2013 - £829,137) and has net liabilities of £1,918,254 (2013 - £1,722,409).

The business plan projections up to January 2016 demonstrate the company can trade within its facilities with the support of its major shareholder, New Earth Recycling & Renewables (Infrastructure) plc.

1.3 Cash flow

The directors have taken advantage of the exemption in Financial Reporting Standard No 1 (Revised 1996) from the requirement to produce a cash flow statement on the grounds that it is a subsidiary undertaking where 90 percent or more of the voting rights are controlled within the group.

1.4 Turnover

Turnover comprises revenue recognised by the company in respect of goods and services supplied exclusive of Value Added Tax and trade discounts.

Turnover is recognised on the acceptance of waste materials. This is generally on delivery of waste materials to the Avonmouth site.

1.5 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

Plant & machinery	-	15 years straight line
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.

Land is not depreciated.

1.6 Operating leases

Rentals under operating leases are charged to the Profit and loss account on a straight line basis over the lease term.

1. ACCOUNTING POLICIES (continued)

1.7 Deferred taxation

Full provision is made for deferred tax assets and liabilities arising from all timing differences between the recognition of gains and losses in the financial statements and recognition in the tax computation.

A net deferred tax asset is recognised only if it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax assets and liabilities are calculated at the tax rates expected to be effective at the time the timing differences are expected to reverse.

Deferred tax assets and liabilities are not discounted.

1.8 Foreign exchange

Foreign currency transactions of individual companies are translated at the rates ruling when they occurred expect to the extent they are covered by a foreign exchange contract in which case the contracted rate is used. Foreign currency monetary assets and liabilities are translated at the rate of exchange ruling at the balance sheet date except to the extent they are covered by a foreign exchange contract in which case the contracted rate is used. Any differences are taken to the profit and loss account.

1.9 Finance costs capitalised

Finance costs that are directly attributable to the construction of tangible fixed assets are capitalised as part of the cost of those assets.

2. TURNOVER

The whole of the turnover is attributable to the principal activity of the company.

All turnover arose within the United Kingdom.

3. OPERATING PROFIT

The operating profit is stated after charging/(crediting):

	2014	*2013*
	£	*£*
Depreciation of tangible fixed assets:		
- owned by the company	**1,337,713**	*1,194,960*
Auditors' remuneration	**3,100**	*3,000*
Loss/(gain) on foreign currency transactions	**7,557**	*(2,502)*

4. STAFF COSTS

The company has no employees other than the directors, who did not receive any remuneration *(2013 - £NIL)*.

5. INTEREST PAYABLE

	2014	*2013*
	£	*£*
On loans from group undertakings	3,772,930	*3,538,681*

6. TAXATION

	2014	*2013*
	£	*£*
Analysis of tax credit in the year		
Current tax		
Research and development claim	-	*(247,067)*
Deferred tax (see note 12)		
Deferred tax timing differences	40,000	*-*
Tax on loss on ordinary activities	40,000	*(247,067)*

7. TANGIBLE FIXED ASSETS

	Land £	Plant & machinery £	In vessel composting facilities £	Total £
Cost				
At 1 February 2013	3,642,041	697,580	25,980,075	30,319,696
Additions	-	-	33,958	33,958
At 31 January 2014	3,642,041	697,580	26,014,033	30,353,654
Depreciation				
At 1 February 2013	-	46,304	1,554,641	1,600,945
Charge for the year	-	46,506	1,291,207	1,337,713
At 31 January 2014	-	92,810	2,845,848	2,938,658
Net book value				
At 31 January 2014	3,642,041	604,770	23,168,185	27,414,996
At 31 January 2013	*3,642,041*	*651,276*	*24,425,434*	*28,718,751*

The assets above are secured by the debt to Norddeutsche Landesbank Girozentrale / The Co-operative Bank plc held in New Earth Solutions Facilities Management Limited, an intermediate holding company.

At 31 January 2014 £2,729,234 (2013 - £2,729,234) of capitalised finance costs were included within fixed asset costs. The capitalisation rate was at 8.75% and 12%. Capitalised interest is all on loans provided by New Earth Solutions Facilities Management No. 2 Limited, the parent, which were provided by New Earth Recycling & Renewables (Infrastructure) Plc.

8. DEBTORS

	2014 £	*2013* *£*
Trade debtors	1,224,556	*593,943*

9. CASH AT BANK

Included within the company's cash is £800,000 (2013 - £1,000,000) of restricted cash held as a bond for a period of 8 years.

10. CREDITORS:
Amounts falling due within one year

	2014	2013
	£	£
Trade creditors	252,668	713,372
Amounts owed to group undertakings	1,457,853	1,686,160
Accruals and deferred income	820,986	1,000,866
	2,531,507	3,400,398

11. CREDITORS:
Amounts falling due after more than one year

	2014	2013
	£	£
Amounts owed to group undertakings	28,786,299	28,634,705

Creditors include amounts not wholly repayable within 5 years as follows:

	2014	2013
	£	£
Repayable by instalments	27,247,020	28,260,954

12. DEFERRED TAXATION

	2014	2013
	£	£
At 1 February 2013	-	-
Charged to profit & loss account	40,000	-
At 31 January 2014	40,000	-

13. SHARE CAPITAL

	2014	2013
	£	£
Allotted, called up and fully paid		
1 Ordinary share of £1	1	1

14. RESERVES

	Profit and loss account £
At 1 February 2013	**(1,722,410)**
Loss for the financial year	**(195,845)**
At 31 January 2014	**(1,918,255)**

15. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' DEFICIT

	2014 £	*2013* £
Opening shareholders' deficit	**(1,722,409)**	*(893,272)*
Loss for the financial year	**(195,845)**	*(829,137)*
Closing shareholders' deficit	**(1,918,254)**	*(1,722,409)*

16. RELATED PARTY TRANSACTIONS

The company has taken advantage of the exemption conferred by FRS 8 not to disclose transactions with members of the group headed by New Earth Solutions Facilities Management Limited on the grounds that 100% of the voting rights of the company are controlled within the group and the company is included in consolidated financial statements.

During the year the company was invoiced by New Earth Solutions Group Limited, an associate shareholder, for monthly operating and management recharges totalling £12,781,396 (2013 - £9,082,312).

17. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

The company is a subsidiary of New Earth Solutions Facilities Management No. 2 Limited. The ultimate parent is New Earth Recycling & Renewables (Infrastructure) Plc, a company registered in the Isle of Man.

The largest and smallest group in which the results of the company are consolidated is that headed by New Earth Solutions Facilities Management Limited. The consolidated accounts are available to the public from Companies House.