Financial statements Chesterfield BioGas Limited

For the period ended 1 October 2011

Company No. 06649410

Officers and professional advisers

Company registration number	06649410
Registered office	Meadowhall Road Sheffield South Yorkshire S9 1BT
Directors	J T S Hayward T J Lister P L Redfern
Secretary	T J Lister
Bankers	Bank of Scotland 14 Church Street Sheffield S1 1HP
Solicitors	hlw Keeble Hawson LLP Commercial House Commercial Street Sheffield S1 2AT
Auditor	Grant Thornton UK LLP Registered Auditors Chartered Accountants Enterprise House 115 Edmund Street Birmingham B3 2HJ

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Director's report

The directors present their report and the financial statements of the company for the period ended 1 October 2011

Principal activities

Chesterfield BioGas Limited provides turnkey solutions for the cleaning, storage and dispensing of gas for injection into the grid or use as a vehicle fuel

Chesterfield BioGas was formed in November 2008 following the signing of a co-operation agreement with Greenlane Biogas Limited, a world leader in the supply of biogas upgrading equipment This agreement gives Chesterfield BioGas exclusive rights to market and manufacture Greenlane equipment in the UK and Eire The business initially traded as a branch of Chesterfield Special Cylinders Limited and was placed into a subsidiary, Chesterfield BioGas Limited, at the beginning of the period under review

During the period ended 1 October 2011, the Greenlane Biogas licence agreement was extended from an initial period of five years to in perpetuity at a cost of £800,000

Change in activity

With effect from 3 October 2010 the operations, trade and assets of the biogas division of Chesterfield Special Cylinders ('CSC') were transferred to Chesterfield BioGas Limited ('CBG') at book value From this date, the company commenced to trade The 2010 memo below summarises CBG's 2010 results which were incorporated within CSC's financial statements to 2 October 2010

Business review

	2011	2010 (memo)
	£'000	£'000
Sales	916	704
Operating Losses	(504)	(308)
Gross Assets	1,853	1,061

The principal target market for the Company is the supply of upgrading equipment to clean biogas produced from organic waste to produce biomethane suitable for injection into the natural gas grid (Biomethane to Grid, "BtG") or use as a vehicle fuel

2010 saw CBG install the UK's first biogas upgrader for BtG After this initial success 2011 was a frustrating year for the Company due to a delay in market growth BtG is the key growth market for the business but government delays in announcing the Renewable Heat Incentive ("RHI") held the market back The RHI is necessary to enable BtG to compete with subsidised Combined Heat and Power ("CHP") plants, the RHI was announced six months late, in March 2011 and has been the trigger for large utility companies to set up dedicated teams focused on BtG As a result of this, the Company saw a significant increase in the number of enquiries and tenders in the second half of 2011, and an order was won in January 2012 for supply of a second biogas upgrader for BtG for delivery in 2012 financial year

Director's report

Directors

The directors who served the company during the period were as follows

J T S Hayward
T J Lister
P L Redfern - appointed 28 October 2011

Principal risks and uncertainties facing the company

Contract delay
The timing of contracts is influenced by a number of factors, many of which are outside of the direct control of the company

Focused project management
Major contracts are managed through project teams to ensure all elements in the contract quotation and negotiation process that are under our control or influence are managed efficiently and effectively However, the impact of the timing of contracts on full-year turnover remains a significant risk to the Company

Financial stability
The company is in a start-up phase and currently trading at a loss Withdrawal of support from parent company could significantly impact the business' ability to trade

Group support
The company's parent, Pressure Technologies plc, has invested significant time and cash resources to the business and will continue to support the business through this phase of growth The Group Chief Executive chairs the CBG Board and he and the Group Finance Director take an active role in the development of the business

Staff concentration
The Company is small and relies on a small number of key senior managers and specialists A loss of a small number of such staff could have a major impact on the Company's turnover and development

Succession planning
As the business grows, increases in staff numbers make succession planning easier and recruitment is already carried out to ensure that skills and expertise can be duplicated

Financial instruments

The company's operations expose it to a variety of financial risks including the effects of changes in foreign currency exchange rates, credit risk and liquidity risk The company's principal financial instruments comprise cash and bank deposits together with trade debtors and trade creditors that arise directly from its operations The company has not entered into derivative transactions, nor does it trade in financial instruments as a matter of policy

Director's report

Financial instruments (continued)

The main risks arising from the company's financial instruments can be analysed as follows

Credit risk
The company's credit risk is primarily attributable to its trade debtors Credit risk is managed by monitoring the aggregate amount and duration of exposure to any one customer depending upon their credit rating The amounts presented in the balance sheet are net of allowances for doubtful debts, estimated by the company's management and their assessment of the current economic environment

Liquidity risk
Short term financing needs are met by working capital facilities and existing cash resources provided by the parent company

Going concern

Management has produced forecasts which have been reviewed by the Directors The company has the continued support of its parent company, Pressure Technologies plc, and will be able to meet its obligations as they fall due for a period of at least 12 months from when these financial statements have been signed

As such, the Directors are satisfied that the Company has adequate resources to continue to operate for the foreseeable future For this reason they continue to adopt the going concern basis for preparing the financial statements

Statement of directors' responsibilities for the financial statements

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

Company law requires the directors to prepare financial statements for each financial year Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable laws) 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 those 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 UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- 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

Director's report

Disclosure of information to auditors

We, the directors of the company who held office at the date of approval of these Financial Statements as set out above each confirm, so far as we are aware, that

- there is no relevant audit information of which the company's auditors are unaware, and
- we have taken all the steps that we ought to have taken as directors in order to make ourselves aware of any relevant audit information and to establish that the company's auditors are aware of that information

Auditors

Grant Thornton UK LLP are willing to continue in office and a resolution to reappoint them will be proposed at the Annual General Meeting

Approval

The report of the directors was approved by the Board on 26 June 2012 and signed on its behalf by

BY ORDER OF THE BOARD

T J Lister
Company Secretary

Report of the independent auditor to the members of Chesterfield BioGas Limited

We have audited the financial statements of Chesterfield BioGas Limited for the period ended 1 October 2011 which comprise the principal accounting policies, the profit and loss account, the balance sheet and the related notes The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an 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 Statement of Directors' Responsibilities set out on page 5, 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 (APB'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 APB's website at www frc org uk/apb/scope/private cfm

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 1 October 2011 and of its loss for the period 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 matters prescribed by the Companies Act 2006

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

Report of the independent auditor to the members of Chesterfield BioGas 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

David Munton
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Birmingham

26 JUNE 2012

Principal accounting policies

Basis of accounting

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

Cash flow statement

The directors have taken advantage of the exemption in FRS 1 (Revised 1996) from including a cash flow statement in the accounts on the grounds that the company is wholly owned and its ultimate parent publishes a consolidated cash flow statement

Turnover

Turnover is recognised (net of Value Added Tax) when the equipment has been installed and all tests of the equipment installed by the Company have been passed

Fixed assets and depreciation

Fixed assets are stated at cost less accumulated depreciation and any reduction for impairment in value Where evidence of impairment is identified the assets are written down to recoverable amount

Cost reflects purchase price or construction cost of the asset together with any incidental costs of bringing the asset into use

Depreciation is applied on a straight-line basis so as to reduce the assets to their residual values over their estimated useful lives

The rates of depreciation used are

Plant and machinery	4 - 10 years

Stocks

Stocks are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items

Work in progress is valued on the basis of direct costs plus attributable overheads based on normal levels of activity Provision is made for any foreseeable losses where appropriate

Intangible assets

Licence and distribution agreement
Intangible assets are recorded at cost, net of amortisation and any provision for impairment The Company's licence and distribution agreement is being amortised over 15 years, being the period over which the Directors have assessed that significant revenues will be generated

Principal accounting policies

Deferred taxation

Deferred tax is provided on timing differences that have arisen but not reversed by the balance sheet date, where the timing differences result in an obligation to pay more tax, or a right to pay less tax, in the future Timing differences arise because of differences between the treatment of certain items for accounting and taxation purposes

Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered

Deferred tax is measured at the tax rates that are expected to apply in the periods when the timing differences are expected to reverse, based on tax rates and law enacted or substantively enacted at the balance sheet date Deferred tax assets and liabilities are not discounted

Pensions

The Company operates a defined contribution scheme with costs being charged to the profit and loss account in the period to which they relate

Financial instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into An equity instrument is any contract that evidences a residual interest in the assets of the entity after deducting all of its financial liabilities

Where the contractual obligations of financial instruments (including share capital) are equivalent to a similar debt instrument, those financial instruments are classed as financial liabilities Financial liabilities are presented as such in the balance sheet Finance costs and gains or losses relating to financial liabilities are included in the profit and loss account Finance costs are calculated so as to produce a constant rate of return on the outstanding liability

Where the contractual terms of share capital do not have any terms meeting the definition of a financial liability then this is classed as an equity instrument Dividends and distributions relating to equity instruments are debited direct to equity

Deferred grants

Deferred grants in respect of capital expenditure are treated as deferred income and are credited to the profit and loss account over the estimated useful life of the assets to which they relate Grants of a revenue nature are credited to the profit and loss account in the period in which the related expenditure is incurred

Profit and loss account

	Note	52 weeks ending 1 October 2011 £'000	52 weeks ending 2 October 2010 £'000
Turnover	1	916	-
Cost of sales		(979)	-
Gross loss		(63)	-
Other operating charges	2	(441)	-
Operating loss	3	(504)	-
Interest receivable	4	1	-
Loss on ordinary activities before taxation		(503)	-
Tax on loss on ordinary activities	7	(13)	-
Loss for the financial period	18	(516)	-

All of the activities of the company are classed as continuing

The company has no recognised gains or losses other than the results for the period as set out above

Balance sheet

	Note	**1 October 2011 £'000**	2 October 2010 £'000
Fixed assets			
Intangible assets	8	1,023	-
Tangible assets	9	334	-
		1,357	-
Current assets			
Stocks	10	228	-
Debtors	11	234	-
Cash at bank		34	-
		496	-
Creditors: amounts falling due within one year	12	(75)	-
Net current assets		421	-
Total assets less current liabilities		1,778	-
Creditors: amounts falling due after one year	13	(2,281)	-
Provisions for liabilities	14	(13)	-
Net liabilities		(516)	-
Capital and reserves			
Called-up share capital	17	-	-
Profit and loss reserve	18	(516)	-
Shareholder deficit	19	(516)	-

These financial statements were approved by the directors and on 26 June 2012, and are signed on their behalf by

T J Lister
Director
Company registration number 06649410

The accompanying accounting policies and notes form part of these financial statements.

Notes to the financial statements

1 Turnover

Turnover is attributable to the company's principal activity and originated solely within the United Kingdom

2 Other operating charges

	52 weeks ending 1 October 2011 £'000	52 weeks ending 2 October 2010 £'000
Administrative expenses	441	-

3 Operating loss

Operating loss is stated after charging / (crediting)

	52 weeks ending 1 October 2011 £'000	52 weeks ending 2 October 2010 £'000
Amortisation of intangible assets	83	-
Depreciation of owned fixed assets	22	-
Grant income	(6)	-
Operating lease costs		
- Other	12	-
Auditor's remuneration	8	-

4 Interest receivable

	52 weeks ending 1 October 2011 £'000	52 weeks ending 2 October 2010 £'000
Bank interest receivable	1	-

Notes to the financial statements

5 Employees

Average weekly number of employees, including executive directors

	2011 Number	2010 Number
Production	3	-
Administration and selling	2	-
	5	-

Staff costs, including directors

	52 weeks ending 1 October 2011 £'000	52 weeks ending 2 October 2010 £'000
Wages and salaries	173	-
Social security costs	19	-
Other pension costs	2	-
	194	-

6 Directors' remuneration

The remuneration of the two directors for the period ended 1 October 2011 was met by other group companies

Notes to the financial statements

7 Taxation on ordinary activities

(a) Analysis of charge in the period

	52 weeks ending 1 October 2011 £	52 weeks ending 2 October 2010 £
Current tax in respect of the period		
UK Corporation tax based on the results for the period at 27% (2010 28%)	-	-
Total current tax	-	-
Deferred tax		
Origination and reversal of timing differences	13	-
Tax on loss on ordinary activities	13	-

(b) Factors affecting current tax charge

The tax assessed on the loss on ordinary activities for the period is different to the standard rate of corporation tax in the UK A reconciliation is shown below

	52 weeks ending 1 October 2011 £	52 weeks ending 2 October 2010 £
Loss on ordinary activities before taxation	(503)	-
Loss on ordinary activities at rate of tax of 27% (2010 28%)	(135)	-
Capital allowances for period in excess of depreciation	(13)	-
Disallowable expenditure	24	-
Group relief of losses surrendered to other Group companies for nil consideration	124	-
Total current tax (note 7(a))	-	-

Notes to the financial statements

8 Intangible fixed assets

	Licence and distribution agreement £'000
Cost	
At 2 October 2010	-
Transferred from CSC	306
Additions	800
At 1 October 2011	1,106
Depreciation	
At 2 October 2010	-
Charge for the period	83
At 1 October 2011	83
Net book value	
At 1 October 2011	1,023
At 2 October 2010	-

9 Tangible fixed assets

	Plant and machinery £'000
Cost	
At 2 October 2010	-
Transferred from CSC	104
Additions	252
At 1 October 2011	370
Depreciation	
At 2 October 2010	-
Charge for the period	22
At 1 October 2011	22
Net book value	
At 1 October 2011	334
At 2 October 2010	-

Notes to the financial statements

10 Stocks

	2011 £'000	2010 £'000
Raw materials and consumables	10	-
Work in progress	218	-
	228	-

11 Debtors

	2011 £'000	2010 £'000
Trade debtors	178	-
Other debtors	46	-
Prepayments and accrued income	10	-
	234	-

12 Creditors: amounts falling due within one year

	2011 £'000	2010 £'000
Trade creditors	40	-
Other taxation and social security	9	-
Other creditors	26	-
	75	-

13 Creditors: amounts falling due after one year

	2011 £'000	2010 £'000
Amounts owed to group undertakings	2,184	-
Grants	97	-
	2,281	-

The amount owed to group undertakings of £2,184k (2010 £nil) will not be requested for repayment by the group undertaking until the Company has generated sufficient profits to do so It is estimated that this liability will not be capable of settlement for at least one year from 1 October 2011

Notes to the financial statements

13 Creditors: amounts falling due after one year (continued)

Grants		
Balance brought forward	-	-
Received in the year	103	-
Amortisation of grant received	(6)	-
Balance carried forward	97	-

14 Provisions for liabilities

Deferred tax

	2011 £'000	2010 £'000
At 2 October 2010	-	-
Charge for the period	13	-
At 1 October 2011	13	-

The provision for deferred taxation is made up as follows

	2011 £'000	2010 £'000
Accelerated capital allowances	13	-

15 Commitments under operating leases

As at 1 October 2011 the company had annual commitments under non- cancellable operating leases as follows

Operating leases which expire:	**2011 £'000**	2010 £'000
Amounts payable within 1 year	4	-

16 Related party transactions

The company has taken advantage of the exemption in FRS 8 'Related Party Transactions' that transactions with group entities are not disclosed as the company is a wholly owned subsidiary of a company which produces consolidated financial statements that are publicly available

Notes to the financial statements

17 Share capital

Authorised share capital

	2011 £	2010 £
One ordinary share of £1	1	1

Allotted, called up and fully paid

	2011 £	2010 £
One ordinary share of £1	1	1

18 Profit and loss account

	2011 £'000	2010 £'000
Balance brought forward	-	-
Loss for the financial period	(516)	-
Balance carried forward	(516)	-

19 Reconciliation of movements in equity shareholders' deficit

	2011 £'000	2010 £'000
Loss for the financial period	(516)	-
Opening shareholder funds	-	-
Closing shareholder deficit	(516)	-

20 Ultimate parent company

The ultimate parent company is Pressure Technologies plc ("PT"), which is registered in England and Wales Group accounts are available to the public from Companies House, Crown Way, Cardiff, CF14 3UZ