# Financial Statements
# Agrivert Limited

**For the Year Ended 31 December 2015**

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COMPANIES HOUSE

**Registered number: 02885265**

# Company Information

| | |
|---|---|
| **Directors** | R B A Maddan<br>P J Earl<br>H G Waters<br>R J McIlwraith<br>S Relf |
| **Company secretary** | P J Earl |
| **Registered number** | 02885265 |
| **Registered office** | The Stables<br>Radford<br>Oxfordshire<br>OX7 4EB |
| **Independent auditor** | Grant Thornton UK LLP<br>Chartered Accountants & Statutory Auditor<br>3140 Rowan Place<br>John Smith Drive<br>Oxford Business Park South<br>OXFORD<br>OX4 2WB |

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# Strategic Report
**For the Year Ended 31 December 2015**

### Introduction

Agrivert Limited and its subsidiary companies undertake the operating activities of the Agrivert Group. As such, the Strategic Report below covers the operations of the group as a whole reflecting the fact that Agrivert Limited is central to activities across the group. Consolidated financial information is provided in the accounts of Agrivert Holdings Limited, the ultimate holding company of the group.

Agrivert has been at the forefront of the organic waste recycling market for more than 20 years, designing, constructing and operating facilities to process and recycle organic matter. Agrivert's business started out in sewage sludge and expanded into green and food waste recycling, including the generation of renewable energy. Agrivert currently owns and runs facilities operating open windrow composting, in-vessel composting and anaerobic digestion of food waste. In addition, Agrivert designs, builds and enhances organic waste treatment facilities for third parties and continues to offer differentiating engineering solutions for the sewage sludge industry.

By the end of 2016, when two new anaerobic digestion plants will be open, the Group will have capacity to process more than 350,000 tonnes of waste annually and be generating over 13mWh of electricity. Agrivert has long-term strategic contracts with local authorities and 20 year power production subsidies backed by HM Government.

### Refinance and restructure

In August 2015, the Group successfully completed the refinance of a significant proportion of its debt facilities, consolidating previous finance into a long-term loan with GCP at overall better finance costs. A total debt facility of £62.9m was taken, including construction funding for the two new anaerobic digestion plants to be finished in 2016. At the same time, Agrivert acquired the remaining shares in three of its plant-owning group companies so that the entire group is now under common ownership. Additionally, Alcuin Capital Partners, the Group's private equity investor since 2009, exited successfully and Green Renewable Energy Limited, previously an investor in two of Agrivert's plants, took a majority ownership stake in the group. Agrivert Holdings Limited was incorporated and acquired the remainder of the group to facilitate this transaction. The ability to conclude such a refinance, exit a private equity investor and secure further investment is testament to the ongoing success of the business.

### Business review

During 2015, Agrivert achieved the following:

- Generated 96.9% of maximum electricity power output at anaerobic digestion plants – market leading performance
- Processed 246,000 tonnes of solid organic waste
- Completed, commissioned and successfully handed over a 2.4mW anaerobic digestion plant for Severn Trent Water at Coleshill Birmingham
- Commenced construction of two 3.0mW anaerobic digestion plants in South Wales and Hertfordshire that will be owned and operated by the Group
- Secured additional food and green waste on short, medium and long term contracts
- Secured a contract to construct a gas-to-grid anaerobic digestion plant for Severn Trent Water at Roundhill Birmingham
- Awarded a 15 year Farm Business Tenancy at Home Farm, Oxfordshire (423 acres) securing a digestate outlet and reserve plant feedstock capacity.

# Strategic Report (continued)

**For the Year Ended 31 December 2015**

**Principal risks and uncertainties**

The following risks face the business, all of which arise in the normal course of the Company's operations:

### Liquidity risk

The Company manages its liquidity by monitoring the ongoing cash flow needs of the business with rolling forecasts and finances requirements through retained cash reserves, project finance debt, asset backed finance and overdraft facilities. Interest rates vary by facility and are at both fixed and variable rates.

### Foreign exchange risk

The Company purchases equipment and spares in foreign currencies, predominantly the Euro. Where expenditure is significant, the Company enters into forward contracts to secure exchange rates timed to mature when the payment is due to the supplier. The balance of the currency requirement is covered by spot rate purchases.

### Credit risk

The Company monitors customer credit levels and obtains external credit reports on certain customers. The majority of the Company's large customers are local authorities or large companies reducing credit risk. The Company doesn't have a significant concentration of credit risk, with exposure being spread over a number of customers.

### Regulatory compliance risk

The Company operates in a highly regulated sector; failure to comply with regulations can have significant consequences ranging from fines to suspension of activities. The regulations cover areas including: health & safety, environment, animal health and planning. The Company operates to ISO 14001 and OH SAS 18001 with an integrated business management system. Compliance with regulation is monitored through regular internal and external audit.

### Construction risk

Failure to deliver a construction project on time and on budget might lead to project losses, late delivery penalties or, for internal builds, a reduction in electricity generation subsidy due to digression.

### Plant failure

The Company's performance is dependent on plants being operationally available. The Company uses robust designs and technologies that are proven at plant scale and incorporate a degree of redundancy. The Company employs in-house engineering and technical staff to keep the plants maintained and provide fast response to issues arising. Standard operating procedures and maintenance plans are adhered to.

# Strategic Report (continued)
**For the Year Ended 31 December 2015**

### Access to farmland

Agrivert needs access to significant areas of farmland for disposal of compost and digestate on an ongoing basis. Restricted access to farmland within a reasonable proximity of plant facilities could significantly reduce the Company's ability to dispose of end product in a timely and cost effective manner. This risk is mitigated by maintaining good relationships with the farming community, farming over 1,000 acres of arable land internally and retaining access to good storage facilities on plant and locally.

### Financial key performance indicators

The Company uses a range of KPIs to benchmark operating and financial performance, including:

- Waste received and processed
- Electricity generation as a % of maximum
- Biological stability of anaerobic digestion process
- Revenue
- Profitability
- Average cost data for a number of key metrics
- Cash flow
- Debt service ratios

This report was approved by the board on 28 September 2016 and signed on its behalf.

**P J Earl**
Director

# Directors' Report
**For the Year Ended 31 December 2015**

The Directors present their report and the financial statements for the year ended 31 December 2015.

### Principal activity

The principal activities of the company is the design, construction and operation of facilities for the processing and recycling of organic materials under long term contracts, primarily for the water and waste industries; and the generation of renewable energy.

### Results

The profit for the year, after taxation, amounted to £2,827,878 (2014 - £620,607).

### Directors

The Directors who served during the year were:

R B A Maddan
P J Earl (appointed 7 April 2015)
H G Waters
R J McIlwraith
S Relf
R J Hunt (resigned 7 April 2015)
A H Westropp (resigned 20 August 2015)
H R Murray-Philipson (resigned 20 August 2015)
I Henderson-Londono (resigned 20 August 2015)

### Directors' responsibilities statement

The Directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. 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 for the Company financial statements and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that 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.

# Directors' Report (continued)
**For the Year Ended 31 December 2015**

### Disclosure of information to auditor

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 auditor is 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 auditor is aware of that information.

### Auditors

Under section 487(2) of the Companies Act 2006, Grant Thornton UK LLP will be deemed to have been reappointed as auditor 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 28 September 2016 and signed on its behalf.

**P J Earl**
Director

GrantThornton

# Independent Auditor's Report to the Members of Agrivert Limited

We have audited the financial statements of Agrivert Limited for the year ended 31 December 2015, which comprise the Statement of Income and Retained Earnings, 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), including FRS 102 "The Financial Reporting Standard Applicable in the UK and Republic of Ireland".

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

**Respective responsibilities of Directors and auditor**

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

**Scope of the audit of the financial statements**

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 December 2015 and of its profit 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 Auditor's Report to the Members of Agrivert 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.

Grant Thornton UK LLP.

Tracey James (Senior Statutory Auditor)
for and on behalf of
Grant Thornton UK LLP
Statutory Auditor
Chartered Accountants
OXFORD
Date:

29 September 2016.

# Statement of Income and Retained Earnings

**For the Year Ended 31 December 2015**

| | Note | 2015 £ | As restated 2014 £ |
|---|---|---|---|
| Turnover | 3 | **8,311,202** | 16,113,724 |
| Cost of sales | | **(6,953,963)** | (13,862,511) |
| **Gross profit** | | **1,357,239** | 2,251,213 |
| Administrative expenses | | **(2,206,836)** | (2,018,805) |
| **Operating (loss)/profit** | 4 | **(849,597)** | 232,408 |
| Income from shares in group undertakings | | **3,775,000** | 550,000 |
| Interest receivable and similar income | 7 | **256,181** | 264,869 |
| Interest payable and expenses | 8 | **(399,562)** | (379,314) |
| **Profit before tax** | | **2,782,022** | 667,963 |
| Tax on profit | 9 | **45,856** | (47,356) |
| **Profit after tax** | | **2,827,878** | 620,607 |
| | | | |
| Retained earnings at the beginning of the year | | **1,158,093** | 1,337,486 |
| Profit for the year | | **2,827,878** | 620,607 |
| Dividends declared and paid | | **(2,000,000)** | (800,000) |
| **Retained earnings at the end of the year** | | **1,985,971** | 1,158,093 |

There were no recognised gains and losses for 2015 or 2014 other than those included in the Statement of Income and Retained Earnings.

The notes on pages 10 to 29 form part of these financial statements.

**Agrivert Limited**

**Registered number: 02885265**

# Balance Sheet
**As at 31 December 2015**

| | Note | £ | 2015 £ | £ | As restated 2014 £ |
|---|---|---|---|---|---|
| **Fixed assets** | | | | | |
| Tangible assets | 11 | | **837,660** | | 852,115 |
| Investments | 12 | | **5** | | 5 |
| | | | **837,665** | | 852,120 |
| **Current assets** | | | | | |
| Stocks | 13 | **12,210** | | 283,543 | |
| Debtors | 14 | **15,888,487** | | 10,042,261 | |
| Cash at bank and in hand | 15 | **2,106,883** | | 3,263,953 | |
| | | **18,007,580** | | 13,589,757 | |
| Creditors: amounts falling due within one year | 16 | **(6,977,177)** | | (4,668,428) | |
| **Net current assets** | | | **11,030,403** | | 8,921,329 |
| **Total assets less current liabilities** | | | **11,868,068** | | 9,773,449 |
| Creditors: amounts falling due after more than one year | 17 | | **(9,094,101)** | | (7,781,504) |
| **Provisions for liabilities** | | | | | |
| Deferred tax | 19 | **(30,620)** | | (76,476) | |
| | | | **(30,620)** | | (76,476) |
| **Net assets** | | | **2,743,347** | | 1,915,469 |
| **Capital and reserves** | | | | | |
| Called up share capital | 22 | | **711,550** | | 711,550 |
| Share premium account | 21 | | **45,826** | | 45,826 |
| Profit and loss account | 21 | | **1,985,971** | | 1,158,093 |
| | | | **2,743,347** | | 1,915,469 |

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:

**P J Earl**
Director

Date: 28 September 2016.

The notes on pages 10 to 29 form part of these financial statements.

# Notes to the Financial Statements
**For the Year Ended 31 December 2015**

## 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 Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the UK and the Republic of Ireland" ("FRS 102") and the Companies Act 2006.

Information on the impact of first-time adoption of FRS 102 is given in note 29.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies (see note 2).

The following principal accounting policies have been applied:

### 1.2 Financial reporting standard 102 - reduced disclosure exemptions

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 11 Financial Instruments paragraphs 11.39 to 11.48A;
- the requirements of Section 12 Other Financial Instruments paragraphs 12.26 to 12.29;
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statements of Agrivert Holdings Limited as at 31 December 2015 and these financial statements may be obtained from Companies House.

### 1.3 Consolidation

The company was, at the end of the year, a wholly-owned subsidiary of another company incorporated in the European Economic Area and in accordance with Section 400 of the Companies Act 2006, is not required to produce, and has not published, consolidated accounts. The information contained within these accounts represents the financial position and performance of the individual company only for the year ended 31 December 2015, and not that of the group.

### 1.4 Going concern

The financial statements are prepared on the going concern basis. In assessing whether the going concern assumption is appropriate, the directors have taken into account all relevant available information about the future trading including profit and cash position. The directors consider it appropriate to adopt the going concern basis of accounting in preparation of the annual financial statements.

# Notes to the Financial Statements
**For the Year Ended 31 December 2015**

## 1. Accounting policies (continued)

### 1.5 Turnover

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

Turnover comprises two main income streams as follows:

**Green waste processing**
Revenue is recognised when green waste is accepted at the Company's processing sites, in accordance with contractual agreements.

**Construction projects**
Revenue on construction projects is recognised as contract activity progresses, such that revenue recognised represents the stage of completion of the project. This is subject to being able to assess the outcome of the project with reasonable certainty. Where the outcome cannot be assessed with reasonable certainty, revenue is recognised to the extent that the costs incurred are considered to be recoverable.

### 1.6 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation is provided on the following basis:

| | |
|---|---|
| Plant & machinery | - 2 - 10 years straight line |
| Motor vehicles | - 2 - 7 years straight line |
| Office equipment | - 3 years straight line |
| Assets under construction | - No depreciation is charged until the asset is fully operational |

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'other operating income' in the Statement of Income and Retained Earnings.

### 1.7 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment. Where merger relief is applicable, the cost of the investment in a subsidiary undertaking is measured at the nominal value of the shares issued together with the fair value of any additional consideration paid.

# Notes to the Financial Statements
**For the Year Ended 31 December 2015**

## 1. Accounting policies (continued)

### 1.8 Operating leases: Lessee

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

### 1.9 Stocks

Stock represents consumables and spare parts, and is initially recorded at cost on a first-in first-out basis, with due allowance made for obsolete items, such that the carrying value is the lower of cost and net realisable value. Work in progress is valued on the basis of direct costs incurred on contracts which have not been completed at year end.

### 1.10 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Statement of Income, except where attributable to an item of income or expense recognised as other comprehensive income or to an item recognised directly in equity. Such tax is recognised in other comprehensive income or directly in equity as appropriate.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the Company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

### 1.11 Leased assets: Lessee

Where assets are financed by leasing agreements that give rights approximating to ownership (finance leases), the assets are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable to the lessor. Depreciation on the relevant assets is charged to profit or loss over the shorter of estimated useful economic life and the term of the lease.

Lease payments are analysed between capital and interest components so that the interest element of the payment is charged to profit or loss over the term of the lease and is calculated so that it represents a constant proportion of the balance of capital repayments outstanding. The capital part reduces the amounts payable to the lessor.

# Notes to the Financial Statements
**For the Year Ended 31 December 2015**

## 1. Accounting policies (continued)

### 1.12 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

### 1.13 Foreign currency translation

**Functional and presentation currency**

The Company's functional and presentational currency is GBP.

**Transactions and balances**

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Income Statement except when deferred in other comprehensive income as qualifying cash flow hedges.

### 1.14 Pensions

**Defined contribution pension plan**

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payments obligations.

The contributions are recognised as an expense in the Income Statement when they fall due. Amounts not paid are shown in accruals as a liability in the Balance Sheet. The assets of the plan are held separately from the Company in independently administered funds.

### 1.15 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

# Notes to the Financial Statements

**For the Year Ended 31 December 2015**

## 1. Accounting policies (continued)

### 1.16 Financial instruments

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at the present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade payables or receivables, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in case of an out-right short-term loan not at market rate, the financial asset or liability is measured initially at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the Company would receive for the asset if it were to be sold at the balance sheet date.

Financial assets and liabilities are offset and the net amount reported in the Balance Sheet when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

# Notes to the Financial Statements
**For the Year Ended 31 December 2015**

## 1. Accounting policies (continued)

### 1.17 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

### 1.18 Finance costs

Finance costs are charged to the Income Statement over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

### 1.19 Dividends

Equity dividends are recognised when they become legally payable.

### 1.20 Interest income

Interest income is recognised in the Income Statement using the effective interest method.

### 1.21 Provisions for liabilities

Provisions are made where an event has taken place that gives the Company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the Income Statement in the year that the Company becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the balance sheet.

# Notes to the Financial Statements
**For the Year Ended 31 December 2015**

## 2. Judgments in applying accounting policies and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Estimates are based on historical experience and other assumptions that are considered reasonable in the circumstances. The actual amount or values may vary in certain instances from the assumptions and estimates made. Changes will be recorded, with corresponding effect in the Income Statement, when, and if, better information is obtained.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in material adjustment within the next financial year are included below.

Critical judgments that management have made in the process of applying accounting policies disclosed herein and that have a significant effect on the amounts recognised in the financial statements relate to the following:

**Revenue recognition and long-term contract balances**
Management applies judgment when assessing the percentage of completion for contracts and the subsequent net realisable value of contract work in progress, taking into account the most reliable evidence available at each reporting date. The future realisation of these amounts may be affected by the future outcome of these contracts. Provisions are made for any losses which are foreseen.

**Useful lives of depreciable assets**
Management reviews its estimate of the useful lives of depreciable assets at each reporting date, based on the expected utility of the assets.

## 3. Turnover

An analysis of turnover by class of business is as follows:

| | **2015** | 2014 |
|---|---|---|
| | **£** | £ |
| Green Waste Processing | **2,285,252** | 3,659,398 |
| Construction projects | **6,025,950** | 12,454,326 |
| | **8,311,202** | 16,113,724 |

All turnover arose within the United Kingdom.

# Notes to the Financial Statements
**For the Year Ended 31 December 2015**

## 4. Operating (loss)/profit

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

| | 2015 £ | 2014 £ |
|---|---|---|
| Depreciation of tangible fixed assets | **170,827** | 199,616 |
| Fees payable to the Company's auditor and its associates for the audit of the company's annual financial statements | **12,500** | 10,100 |
| Fees payable to the Company's auditor and its associates for tax compliance services | **3,500** | 5,800 |
| Exchange differences | **116,271** | 5,470 |
| Other operating lease rentals | **100,485** | 123,214 |
| Defined contribution pension cost | **103,684** | 135,881 |

The movement in forward currency contract charge of £86,575 (2014: £nil) relates to the implied exchange loss on currency contract that will crystallise during 2016 at contracted exchange rates as the year end exchange rate was different. This loss will reverse during 2016.

## 5. Employees

Staff costs, including Directors' remuneration, were as follows:

| | 2015 £ | 2014 £ |
|---|---|---|
| Wages and salaries | **2,381,456** | 1,918,147 |
| Social security costs | **200,573** | 227,953 |
| Cost of defined contribution scheme | **103,684** | 135,881 |
| | **2,685,713** | 2,281,981 |

The average monthly number of employees, excluding the Directors, during the year was as follows:

| | 2015 No. | 2014 No. |
|---|---|---|
| Production staff | **18** | 13 |
| Administration staff | **25** | 22 |
| | **43** | 35 |

# Notes to the Financial Statements

**For the Year Ended 31 December 2015**

## 6. Directors' remuneration

| | 2015 | 2014 |
|---|---|---|
| | £ | £ |
| Directors' emoluments | **1,073,695** | 835,265 |
| Company contributions to defined contribution pension schemes | **155,640** | 109,022 |
| | **1,229,335** | 944,287 |

During the year retirement benefits were accruing to 6 Directors (2014 - 6) in respect of defined contribution pension schemes.

The highest paid Director received remuneration of £289,681 (2014 - £243,681).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid Director amounted to £62,809 (2014 - £21,037).

## 7. Interest receivable

| | 2015 | As restated 2014 |
|---|---|---|
| | £ | £ |
| Interest receivable from group companies | **255,778** | 263,409 |
| Other interest receivable | **403** | 1,460 |
| | **256,181** | 264,869 |

## 8. Interest payable and similar charges

| | 2015 | As restated 2014 |
|---|---|---|
| | £ | £ |
| Bank interest payable | **76** | 195 |
| Loans from group undertakings | **393,908** | 377,154 |
| Finance leases and hire purchase contracts | **5,578** | 1,965 |
| | **399,562** | 379,314 |

# Notes to the Financial Statements

**For the Year Ended 31 December 2015**

## 9. Taxation

| | 2015 | 2014 |
|---|---|---|
| | £ | £ |
| **Corporation tax** | | |
| Adjustments in respect of previous periods | - | (7,305) |
| **Total current tax** | - | (7,305) |
| **Deferred tax** | | |
| Origination and reversal of timing differences | (38,209) | 16,350 |
| Changes to tax rates | (7,647) | - |
| Adjustments in respect of prior periods | - | 38,311 |
| **Total deferred tax** | (45,856) | 54,661 |
| **Taxation on (loss)/profit on ordinary activities** | (45,856) | 47,356 |

### Factors affecting tax charge for the year

The tax assessed for the year is the same as (2014 - the same as) the standard rate of corporation tax in the UK of 20% (2014 - 20%) as set out below:

| | 2015 | 2014 |
|---|---|---|
| | £ | £ |
| Profit on ordinary activities before tax | 2,782,022 | 667,963 |
| Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 20% (2014 - 20%) | 563,359 | 143,545 |
| **Effects of:** | | |
| Fixed asset differences | 9,305 | - |
| Expenses not deductible for tax purposes | 23,334 | 20,333 |
| Other permanent differences | 345 | - |
| Differences in tax rates leading to an increase in the deferred tax charge | (3,099) | (16,282) |
| Adjustments to tax charge in respect of previous periods - deferred tax | (10,030) | - |
| Adjustments to tax charge in respect of prior periods | - | (7,305) |
| Other timing differences leading to an increase (decrease) in taxation | - | 79,105 |
| Non-taxable income | (773,038) | (127,480) |
| Group relief | 143,968 | (44,560) |
| **Total tax charge for the year** | (45,856) | 47,356 |

There were no factors that may affect future tax charges.

# Notes to the Financial Statements

**For the Year Ended 31 December 2015**

## 10. Dividends

| | 2015 | 2014 |
|---|---|---|
| | £ | £ |
| Equity dividends | **2,000,000** | 800,000 |

## 11. Tangible fixed assets

| | Plant & machinery | Motor vehicles | Office equipment | Assets under construction | Total |
|---|---|---|---|---|---|
| | £ | £ | £ | £ | £ |
| **Cost or valuation** | | | | | |
| At 1 January 2015 | **2,602,550** | **273,936** | **166,650** | **-** | **3,043,136** |
| Additions | **174,037** | **19,990** | **30,479** | **19,147** | **243,653** |
| Disposals | **(758,900)** | **(10,800)** | **(28,663)** | **-** | **(798,363)** |
| At 31 December 2015 | **2,017,687** | **283,126** | **168,466** | **19,147** | **2,488,426** |
| **Depreciation** | | | | | |
| At 1 January 2015 | **1,909,642** | **183,164** | **98,215** | **-** | **2,191,021** |
| Charge owned for the period | **104,240** | **36,586** | **30,001** | **-** | **170,827** |
| Disposals | **(673,064)** | **(10,800)** | **(27,218)** | **-** | **(711,082)** |
| At 31 December 2015 | **1,340,818** | **208,950** | **100,998** | **-** | **1,650,766** |
| **Net book value** | | | | | |
| At 31 December 2015 | **676,869** | **74,176** | **67,468** | **19,147** | **837,660** |
| At 31 December 2014 | 692,908 | 90,772 | 68,435 | - | 852,115 |

The net book value of assets held under finance leases or hire purchase contracts, included above, are as follows:

| | 2015 | 2014 |
|---|---|---|
| | £ | £ |
| Plant and machinery | **155,873** | - |
| Motor vehicles | **6,280** | 13,962 |
| | **162,153** | 13,962 |

# Notes to the Financial Statements
For the Year Ended 31 December 2015

## 12. Fixed asset investments

| | Investments in subsidiary companies £ |
|---|---|
| **Cost or valuation** | |
| At 1 January 2015 | 5 |
| At 31 December 2015 | 5 |
| **Net book value** | |
| At 31 December 2015 | 5 |
| At 31 December 2014 | 5 |

# Notes to the Financial Statements
For the Year Ended 31 December 2015

## 12. Fixed asset investments (continued)

### Subsidiary undertakings

The following were subsidiary undertakings of the Company:

| Name | Country of incorporation | Class of shares | Holding | Principal activity |
|---|---|---|---|---|
| Agrivert Biogas Limited | United Kingdom | Ordinary | 100 % | Waste processing |
| Agrivert Composting Limited | United Kingdom | Ordinary | 100 % | Holding company |
| Agrivert (Bucks) Limited | United Kingdom | Ordinary | 100 % | Dormant |
| Agrivert (Farms) Limited | United Kingdom | Ordinary | 100 % | Waste processing and renewable energy |
| Agrivert (Ardley) Limited* | United Kingdom | Ordinary | 100 % | Waste processing |
| Agrivert (Hertfordshire) Limited* | United Kingdom | Ordinary | 100 % | Waste processing |
| Oxford Renewable Energy Limited* | United Kingdom | Ordinary | 100 % | Waste processing and renewable energy |
| Agrivert (Wallingford) Limited* | United Kingdom | Ordinary | 100 % | Waste processing and renewable energy |
| Agrivert (West London) Limited* | United Kingdom | Ordinary | 100 % | Waste processing and renewable energy |
| Agrivert (Herts Biogas) Limited* | United Kingdom | Ordinary | 100 % | Waste processing and renewable energy |
| Agrivert (South Wales) Limited* | United Kingdom | Ordinary | 100 % | Waste processing and renewable energy |
| Agrivert (CW) Limited* | United Kingdom | Ordinary | 100 % | Waste processing |
| Agrivert (RBWM) Limited* | United Kingdom | Ordinary | 100 % | Waste processing |
| Agrivert Oxfordshire Limited* | United Kingdom | Ordinary | 100 % | Dormant |

* = held indirectly

# Notes to the Financial Statements
For the Year Ended 31 December 2015

## 13. Stocks

| | 2015 | 2014 |
|---|---|---|
| | £ | £ |
| Work in progress | - | 275,635 |
| Spare parts | **12,210** | 7,908 |
| | **12,210** | 283,543 |

## 14. Debtors

| | 2015 | As restated 2014 |
|---|---|---|
| | £ | £ |
| **Due after more than one year** | | |
| Amounts owed by group undertakings | **8,773,887** | 7,624,432 |
| **Due within one year** | | |
| Trade debtors | **354,318** | 1,255,125 |
| Amounts owed by group undertakings | **6,454,414** | 416,236 |
| Amounts owed by joint ventures | - | 26,614 |
| Amounts owed by related parties | - | 285,401 |
| Other debtors | **109,733** | 85,783 |
| Prepayments and accrued income | **196,135** | 348,670 |
| | **15,888,487** | 10,042,261 |

## 15. Cash and cash equivalents

| | 2015 | 2014 |
|---|---|---|
| | £ | £ |
| Cash at bank and in hand | **2,106,883** | 3,263,953 |

# Notes to the Financial Statements

**For the Year Ended 31 December 2015**

## 16. Creditors: Amounts falling due within one year

| | 2015 | 2014 |
|---|---|---|
| | £ | £ |
| Trade creditors | **2,028,692** | 848,327 |
| Amounts owed to group undertakings | **2,776,408** | 582,473 |
| Amounts owed to joint ventures | **-** | 266,210 |
| Amounts owed to other participating interests | **-** | 73,432 |
| Taxation and social security | **362,649** | 80,083 |
| Obligations under finance lease and hire purchase contracts | **39,873** | 8,924 |
| Other creditors | **122,329** | 21,144 |
| Accruals and deferred income | **1,647,226** | 2,787,835 |
| | **6,977,177** | 4,668,428 |

## 17. Creditors: Amounts falling due after more than one year

| | 2015 | As restated 2014 |
|---|---|---|
| | £ | £ |
| Net obligations under finance leases and hire purchase contracts | **103,769** | 2,350 |
| Amounts owed to group undertakings | **8,717,246** | 7,462,949 |
| Other creditors | **273,086** | 316,205 |
| | **9,094,101** | 7,781,504 |

Amounts owed to group undertakings falling due after more than one year have no fixed repayment date and attract interest of 7.95%.

## 18. Hire purchase & finance leases

Minimum lease payments under hire purchase fall due as follows:

| | 2015 | 2014 |
|---|---|---|
| | £ | £ |
| Between 1-2 years | **103,769** | 2,350 |

# Notes to the Financial Statements
**For the Year Ended 31 December 2015**

## 19. Deferred taxation

| | 2015 |
|---|---|
| | £ |
| At beginning of year | (76,476) |
| Charged to the profit or loss | 45,856 |
| **At end of year** | **(30,620)** |

The provision for deferred taxation is made up as follows:

| | 2015 |
|---|---|
| | £ |
| Accelerated capital allowances | (81,121) |
| Tax losses carried forward | 48,613 |
| Short term timing differences | 1,888 |
| | (30,620) |

## 20. Financial instruments

Financial assets measured at amortised cost amount to £17,796,887 (2014: £12,797,802). This consists of cash, trade debtors, amounts owed from group undertakings and other debtors.

Financial liabilities measured at amortised cost amount to £15,588,000 (2014: £12,367,499). This consists of bank loan, trade creditors, other tax liabilities, amounts owed to group undertakings and other creditors.

## 21. Reserves

**Profit & loss account**
Profit & loss account includes all current and prior period retained profit and losses.

**Share premium**
Share premium includes all premiums on shares issued.

## 22. Share capital

| | 2015 | 2014 |
|---|---|---|
| | £ | £ |
| **Allotted, called up and fully paid** | | |
| 711,550 Ordinary shares of £1 each | **711,550** | 711,550 |

# Notes to the Financial Statements
**For the Year Ended 31 December 2015**

## 23. Contingent liabilities

The company has provided a guarantee to Bowmans Farms Limited and to the Trustees of the Pickford Discretionary Trust in respect of lease agreements entered into by Agrivert (Hertfordshire) Limited and Agrivert (Ardley) Limited respectively.

The company has provided a guarantee to Crowmarsh Battle Farms Limited in respect of lease agreements entered into by Agrivert (Wallingford) Limited.

The company has provided a guarantee to Oxfordshire County Council ("OCC") in respect of any liabilities to OCC of Agrivert (Ardley) Limited and Agrivert Biogas Limited which arise under the terms of their contracts.

The company has provided a guarantee, capped at £0.5m, to Hertfordshire County Council ("HCC") in respect of any liabilities to HCC of Agrivert (Hertfordshire) Limited which arise under the terms of its contract.

The company has provided a guarantee to Ceredigion County Council ("CCC") in respect of any liabilities to CCC of Agrivert (CW) Limited which arise under the terms of its contract.

The company has provided a guarantee, capped at £1m, to RBWM Commercial Services Limited in respect of any liabilities to Royal Borough Windsor Maidenhead of Agrivert (RBWM) Limited, a subsidiary of Agrivert Biogas Limited, which arise under the terms of the contract.

The company has provided a guarantee to the Waste & Resources Action Programme ("WRAP") in respect of any liabilities to WRAP of Agrivert (Ardley) Limited, Agrivert (Hertfordshire) Limited, and Oxford Renewable Energy Limited which arise under the terms of their contracts.

## 24. Capital commitments

The Company had capital commitments of £nil at 31 December 2015 (2014: £nil).

## 25. Pension commitments

### Defined contribution pension plan

The company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payment obligations.

The contributions are recognised as an expense in the Profit and Loss account when they fall due. Amounts not paid are shown in accruals as a liability in the Balance sheet. The assets of the plan are held separately from the Company in independently administered funds.

# Notes to the Financial Statements
**For the Year Ended 31 December 2015**

## 26. Commitments under operating leases

At 31 December 2015, the Company had an obligation to pay future minimum payments over the lifetime of non-cancellable operating leases as follows:

| | 2015 | 2014 |
|---|---|---|
| | £ | £ |
| Payable in less than 1 year | **76,641** | 76,641 |
| Payable in 2 - 5 years | **36,640** | 113,281 |
| Payable in more than 5 years | - | - |
| **Total** | **113,281** | 189,922 |

The amounts above include property leases which has inflationary increase clauses linked to RPI of 5%.

## 27. Related party transactions

There are no related party transactions which are required to be disclosed under FRS 102 section 33.1A.

## 28. Controlling party

The directors consider that Agrivert Group Limited is the company's immediate parent undertaking for the current and previous financial year. The ultimate parent company is Agrivert Holdings Limited, for which consolidated accounts are publically available.

The directors consider the ultimate controlling party is Highland Trust through its 100% ownership of Green Renewable Energy Limited which owns 58% of Agrivert Holdings Limited.

# Notes to the Financial Statements

**For the Year Ended 31 December 2015**

## 29. First time adoption of FRS 102

| | Note | As previously stated 1 January 2014 £ | Effect of transition 1 January 2014 £ | **FRS 102 (as restated) 1 January 2014 £** | As previously stated 31 December 2014 £ | Effect of transition 31 December 2014 £ | **FRS 102 (as restated) 31 December 2014 £** |
|---|---|---|---|---|---|---|---|
| Fixed assets | | 816,869 | - | **816,869** | 852,121 | - | **852,121** |
| Current assets | | 13,757,933 | - | **13,757,933** | 13,326,347 | 263,411 | **13,589,758** |
| Creditors: amounts falling due within one year | | (4,537,239) | - | **(4,537,239)** | (4,291,274) | (377,154) | **(4,668,428)** |
| **Net current assets** | | 9,220,694 | - | **9,220,694** | 9,035,073 | (113,743) | **8,921,330** |
| **Total assets less current liabilities** | | 10,037,563 | - | **10,037,563** | 9,887,194 | (113,743) | **9,773,451** |
| Creditors: amounts falling due after more than one year | | (7,920,886) | - | **(7,920,886)** | (7,781,504) | - | **(7,781,504)** |
| Provisions for liabilities | | (21,815) | - | **(21,815)** | (76,476) | - | **(76,476)** |
| **Net assets** | | 2,094,862 | - | **2,094,862** | 2,029,214 | (113,743) | **1,915,471** |
| Capital and reserves | | 2,094,862 | - | **2,094,862** | 2,029,213 | (113,742) | **1,915,471** |

## 29. First time adoption of FRS 102 (continued)

| | Note | As previously stated 31 December 2014 £ | Effect of transition 31 December 2014 £ | **FRS 102 (as restated) 31 December 2014 £** |
|---|---|---|---|---|
| Turnover | | 16,113,724 | - | **16,113,724** |
| Cost of sales | | (13,862,511) | - | **(13,862,511)** |
| | | 2,251,213 | - | **2,251,213** |
| Administrative expenses | | (2,018,805) | - | **(2,018,805)** |
| **Operating profit** | | 232,408 | - | **232,408** |
| Income from shares in group undertakings | | 550,000 | - | **550,000** |
| Interest receivable and similar income | | 1,460 | 263,409 | **264,869** |
| Interest payable and similar charges | | (2,160) | (377,154) | **(379,314)** |
| Taxation | | (47,356) | - | **(47,356)** |
| **Profit on ordinary activities after taxation and for the financial year** | | 734,352 | (113,745) | **620,607** |

Explanation of changes to previously reported profit and equity:

1 During the preparation of the Company's FRS 102 transition management identified certain intra group loan balances on which interest should have been charged. Interest has been recognised on these balances of £263,409 receivable and £377,154 payable in the prior year.