# New Earth Solutions (West) Limited

Annual report and financial statements

For the year ended 30 December 2018

**Company registration number:** 06968057

# New Earth Solutions (West) Limited

**Annual report and financial statements**
**for the year ended 30 December 2018**

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**Directors**

E Waters
B McCabe

**Registered office**

Site Control Centre, Arena Way, Wimborne, Dorset, BH21 3BW, England

**Company registration number**

06968057

**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 (West) Limited

**Strategic report**
**for the year ended 30 December 2018**

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The directors present their strategic report and financial statements for the year ended 30 December 2018.

**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 8 and shows turnover for the year of £14,127,684 and an operating loss for the year of £480,363. Under new ownership the directors are taking actions to enable the company to trade profitably going forward. As at 30 December 2018, the company had net current liabilities of £2,123,054; however the company will be supported by its fellow group 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 period 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 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.

*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.

*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 and its sources of finance. Derivative transactions are accounted for within other group companies.

It is, and has been throughout the period 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.

**Principal Risks and Uncertainties (continued)**

*Liquidity Risk*

The group 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 group'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 (a cost borne by DM OpCo Limited) 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 down from £17,947,702 in the 17 months ended 30 December 2017 to £14,127,684 in the year ended 30 December 2018. A gross loss of £695,362 was made in the 17 months ended 30 December 2017, compared to a gross loss of £919,505 in the year ended 30 December 2018. The company recorded an operating profit of £838,317 for the 17 months ended 30 December 2017 compared to an operating loss of £480,363 in the year ended 30 December 2018.

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

**Future Developments**

The company plans to continue its present activities.

**Post Balance Sheet Events**

On 29 March 2019, Sretaw 2 Limited sold 37.6% of its shareholding in Beauparc Utilities Holdings Limited to BTO Feileacan SARL, a group undertaking of Blackstone Fund. BTO Feileacan SARL subsequently reorganised its shareholding to 36.67% by transferring 0.71% of its 37.6% shareholding to Blackstone Tactical Opportunities Fund – FD (Cayman) – NQ L.P. and 0.22% of its 37.6% shareholding to Blackstone Family Tactical Opportunities Investment Partnership II (Cayman) – ESC L.P. 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**

23 September 2019

# New Earth Solutions (West) Limited

**Directors' report**
**for the year ended 30 December 2018**

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The directors present their directors' report and financial statements for the year ended 30 December 2018.

**Results and dividends**

The profit and loss account and other comprehensive income is set out on page 8 and shows the results for the year.

The directors do not recommend the payment of a dividend for the year under review (30 December 2017 - £Nil).

**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

**Political Contributions**

The company made no political donations or incurred any political expenditure during the year (30 December 2017- £Nil).

**Going Concern**

The directors have reviewed the financial position of the group at 30 December 2018. At 30 December 2018, the company had net current liabilities of £2,123,054. 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 they fall due. Having considered this, the directors therefore are satisfied that it is appropriate to prepare the accounts on a going concern basis.

**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 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 auditor is aware of that information.

**Auditor**

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

**By order of the board**

E Waters
**Director**

B McCabe
**Director**

23 September 2019

# New Earth Solutions (West) Limited

**Statement of directors' responsibilities in respect of the annual report and the financial statements**

The directors are responsible for preparing the directors' report, strategic 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 assets, liabilities and financial position of the Company and of its profit or loss 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 which disclose with reasonable accuracy at any time the assets, liabilities, financial position and profit or loss 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**

23 September 2019

KPMG

**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 (WEST) LIMITED

## Report on the audit of the financial statements

### *Opinion*

We have audited the financial statements of New Earth Solutions (West) Limited ('the Company') for the year ended 30 December 2018 set out on pages 8 to 22, 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 2018 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 twelve months from the date of approval of the financial statements. 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.

KPMG

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NEW EARTH SOLUTIONS (WEST) 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 other than the financial statements and our auditor's report thereon. 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 the strategic report;
- in our opinion, the information given in the directors' report and the strategic report is consistent with the financial statements;
- in our opinion, the directors' report and the 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 regard to these matters.

**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 4, 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.

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

**Respective responsibilities and restrictions on use (continued)**

***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.

Niall Savage

26 September 2019

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 (West) Limited

## Profit and loss account and other comprehensive income
## for the year ended 30 December 2018

| | Note | Year ended 30 December 2018 £ | 17 month period ended 30 December 2017 £ |
|---|---|---|---|
| Turnover | 4 | **14,127,684** | 17,947,702 |
| Cost of sales | | **(15,047,189)** | (18,643,064) |
| **Gross loss** | | **(919,505)** | (695,362) |
| Administrative (expenses)/income | | **(164)** | 33,679 |
| **Operating loss before exceptional items** | | **(919,669)** | (661,683) |
| Exceptional items | 6 | **439,306** | 1,500,000 |
| **Operating (loss)/profit after exceptional items** | | **(480,363)** | 838,317 |
| Interest payable and similar charges | 7 | **(38,022)** | (160,925) |
| **(Loss)/profit before taxation** | | **(518,385)** | 677,392 |
| Tax on (loss)/profit | 8 | **362,080** | 428,900 |
| **(Loss)/profit for the financial year/period** | | **(156,305)** | 1,106,292 |
| Other comprehensive income | | **-** | - |
| **Total comprehensive (expense)/income for the year/period** | | **(156,305)** | 1,106,292 |

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

# New Earth Solutions (West) Limited

## Balance sheet
### as at 30 December 2018

| | Note | 30 December 2018 £ | 30 December 2017 £ |
|---|---|---|---|
| **Fixed assets** | | | |
| Tangible assets | 9 | **5,042,672** | 5,438,808 |
| Deferred tax asset | 10 | **534,292** | 428,900 |
| | | **5,576,964** | 5,867,708 |
| **Current assets** | | | |
| Debtors | 11 | **2,968,485** | 2,154,508 |
| Cash at bank and in hand | 12 | **378,699** | 801,352 |
| | | **3,347,184** | 2,955,860 |
| **Creditors**: amounts falling due within one year | 13 | **(5,470,238)** | (5,213,353) |
| **Net current liabilities** | | **(2,123,054)** | (2,257,493) |
| **Net assets** | | **3,453,910** | 3,610,215 |
| **Capital and reserves** | | | |
| Called up share capital | 15 | **1** | 1 |
| Capital contribution reserve | 16 | **28,716,518** | 28,716,518 |
| Profit and loss account | | **(25,262,609)** | (25,106,304) |
| **Shareholders' funds** | | **3,453,910** | 3,610,215 |

The financial statements were approved by the Board of Directors on 23 September 2019 and were signed on its behalf by:

E Waters
**Director**

B McCabe
**Director**

***Company registration number:*** *06968057*

# New Earth Solutions (West) Limited

## Statement of changes in equity
## for the year ended 30 December 2018

| | Called up share capital £ | Restated capital contribution reserve £ | Profit and loss account £ | Restated total equity £ |
|---|---|---|---|---|
| At 31 December 2016 | 1 | 16,124,457 | (26,212,596) | (10,088,138) |
| **Total comprehensive income for the period:** | | | | |
| Profit for the period | - | - | 1,106,292 | 1,106,292 |
| **Total comprehensive income for the period** | - | - | 1,106,292 | 1,106,292 |
| **Transactions with owners, recorded directly in equity** | | | | |
| Capital contributions | - | 12,592,061 | - | 12,592,061 |
| **At 30 December 2017** | **1** | **28,716,518** | **(25,106,304)** | **3,610,215** |
| **Total comprehensive income for the year:** | | | | |
| Loss for the year | - | - | (156,305) | (156,305) |
| **Total comprehensive expense for the year** | - | - | (156,305) | (156,305) |
| **At 30 December 2018** | **1** | **28,716,518** | **(25,262,609)** | **3,453,910** |

## 1 Reporting entity

New Earth Solutions (West) Limited is a private company limited by shares and incorporated, domiciled and registered in the UK. The company's registered office is Site Control Centre, Arena Way, Wimborne, Dorset, BH21 3BW, England and the registered number is 06968057.

## 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 IFRS"), 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 parent 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 IFRS's.

As the consolidated financial statements of Beauparc Utilities Limited include the equivalent disclosures, the company has also taken the exemption under FRS 101 available in respect of the following:

- Certain disclosures required by IAS 36 Impairment of assets in respect of the impairment of goodwill and indefinite life intangible assets; and
- Certain disclosures required by IFRS 13 *Fair Value Measurement* and the disclosures required by IFRS 7 *Financial Instrument Disclosures.*

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.

## 2 Accounting policies (continued)

### (b) 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 g). 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 g). 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.

## 2 Accounting policies (continued)

### (b) 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 | 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 |

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

### (c) Financial assets

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

- loans and receivables
- cash and cash equivalents

Trade and other receivables are initially recorded at fair value and, at subsequent reporting dates, at amortised cost. For trade receivables, the Company applies the IFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance. Given historic loss rates, normal receivable ageing and the significant portion of trade receivables that are within agreed terms, the change in impairment methodology as a result of implementing IFRS 9 did not have a material impact on the Company's financial results.

### (d) 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 payables) 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.

### (e) Cash and cash equivalents and restricted cash

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. Restricted cash principally comprises cash held as collateral for certain contracts with a maturity at the end of the performance related bonds.

## 2 Accounting policies (continued)

### (f) Impairment

The carrying amounts of the company's assets, other than deferred tax assets (see accounting policy i), 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.

### (g) 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.

### (h) 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.

*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.

## 2 Accounting policies (continued)

### (i) 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.

### (j) 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.

### (k) 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.

### (l) Revenue

Revenue represents the fair value of goods and services delivered to customers in the normal course of business, net of trade discounts and VAT. Services are deemed to have been delivered when, and to the extent that, the company has met its obligations under its service contracts. Revenue is recognised on acceptance of the waste materials, which is generally on delivery of waste to the site.

In the current year, the Company adopted IFRS 15, Revenue from Contracts with Customers which replaces IAS 18, Revenue and IAS 11, Construction Contracts and related interpretations. 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.

The Company has adopted IFRS 15 from 31 December 2017, using the modified retrospective approach and has not restated comparatives for the financial period ended 30 December 2017.
The Company used the five-step model to develop an impact assessment framework to assess the impact of IFRS 15 on the Group'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.

### (m) 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.

### (n) Exceptional items

With respect to exceptional items, the company has applied a profit and loss account format which seeks to highlight significant items within company results for the period. Such items may include acquisition costs, restructuring costs and other integration costs. The company exercises judgement in assessing the particular items which, by virtue of their scale and nature, should be disclosed in the profit and loss account and related notes as exceptional items. The company believes that such a presentation provides a more helpful analysis as it highlights material items of a non-recurring nature.

## 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:

*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.

*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.

*Impairments*
Determine whether there are indicators of impairment of the company's tangible and intangible assets, including goodwill. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit.

Key assumptions include:

*Operating cash flows*
The main assumptions, which are derived from past experience and external information, within the forecast operating cash flows include the achievements of future sale prices and volumes, material input costs, changes in sales mix and the level of ongoing capital expenditure.

*Discount rates*
The discount rate is a pre-tax adjusted discount rate and reflects management's estimate of the group's weighted average cost of capital.

*Long term growth rates*
The management forecasts are extrapolated using growth assumptions relevant for the business sector and are based on industry research.

## 4 Turnover

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

## 5 Statutory and other information

| | Year ended 30 December 2018 £ | 17 month period ended 30 December 2017 £ |
|---|---|---|
| Depreciation of tangible fixed assets | **396,136** | 561,192 |

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

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

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

## 6 Exceptional items

| | Year ended 30 December 2018 £ | 17 month period ended 30 December 2017 £ |
|---|---|---|
| Exceptional items – insurance claim receivable | **439,306** | 1,500,000 |

Exceptional items relate to amounts owed to the company as a result of an insurance claim (see note 11).

## 7 Interest payable and similar charges

| | Year ended 30 December 2018 £ | 17 month period ended 30 December 2017 £ |
|---|---|---|
| Bank loan interest | **-** | 104,274 |
| Other finance costs | **38,022** | 56,651 |
| | **38,022** | 160,925 |

## 8 Taxation

| | Year ended 30 December 2018 £ | 17 month period ended 30 December 2017 £ |
|---|---|---|
| *Current tax* | | |
| UK corporation tax for the year/period | - | - |
| Group relief receivable | (256,688) | - |
| **Total current tax** | **(256,688)** | - |
| *Deferred tax* | | |
| Origination and reversal of temporary differences | (105,392) | (428,900) |
| Adjustment in respect of prior periods | - | - |
| **Total deferred tax** | **(105,392)** | (428,900) |
| **Taxation on (loss)/profit** | **(362,080)** | (428,900) |

| | Year ended 30 December 2018 £ | 17 month period ended 30 December 2017 £ |
|---|---|---|
| **Reconciliation of effective tax charge** | | |
| (Loss)/profit before tax | (518,385) | 677,392 |
| Tax using the UK corporation tax rate of 19% (30 December 2017 – 19.47%) | (98,493) | 131,888 |
| Effects of: | | |
| Adjust opening deferred tax to average rate of 19% | (350,451) | - |
| Adjust closing deferred tax to average rate of 19%/19.47% | 523,991 | 166,321 |
| Group relief claimed | - | (1,277) |
| Deferred tax not recognised | (437,127) | (725,832) |
| **Tax on (loss)/profit** | **(362,080)** | (428,900) |

The total tax charge in future periods will be affected by any changes to the UK corporation tax rates. Following the 2017 UK budget, the main rate of UK corporation tax will reduce from 19% to 17% from April 2020. It is expected that this gradual fall in the main corporation tax rate will result in a reduction of the company's future tax charge and deferred tax asset or liability. The methodology used to determine the recognition and measurement of uncertain tax positions is set out in note 2 'Statement of accounting policies'.

## 9 Tangible fixed assets

| | Land | Plant & Machinery | In vessel oomposting facilities | Total |
|---|---|---|---|---|
| | £ | £ | £ | £ |
| *Cost* | | | | |
| At 31 December 2017 | 3,642,041 | 534,472 | 25,942,932 | 30,119,445 |
| **At 30 December 2018** | **3,642,041** | **534,472** | **25,942,932** | **30,119,445** |
| ***Depreciation*** | | | | |
| At 31 December 2017 | - | 187,065 | 24,493,572 | 24,680,637 |
| Depreciation charge for the period | - | 35,632 | 360,504 | 396,136 |
| **At 30 December 2018** | **-** | **222,697** | **24,854,076** | **25,076,773** |
| ***Net book value*** | | | | |
| **At 30 December 2018** | **3,642,041** | **311,775** | **1,088,856** | **5,042,672** |
| At 30 December 2017 | 3,642,041 | 347,407 | 1,449,360 | 5,438,808 |

The net book value of assets held under finance leases is £Nil at 30 December 2018 (30 December 2017 - £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.

## 10 Deferred tax

| | 30 December 2018 | 30 December 2017 |
|---|---|---|
| | £ | £ |
| At beginning of the financial year/period | **428,900** | - |
| Accelerated capital allowances | **415,713** | - |
| Tax losses | **(310,321)** | 428,900 |
| **At end of the financial year/period** | **534,292** | 428,900 |

## 11 Debtors

| | 30 December 2018 | 30 December 2017 |
|---|---|---|
| | £ | £ |
| Trade debtors | **772,490** | 654,508 |
| Insurance claim debtor | **1,939,307** | 1,500,000 |
| Amounts due from group undertakings | **256,688** | - |
| **Due within one year** | **2,968,485** | 2,154,508 |

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

## 12 Cash and cash equivalents

| | 30 December 2018 £ | 30 December 2017 £ |
|---|---|---|
| Cash and cash equivalents | **378,699** | 801,352 |

## 13 Creditors: amounts falling due within one year

| | 30 December 2018 £ | 30 December 2017 £ |
|---|---|---|
| Accruals and deferred income | **1,981,319** | 1,649,018 |
| Amounts owed to group undertakings | **3,488,919** | 3,564,335 |
| | **5,470,238** | 5,213,353 |

Amounts owed to group undertakings are unsecured, interest free and repayable on demand.

## 14 Financial instruments

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

| | 30 December 2018 £ | 30 December 2017 £ |
|---|---|---|
| Financial assets that are debt instruments measured at amortised cost | **3,347,184** | 2,955,860 |
| Financial liabilities measured at amortised cost | **(5,470,238)** | (5,213,353) |
| | **(2,123,054)** | (2,257,493) |

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

Financial liabilities measured at amortised cost comprise accruals and amounts owed to group undertakings.

## 15 Share capital

| | 30 December 2018 £ | 30 December 2017 £ |
|---|---|---|
| *Allotted, called up and fully paid* | | |
| 1 ordinary share of £1 each | 1 | 1 |

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.

## 16 Reserves

*Capital contribution reserve*
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 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 £16,124,457. 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 for the same amount 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") a company incorporated in Ireland. As a result of the acquisition the Co-Op bank loan was reassigned to Pandagreen, together with associated security over the company's tangible fixed assets. On 29 November 2016, Pandagreen waived £12,592,061 of the acquired debt, as a capital contribution, reducing loan amounts owed from £14,732,457 to £2,140,397, which was considered to be the fair value of the debt acquired.

## 17 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 2 Limited, an Irish registered company. At the year end the Company was ultimately owned 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 2 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 2 Limited, Panda Waste Management Solutions, Ballymount Road Upper, Dublin 24, Ireland.

## 18 Related party transactions

The company has availed of the exemption under FRS 101 paragraph 8(k) in relation to the disclosure of transactions with group companies.

## 19 Post balance sheet events

On 29 March 2019, Sretaw 2 Limited sold 37.6% of its shareholding in Beauparc Utilities Holdings Limited to BTO Feileacan SARL, a group undertaking of Blackstone Fund. BTO Feileacan SARL subsequently reorganised its shareholding to 36.67% by transferring 0.71% of its 37.6% shareholding to Blackstone Tactical Opportunities Fund – FD (Cayman) – NQ L.P. and 0.22% of its 37.6% shareholding to Blackstone Family Tactical Opportunities Investment Partnership II (Cayman) – ESC L.P. There were no other post balance sheet events that affected the amounts or disclosures in the financial statements.

## 20 Capital commitments and contingencies

The company had no material capital commitments or contingent liabilities at 30 December 2018 (30 December 2017 - Nil).

## 21 Accounting period

The current accounting period represents the period 31 December 2017 to 30 December 2018, where the comparative accounting period represents the period 1 August 2016 to 30 December 2017.

The company changed its year end to 30 December to in order to align the company's year-end with its fellow group undertaking, Beauparc Utilities Limited.

## 22 Comparative information

Certain items of comparative information included in these financial statements have been reclassified to ensure consistency with current period activity.