

**GREEN COMPLIANCE PLC  
AND ITS SUBSIDIARY  
UNDERTAKINGS**

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 MARCH 2010

# GREEN COMPLIANCE PLC AND ITS SUBSIDIARY UNDERTAKINGS

## FINANCIAL STATEMENTS

For the year ended 31 March 2010

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Company registration number: 4022406

Registered office: Purlieu's Barn,  
Cotswold Centre  
Ewen  
Cirencester  
Gloucestershire, GL7 6BY

Directors: Bob Holt (Non-Executive, Chairman)  
Reg Pomphrett (Non-Executive)  
John Prowse  
John Charlton  
Richard Hodgson

Secretary: Reg Pomphrett

Bankers: Barclays Bank PLC  
18 Southgate Street  
Gloucester  
Gloucestershire  
GL1 2DJ

Solicitors: BPE  
St James' House  
St James' Square  
Cheltenham  
Gloucestershire  
GL50 3PR

Registrars: Neville Registrars Limited  
Neville House  
18 Laurel Lane  
Halesowen  
West Midlands  
B63 3DA

# **GREEN COMPLIANCE PLC AND ITS SUBSIDIARY UNDERTAKINGS**

## **FINANCIAL STATEMENTS**

For the year ended 31 March 2010

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Auditor: Grant Thornton UK LLP  
Registered Auditors  
Chartered Accountants  
Hartwell House  
55-61 Victoria Street  
Bristol  
BS1 6FT

Nominated advisor and stockbroker: Zeus Capital  
3 Ralli Courts  
West Riverside  
Manchester  
M3 5FT

Website: [www.greencomplianceplc.com](http://www.greencomplianceplc.com)

# GREEN COMPLIANCE PLC AND ITS SUBSIDIARY UNDERTAKINGS

## FINANCIAL STATEMENTS

For the year ended 31 March 2010

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# **GREEN COMPLIANCE PLC AND ITS SUBSIDIARY UNDERTAKINGS**

## **CHAIRMAN'S STATEMENT**

For the year ended 31 March 2010

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### **CHAIRMAN'S STATEMENT**

This has been a year of transition for the Group culminating in the significant fund-raising in December 2009 based on the strategy to build a blue collar compliance business.

I set out in my letter to shareholders of 8 December 2009 that strategy and I am pleased to report good progress, post balance sheet date, with key acquisitions in the water treatment and hygiene and fire protection sectors.

Following a review by management of the Employment services division – PES, HSD and TEBC - a decision was made to dispose of this loss making division to the management team of that division. This transaction was concluded on 4 January 2010.

As part of our strategic refocusing of the business the directors had identified a number of target companies that they believed could be acquired to provide a platform for growth in the water treatment and hygiene, pest control and prevention and fire protection compliance markets. In order to drive this strategy, a new CEO, with significant experience in growing compliance based businesses – John Prowse – was appointed. In December 2009 in order to fund these future acquisitions the Board completed the raising of £9.5m (net of expenses) through the issue of new ordinary shares, primarily to institutional investors at the same time as undertaking a capital re-organisation of the existing equity base.

The attached accounts and this statement deal principally with the Group trading activities prior to the impact of any of the strategic acquisitions undertaken since financial year end, but do reflect the balance sheet strengthening of the capital raising in December 2009. Regarding continuing activities, the Group made an operating loss before exceptional items of £1,256,000 (2009: loss £199,000) on revenue of £547,000 (2009: £nil).

On 2 February 2010, our Energy Services division acquired a controlling interest in Simon West Limited, trading as CEA Link. This is a key job management software platform for tendering energy certification and other compliance based services.

We ended the year with a clear strategic direction and focus, a strengthened Board and a pipeline of acquisition activity that brings new impetus to enhancing shareholder value.

### **BOARD CHANGES**

Both Ian Rummels and David Collett stood down from the Board at the General Meeting in December which approved our placing. Ian led the buy out of the Employment Services division from the Company and David went on to pursue other business interests. I would like to thank them both for their efforts and support over the years.

John Prowse took on the role of CEO on 24 December 2009 and has led the move into compliance based markets. He has a first class track record in building compliance businesses and has already proved his ability in making targeted acquisitions within the sector.

The Board was further strengthened in February 2010 by the appointment of Richard Hodgson as Finance Director. Richard has a strong background in support services businesses and his skills in integrating businesses will play a key element in our future success.

# **GREEN COMPLIANCE PLC AND ITS SUBSIDIARY UNDERTAKINGS**

## **CHAIRMAN'S STATEMENT**

For the year ended 31 March 2010

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### **CURRENT TRADING AND PROSPECTS**

The Group is now heavily focussed around the four core areas of water treatment and hygiene, fire protection, pest control and prevention and energy consultancy and certification.

These sectors have businesses which have relatively high margins, and operate in fragmented, regulatory driven markets where customers are seeking effective and efficient levels of service. This provides us with the opportunity to offer a platform for integrated services within these sectors whilst driving operational synergies.

Post balance sheet date, the Company has acquired the entire issued share capital of Waterchem Limited – a leading national provider of water treatment and hygiene services for an initial consideration of £5.534m. This has been satisfied by a payment of £4.0m in cash, the issue of loan notes to the value of £533,919 and the issue of new ordinary shares to the value of £1m. Further deferred cash may become payable, dependent upon the delivery of specified profit targets for the year to 31 December 2010.

Additionally, on 4 May the Company completed the acquisition of the entire issued share capital of Mayfair Fire Protection Limited for an initial cash consideration of £2.392m and the acquisition of the business and assets of Professional Fire Solutions Limited for an initial cash consideration of £121,951. In each case the vendors are staying with the businesses and are eligible for the payment of deferred consideration depending upon the achievement of agreed levels of EBITDA during the earn out periods.

To assist with the continuing level of acquisition activity anticipated by the Company the Board has agreed a £5M multicurrency revolving credit facility with HSBC Bank plc.

The Board has also taken the opportunity to dispose of the company's remaining 50% interest in Wyatt Biotech Limited and its 25% investment in Audio Medical Services Limited.

Currently, the Board are continuing to review a number of other strategic acquisitions within all of our four core business areas identified previously.

We now have a focussed business operating in profitable market sectors and a management team that is committed to driving shareholder value from a consolidation of activities within our core strategic marketplaces.

Bob Holt  
28 May 2010

# GREEN COMPLIANCE PLC AND ITS SUBSIDIARY UNDERTAKINGS

## REPORT OF THE DIRECTORS

For the year ended 31 March 2010

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The Directors present their report together with financial statements for the year ended 31 March 2010.

### Principal activities

The Group operates primarily as a service provider of compliance and regulatory services within the water treatment and hygiene, fire protection, pest control and prevention and energy consultancy and certification marketplaces.

### Business review

A review of the business is provided in the Chairman's statement.

There was a loss for the year after taxation of £3,939,000 (2009: loss £1,172,000). The Directors do not recommend payment of a dividend and the loss has therefore been deducted from reserves.

### Key performance indicators ('KPIs')

The Group has undergone significant change during the last year, with new management and a different business model, as explained in the Chairman's statement. Consequently, the KPIs of the Group are being established during the forthcoming year.

### Risk Management

Risk is an accepted part of doing business. The Group's financial risk management is based upon sound economic objectives and good corporate practice. The Board has overall responsibility for risk management and internal control within the context of achieving the Group's objectives.

Our process for identifying and managing risks is set out in more detail within the Corporate Governance Statement. The key risks and mitigating factors are set out below. The Group seeks to manage financial risk, to ensure sufficient liquidity is available to meet the identifiable needs of the Group and to invest cash assets safely and profitably. Short-term flexibility is achieved through the use of the bank overdraft facilities.

The Group does not undertake any trading activity in financial instruments. All activities are transacted in Sterling.

The Group reviews the credit quality of customers and limits credit exposures accordingly. All trade receivables are subject to credit risk exposure. However there is no specific concentration of credit risk as the amounts recognised represent a large number of receivables from various customers.

### Payment policy

The Company acts purely as a holding company and as such is non-trading. Accordingly no payment policy has been defined. However, the policy for Group trading companies is to set the terms of payment with suppliers when agreeing the terms of the transaction, to ensure suppliers are aware of these terms and to abide by them. Average creditor days for the year are 18 days (2009: 62 days).

### Directors

The present membership of the Board is set out below.

Bob Holt and Reg Pomphrett served throughout the whole of the financial year.

Bob Holt

Reg Pomphrett

David Robertson Resigned 8 April 2009

Ian Rummels Resigned 24 December 2009

David Curtis Resigned 8 April 2009

David Collett Appointed 8 April 2009, resigned 24 December 2009

John Charlton Appointed 8 April 2009

Andy Russell Appointed 8 April 2009, resigned 30 September 2009

John Prowse Appointed 24 December 2009

Richard Hodgson Appointed 1 February 2010

# GREEN COMPLIANCE PLC AND ITS SUBSIDIARY UNDERTAKINGS

## REPORT OF THE DIRECTORS

For the year ended 31 March 2010

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### Directors' remuneration

	Salaries and fees £000	Benefits in kind £000	Compensation for loss of office £000	Total £000	Pension Contribution £000
John Charlton	70	-	-	70	-
David Collett	54	-	62	116	-
David Curtis	12	-	28	40	-
Richard Hodgson	25	-	-	25	-
Bob Holt	15	-	-	15	-
Reg Pomphrett	29	-	-	29	-
John Prowse	83	-	-	83	-
Ian Rummels	58	-	-	58	2
Andy Russell	7	-	-	7	-
	<b>353</b>	<b>-</b>	<b>90</b>	<b>443</b>	<b>2</b>

£10,000 of the salary paid to Ian Rummels and £13,750 of the fees to Reg Pomphrett were satisfied by the issue of ordinary shares at 1.25p each.

### Directors' responsibilities for the financial statements

The Directors are responsible for preparing the Annual 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 Group financial statements in accordance with International Financial Reporting Standards ('IFRS') as adopted by the European Union. The Company financial statements have been prepared using UK GAAP. The financial statements are required by law to give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Group 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 IFRS (and UK GAAP in respect of the parent company financial statements) have been complied with, 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 group will continue in business.

The Directors are responsible for keeping adequate accounting records that disclose with reasonable accuracy at any time the financial position of the Group 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 Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as the Directors are aware:

- there is no relevant audit information of which the Company's auditors are unaware; and
- the Directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

# GREEN COMPLIANCE PLC AND ITS SUBSIDIARY UNDERTAKINGS

## REPORT OF THE DIRECTORS

For the year ended 31 March 2010

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### **Going Concern**

At 31 March 2010 the Group had net cash at bank of £6.6m. As described in the post balance sheet event section below the Group has made acquisitions since the year end utilising £6.5m of cash and has obtained a bank loan totalling £1.25m. These acquisitions are expected to be cash generative and consequently the directors have reviewed forecasts and believe that the Group has adequate bank facilities in place to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the financial statements. This is disclosed in the accounting policy on Going Concern.

### **Post Balance Sheet Event**

On 6 April 2010, the Group acquired the entire issued share capital of Waterchem Limited. Details of this acquisition are set out in note 20 to the accounts.

On 4 May 2010, Green Compliance plc acquired the entire issued share capital of Mayfair Fire Protection Limited and the business and assets of Fire Protection Limited. Details of this acquisition are set out in note 20 to the accounts.

### **Auditor**

Grant Thornton UK LLP offer themselves, and are recommended by the Board, for reappointment under the provisions of section 489 of the Companies Act 2006. A resolution to that effect will be proposed at the Annual General Meeting.

ON BEHALF OF THE BOARD

John Prowse  
Chief Executive Officer  
28 May 2010

# GREEN COMPLIANCE PLC AND ITS SUBSIDIARY UNDERTAKINGS

## CORPORATE GOVERNANCE

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### **Introduction**

The Company is committed to applying high standards of corporate governance, integrity and business ethics to all activities. Under the rules of the Alternative Investment Market the Company is not required to comply with the Combined Code. However the Board is accountable to the Company's shareholders for good corporate governance and has therefore taken steps to comply with the Combined Code in so far as it may be applied practically, given the size of Green Compliance plc and the nature of its operations.

### **The Board of Directors**

The Board of Directors comprises five members consisting of two Non-Executive Directors and three Executive Directors.

Each of the Non-Executive Directors is considered by the Board to be independent of management and free from any relationship which might materially interfere with the exercise of independent judgement. The Board does not consider the Non-Executive Directors' shareholdings impinge on their independence. The Non-Executive members bring experience at a senior level of business operations and strategy. A summary of the terms and conditions of appointment of the Non-Executive Directors is available on request from the Company Secretary.

The Board meets regularly throughout the year as well as on an ad-hoc basis, as required by time critical business needs. Management supply the Board with appropriate and timely information and the Directors are free to seek any further information they consider necessary. When Directors are unable to attend a meeting, they are advised of the matters to be discussed and given an opportunity to make their views known to the Chairman prior to the meeting.

The company supports the concept of an effective Board leading and controlling the Company. The Board is responsible for but not limited to:

- approving company policy and strategy;
- corporate governance and risk management;
- business development including major investments and disposals;
- approval of annual budgets and major capital expenditure;
- appointment, termination and remuneration of Directors; and
- financial reporting and audit.

All Directors have access to the Company Secretary who is responsible for ensuring that Board procedures and applicable rules and regulations are observed. Any Director, on appointment and throughout their service, is entitled to receive any training they consider necessary to fulfil their responsibility effectively.

### **Board Committees**

The Board has established two Committees, each with clearly defined terms of reference, procedures, responsibilities and powers. The Terms of Reference of the Committees are available from the Company Secretary.

The Chairman of each Committee provides a report of any meeting of that Committee at the next Board meeting.

Through the Audit Committee, the Directors ensure the integrity of financial information, the effectiveness of financial controls and internal control. The Remuneration Committee sets the remuneration policy for Executive Directors and determines their individual remuneration arrangements.

# GREEN COMPLIANCE PLC AND ITS SUBSIDIARY UNDERTAKINGS

## CORPORATE GOVERNANCE

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### **Relations with Shareholders**

The Company values the views of its shareholders and recognises their interest in the Company's strategy and performance, Board membership and quality of management. It, therefore, holds meetings with and makes presentations to its institutional shareholders to discuss objectives.

The principal methods of communication with private investors remain the Annual Report and Accounts, the interim statement and the Company website ([www.greencomplianceplc.com](http://www.greencomplianceplc.com)). In addition, the AGM is used to communicate with private investors and they are encouraged to participate. Separate resolutions are proposed on each issue so that they can be given proper consideration and there is a resolution to approve the Annual Report and Accounts. The Company counts all proxy votes and will indicate the level of proxies lodged on each resolution.

The Chairman maintains contact with the principal shareholders.

### **Accountability and Audit**

The Board presents a balanced and understandable assessment of the Group's position and prospects in all interim and price-sensitive reports and reports to regulators, as well as in the information required to be presented by statutory requirements.

The Board reviews the independence and objectivity of the external auditors. This includes reviewing the nature and extent of non-audit services supplied by the external auditors to the Group, seeking to balance objectivity and value for money.

### **Internal control and Risk Management**

The Board is responsible for maintaining a sound system of internal control to safeguard the shareholders' investment and the company's assets and for reviewing its effectiveness. Such a system is designed to manage, but not eliminate, the risk of failure to achieve business objectives. There are inherent limitations in any control system and accordingly even the most effective systems can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The Board of Directors has overall responsibility for the Company's system of internal control and for reviewing its effectiveness.

A system of business risk identification, assessment and evaluation is in place within the management process throughout the Group. Strategic risks are regularly reviewed by the Board. Risks relating to the key activities within the subsidiary operating units are assessed continuously.

The Group's operating procedures include a comprehensive system for reporting financial and non-financial information to the Board including:

- preparation strategy plans for business development
- preparation and review of annual budgets
- review of the business at each Board meeting, focussing on any new risks arising (for example key changes in the market).
- Review and approval of all acquisitions and large items of capital expenditure.

## **REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF**

### **GREEN COMPLIANCE PLC**

We have audited the financial statements of Green Compliance Plc for the year ended 31 March 2010 which comprise the group consolidated statement of financial position and parent company balance sheet, the group consolidated statement of comprehensive income, the group consolidated statement of cash flows, the group consolidated statement of changes in equity, and the related notes. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements 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 auditors**

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 and for being satisfied that they give a true and fair view. Our responsibility is to audit 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/UKNP](http://www.frc.org.uk/apb/scope/UKNP).

#### **Opinion on financial statements**

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 March 2010 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRS as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements 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 Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

**REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF  
GREEN COMPLIANCE PLC**

**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 by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company 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.

**J Geraint Davies**  
Senior Statutory Auditor  
for and on behalf of Grant Thornton UK LLP  
Statutory Auditor, Chartered Accountants  
Bristol  
28 May 2010

# GREEN COMPLIANCE PLC AND ITS SUBSIDIARY UNDERTAKINGS

## PRINCIPAL ACCOUNTING POLICIES

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The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below:

### **Basis of preparation**

The consolidated financial statements have been prepared in accordance with applicable International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board as adopted by the EU.

The financial statements have been prepared under the historical cost convention. The principal accounting policies of the group are set out below.

The accounting policies adopted in these financial statements have been applied throughout all periods and comply with each IFRS that is mandatory for accounting periods ending on 31 March 2010.

IAS 1 Presentation of Financial Statements (Revised 2007) requires presentation of a comparative balance sheet as at the beginning of the first comparative period, in some circumstances. The directors consider that this is not necessary this year because the 2008 balance sheet is the same as that previously published.

### **Basis of consolidation**

The Group financial statements consolidate those of the Company and of its subsidiary companies drawn up to 31 March 2010. Intra-group transactions are eliminated on consolidation and all figures relate to external transactions only. Subsidiaries are entities over which the Group has the power to control the financial and operating policies so as to obtain benefits from its activities.

Acquisitions of subsidiaries are dealt with by the purchase method. The purchase method involves the recognition at fair value of all identifiable assets and liabilities, including contingent liabilities of the subsidiary, at the acquisition date, regardless of whether or not they were recorded in the financial statements of the subsidiary prior to acquisition. On initial recognition, the assets and liabilities of the subsidiary are included in the consolidated balance sheet at their fair values, which are also used as the bases for subsequent measurement in accordance with the Group accounting policies. Goodwill is stated after separating out identifiable intangible assets. Goodwill represents the excess of acquisition cost over the fair value of the Group's share of the identifiable net assets of the acquired subsidiary at the date of acquisition.

### **Goodwill**

Goodwill representing the excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired, is capitalised and reviewed annually for impairment. Goodwill is carried at cost less accumulated impairment losses. Negative goodwill is recognised immediately after acquisition in the profit or loss.

There is no re-instatement of goodwill that was amortised prior to transition to IFRS. Goodwill previously written off to reserves is not written back to profit or loss on subsequent disposal.

### **Intangible assets**

Licenses, representing purchased exclusive distribution agreements, are included at cost. Distribution rights acquired or acquired as part of a business combination are deemed to have an indefinite useful life and are tested for impairment annually. On acquisition, that part of the excess of consideration over tangible net assets identified as attributable to customer contracts is capitalised and amortised over three years. Development software in respect of future revenue generating activity is capitalised and written off over three years.

### **Revenue**

Revenue is measured by reference to the fair value of consideration received or receivable by the Group for goods supplied and services provided, excluding VAT and trade discounts. Revenue represents the fair value of services provided as a proportion of the total value of the fixed fee contract.

**GREEN COMPLIANCE PLC AND ITS SUBSIDIARY UNDERTAKINGS**

**PRINCIPAL ACCOUNTING POLICIES**

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**Property, plant and equipment**

Property, plant and equipment is stated at cost, net of depreciation and any provision for impairment. The gain or loss arising on the disposal of an asset is determined as the difference between the disposal proceeds and the carrying amount of the asset and is recognised in the profit or loss.

**Depreciation**

Depreciation is charged so as to write off the cost less estimated residual value of assets by equal annual installments over their estimated useful lives. Residual value and useful economic lives are reviewed annually. The rates generally applicable are:

Office equipment	20 - 33%
Fixtures and fittings	20 - 33%
Motor vehicle	25%

**Impairment testing of goodwill and other intangible assets**

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. Goodwill is allocated to those cash-generating units that are expected to benefit from synergies of the related business combination and represent the lowest level within the Group at which management monitors the related cash flows.

Goodwill, other individual assets or cash-generating units that include goodwill and other intangible assets with an indefinite useful life are tested for impairment at least annually.

An impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell, and value in use based on an internal discounted cash flow evaluation. Impairment losses recognised for cash-generating units, to which goodwill has been allocated, are credited initially to the carrying amount of goodwill. Any remaining impairment loss is charged pro rata to the other assets in the cash generating unit. With the exception of goodwill, all assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist.

# GREEN COMPLIANCE PLC AND ITS SUBSIDIARY UNDERTAKINGS

## PRINCIPAL ACCOUNTING POLICIES

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### **Inventories**

Inventories are stated at the lower of cost and net realisable value.

### **Pension Costs**

The Group operates a defined contribution pension scheme for employees. The assets of the scheme are held separately from those of the Group. The annual contributions payable are charged to the profit or loss.

### **Discontinued operations**

A discontinued operation is a cash-generating unit, or a group of cash-generating units, that either has been disposed of, or is classified as held for sale, and:

- represents a separate major line of business or geographical area of operations;
- is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or
- is a subsidiary acquired exclusively with a view to resale.

The disclosures for discontinued operations in the prior year relate to all operations that have been discontinued by the balance sheet date for the latest period presented.

### **Leased assets**

All leases are regarded as operating leases and the payments made under them are charged to the profit or loss on a straight line basis over the lease term. Lease incentives are spread over the term of the lease.

### **Taxation**

Current tax is the tax currently payable based on taxable profit for the year.

Deferred income taxes are calculated using the liability method on temporary differences. Deferred tax is generally provided on the difference between the carrying amounts of assets and liabilities and their tax bases. However, deferred tax is not provided on the initial recognition of goodwill, or on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit.

Deferred tax on temporary differences associated with shares in subsidiaries is not provided if reversal of these temporary differences can be controlled by the Group and it is probable that reversal will not occur in the foreseeable future. In addition, tax losses available to be carried forward as well as other income tax credits to the Group are assessed for recognition as deferred tax assets.

Deferred tax liabilities are provided in full, with no discounting. Deferred tax assets are recognised to the extent that it is probable that the underlying deductible temporary differences will be able to be offset against future taxable income. Current and deferred tax assets and liabilities are calculated at tax rates that are expected to apply to their respective period of realisation, provided they are enacted or substantively enacted at the balance sheet date.

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

### **Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand and demand deposits, together with other short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

# GREEN COMPLIANCE PLC AND ITS SUBSIDIARY UNDERTAKINGS

## PRINCIPAL ACCOUNTING POLICIES

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### **Exceptional items**

Exceptional items fall within operating and financial activities of the Group but are identified as exceptional items by virtue of their size, nature or incidence. These items are disclosed in aggregate on the face of the statement of comprehensive income to aid an understanding of the Group's financial performance. Transactions which may give rise to exceptional items are principally gains or losses on disposals of investments or subsidiaries, major restructuring programmes or costs of integrating acquired businesses.

### **Loans and receivable financial assets**

Loans and receivable financial assets are initially measured at fair value and subsequently recognised at amortised cost using the effective interest method, less provision for impairment. Any change in their value through impairment or reversal of impairment is recognised in the profit or loss.

Provision against Loans and receivable financial assets is made when there is objective evidence that the group will not be able to collect all amounts due to it in accordance with the original terms of those receivables. The amount of the write-down is determined as the difference between the asset's carrying amount and the present value of estimated future cash flows.

### **Financial liabilities**

Financial liabilities are initially recorded at cost and then subsequently at amortised cost using the effective interest method, with interest-related charges recognised as an expense in finance cost in the profit or loss.

### **Provisions**

A provision is recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event, the obligation can be measured reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the industry.

### **Share-based payments**

The Group issues equity-settled payments to certain employees. Equity-settled share-based payments are measured at fair value at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, together with a corresponding increase in equity based on the Group's estimate of shares that will eventually vest.

Fair value is measured by use of the Monte Carlo model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioral considerations.

Upon exercise of share options, the proceeds received net of attributable transaction costs are credited to share capital, and where appropriate to share premium.

# GREEN COMPLIANCE PLC AND ITS SUBSIDIARY UNDERTAKINGS

## PRINCIPAL ACCOUNTING POLICIES

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### Capital Maintenance

The Group's objectives when managing capital are:

- to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, and
- to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk.

The Group sets the amount of capital in proportion to risk. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may issue new shares, or sell assets to reduce debt. Due to the Group's financial position it cannot currently issue dividends.

Consistently with others in the industry, the Group monitors capital on the basis of the debt-to-adjusted capital ratio. This ratio is calculated as net debt ÷ adjusted capital. Net debt is calculated as total debt (as shown in the balance sheet) less cash and cash equivalents. Adjusted capital comprises all components of equity (ie share capital, share premium, minority interest, retained earnings, and revaluation surplus) other than amounts recognised in equity relating to cash flow hedges.

### Reserves

The following reserves are maintained:

Share premium account – to account for the excess of the value of shares issued over their nominal amount;

Merger reserve – to account for the excess of the value of shares issued for cash over their nominal amount in respect of shares issued when the requirements of s612 of Companies Act 2006 apply;

Capital contribution – to account for liabilities personally discharged by an officer of the company.

### Significant judgments and estimates

The preparation of financial statements requires management to make estimates and judgements that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenditure during the reported period. The estimates and associated judgements are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about carrying values of assets and liabilities that are not readily apparent from other sources.

The estimates and underlying judgements are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

In the preparation of these consolidated financial statements, estimates and judgements have been made by management concerning the selection of discount rates used within impairment reviews, calculating the fair values of deferred consideration, the valuation of intangibles on business combinations, and the expected useful life of intangibles. Actual amounts could differ from those estimates.

Management has made the following estimates that have the most significant effect on the amounts recognised in the financial statements:

Intangible Assets – intangible assets are held at cost and are reviewed for impairment on a regular basis. Changes in the underlying assumptions could have significant variations on carrying value. Further information on intangible assets is contained within note 9 to the Accounts

# GREEN COMPLIANCE PLC AND ITS SUBSIDIARY UNDERTAKINGS

## PRINCIPAL ACCOUNTING POLICIES

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### Significant judgments and estimates (continued)

Share based payments - the fair values of options granted have been determined using the Monte Carlo option pricing model. Significant estimates involved in the calculation include share price volatility, the expectation of meeting performance conditions, and the risk-free interest rate. Details of these judgements are included in the share-based employee remuneration note.

Recoverability of debtors – all debtors are assessed as to whether it is believed that all amounts owed to the company are recoverable. Should the assessment indicate that not all amounts will be recoverable a provision for the full amount of the shortfall is made.

### Adoption of new and revised International Financial Reporting Standards ('IFRS') and AIM Rules

The accounting policies adopted in these consolidated financial statements are consistent with those of the annual financial statements for the year ended 31 March 2009, with the exception of the following standards, amendments to and interpretations of published standards adopted during the year:

The following standards, interpretations, and amendments to standards and revised AIM Rules were effective during the year ended 31 March 2010 and have been adopted by the Group:

- IFRS 8 'Operating Segments' – The standard replaced IAS 14 'Segment Reporting', and aligns operating segments reported to those segments reported internally to senior management. The basis for the segments under IFRS 8 is set out in Note 1 to the accounts. The standard does not change the recognition, measurement, or disclosure of transactions in the consolidated financial statements;
- IAS 1 R 'Presentation of financial statements' – The amendment requires "non-owner" and "owner" changes in equity to be presented separately. It also requires that where a statement of financial position is restated that the opening statement of financial position is also disclosed and consequently that three columns rather than two will be reported. Entities can also choose whether to present one or two performance statements. The Group has chosen to present one performance statement. A further impact of the amendment is that the primary statements have been renamed.
- Amended AIM Rule 19 requires disclosure of directors' remuneration earned in respect of the financial year by each director of the AIM company acting in such capacity during the financial year. Relevant disclosures are set out in the Directors' Report.

The following standards, interpretations, and amendments to standards were effective during the year ended 31 March 2010, but had no material impact on the Group:

- Amendments issued as part of annual improvements to IFRSs (May 2008);
- Amendments to IFRS 7 Improving Disclosures about Financial Instruments;
- Amendments to IFRIC 9 and IAS 39 'Embedded derivatives';
- IFRIC 13, 'Customer loyalty programmes';
- IFRIC 15 'Agreements for the construction of real estates'
- IAS 23 R 'Borrowing costs' – the amendment requires that borrowing costs incurred in the construction and production of qualifying assets commenced after 1 January 2009 are capitalised;
- IFRS 2 (Amendment), 'Share-based payment', effective for accounting periods beginning on or after 1 January 2009. The amendment to the standard limits vesting conditions to service conditions and performance conditions. The amendment also specifies that all cancellations, whether by the entity or by other parties, should receive the same accounting treatment, i.e. acceleration of the expense based on the grant date fair value.

The following standards, interpretations, and amendments to existing standards are not yet effective and have not been early adopted by the Group:

# GREEN COMPLIANCE PLC AND ITS SUBSIDIARY UNDERTAKINGS

## PRINCIPAL ACCOUNTING POLICIES

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- IFRS 3 R, 'Business combinations' – the revised standard requires that all acquisition related costs are to be expensed in the period incurred rather than added to the cost of the investment, that changes to contingent

### **Adoption of new and revised International Financial Reporting Standards ('IFRS') and AIM Rules (continued)**

- consideration following a business combination are shown in the statement of comprehensive income rather than changing goodwill, and that changes to deferred tax assets relating to business combinations are only reflected within goodwill if they occur within the measurement period. Furthermore, purchase accounting only applies at the point when control is achieved.;
- IAS 27 R, 'Consolidated and Separate Financial Statements', where IFRS 3 R is applied prior to 1 July 2009 IAS 27 R must also be applied from the same date. The revised standard requires that acquisitions and disposals that do not result in a change of control are accounted for within equity. Any difference between the change in the non-controlling interest and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the parent and does not generate goodwill;
- IFRIC 18, 'Transfers of Assets from Customers';
- IAS 28 'Investments in Associates', effective on or after 1 July 2009 amended to reflect changes to IFRS 3;
- IAS 31 'Interests in Joint Ventures', effective on or after 1 July 2009, amended to reflect changes to IFRS 3;
- IFRIC 17 'Distributions of non-cash assets to owners'. Applies for periods beginning on or after 1 July 2009; clarifies the accounting where assets other than cash are distributed to shareholders.
- IFRIC 19 'Extinguishing Financial Liabilities with Equity Instruments'. Applies to accounting periods beginning on or after 1 July 2010. The implementation of this standard may effect the financial statements of the group for the year ended 31 March 2012.
- IAS 39 'Financial Instruments: Recognition and Measurement', effective on or after 1 July 2009, amended to clarify how existing principles should be applied in respect of 'a one sided risk in a hedged item' and 'inflation in a financial hedged item'. Inflation risk can only be hedged if contractually specified and it is possible to use purchased options as a hedging instrument.
- IAS 39 'Financial Instruments: Recognition and Measurement', effective on or after 30 June 2009, amended to clarify the treatment of embedded derivatives where transactions are reclassified from Fair Value Through Profit or Loss (FVTPL). Where transactions are reclassified embedded derivatives may need to be separated from the host and continue to be treated as FVTPL

# GREEN COMPLIANCE PLC AND ITS SUBSIDIARY UNDERTAKINGS

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2010

	Note	Year ended 31 March 2010 £000 Before Acquisitions	Year ended 31 March 2010 £000 Acquisitions	Year ended 31 March 2010 £000 Total	Year ended 31 March 2009 £000
<b>Continuing operations:</b>					
Revenue		-	547	547	-
Cost of sales		-	(458)	(458)	-
<b>Gross profit</b>		-	89	89	-
Administrative expenses		(1,406)	(1,919)	(3,325)	(199)
<b>Operating loss before exceptional items</b>	2	(549)	(707)	(1,256)	(199)
Exceptional items including impairment of intangible assets	3	(857)	(1,123)	(1,980)	-
<b>Operating loss</b>		(1,406)	(1,830)	(3,236)	(199)
Finance income	4	1	-	1	-
Finance costs	4	(85)	-	(85)	(64)
<b>Loss from continuing operations before taxation</b>		(1,490)	(1,830)	(3,320)	(263)
Income tax expense	6	-	-	-	-
<b>Loss after taxation</b>		(1,490)	(1,830)	(3,320)	(263)
<b>Discontinued operations:</b>					
Loss for the period from discontinued operations		(619)	-	(619)	(909)
<b>Loss for the period attributable to equity holders</b>		(2,109)	(1,830)	(3,939)	(1,172)
<b>Basic and diluted loss per share on discontinued activities (pence)</b>	7			(0.23)	(6.46)
<b>Basic and diluted loss per share on continuing activities (pence)</b>	7			(1.23)	(1.87)
<b>Basic and diluted loss per share on all activities (pence)</b>	7			(1.46)	(8.33)

The loss for the year represents the total comprehensive income attributable to the owners of the company

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

# GREEN COMPLIANCE PLC AND ITS SUBSIDIARY UNDERTAKINGS

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2010

	Note	As at 31 March 2010 £000	As at 31 March 2009 £000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible assets	9	1,042	350
Property, plant and equipment	10	11	45
Other receivable	12	44	-
		<u>1,097</u>	<u>395</u>
<b>Current assets</b>			
Inventories	11	-	22
Trade and other receivables	12	174	334
Cash at bank and on short-term deposit		6,648	-
Total current assets		<u>6,822</u>	<u>356</u>
<b>Total assets</b>		<u>7,919</u>	<u>751</u>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	13	(734)	(1,037)
Deferred consideration		(430)	(369)
Bank and other loans	15	(12)	(768)
Total current liabilities		<u>(1,176)</u>	<u>(2,174)</u>
<b>Non-current liabilities</b>			
Bank and other loans	15	(12)	(174)
Deferred consideration		(342)	(100)
<b>Total non-current liabilities</b>		<u>(354)</u>	<u>(274)</u>
<b>Total liabilities</b>		<u>(1,530)</u>	<u>(2,448)</u>
<b>Net assets/(liabilities)</b>		<u>6,389</u>	<u>(1,697)</u>
<b>Shareholders' equity</b>			
Called up share capital	17	11,683	141
Share premium account	18	2,017	1,902
Capital contribution	19	900	-
Merger reserve	19	331	228
Retained loss	19	(8,542)	(3,968)
<b>Attributable to equity holders of the company</b>		<u>6,389</u>	<u>(1,697)</u>

The accompanying accounting policies and notes form an integral part of these financial statements.  
The financial statements were approved by the Board of Directors on 28 May 2010.

**Richard Hodgson**

**Director**

# GREEN COMPLIANCE PLC AND ITS SUBSIDIARY UNDERTAKINGS

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2010

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	<b>Share Capital £000</b>	<b>Share Premium £000</b>	<b>Retained loss £000</b>	<b>Other Reserves £000</b>	<b>Equity £000</b>
Balance as at 1 April 2008	141	1,903	(2,797)	228	(525)
Loss for the period	-	-	(1,172)	-	(1,172)
Balance as at 31 March 2009	141	1,903	(3,969)	228	(1,697)
Issue of shares	11,542	241	-	-	11,783
Premium on shares issued on acquisition	-	-	-	145	145
Disposal of subsidiary interest	-	-	-	(42)	(42)
Share-based payment	-	-	14	-	14
Capital contribution	-	-	-	900	900
Share placing costs	-	(127)	(648)	-	(775)
Loss for the period	-	-	(3,939)	-	(3,939)
<b>Balance as at 31 March 2010</b>	<b>11,683</b>	<b>2,017</b>	<b>(8,542)</b>	<b>1,231</b>	<b>6,389</b>

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

# GREEN COMPLIANCE PLC AND ITS SUBSIDIARY UNDERTAKINGS

## CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2010

	Year ended 31 March 2010 £000	Year ended 31 March 2009 £000
<b>Cash flows from operating activities</b>		
<b>Continuing operations</b>		
Loss for the period	(3,320)	(263)
Expenses settled by issue of shares	10	-
Impairment of investment in subsidiaries	1,123	-
Depreciation of property, plant and equipment	12	1
Profit on disposal of fixed assets	(1)	-
Share-based payment	14	-
Elimination merger reserve	(42)	-
Net finance costs recognised in income statement	84	64
Decrease/(increase) in trade and other receivables	75	(143)
(Decrease)/increase in trade and other payables	(394)	188
<b>Net cash used by continuing operations</b>	<b>(2,439)</b>	<b>(153)</b>
Loss for the period	(619)	(909)
Depreciation of property, plant and equipment	23	70
Amortisation and impairment charges	50	561
Expenses settled by issue of shares	24	-
Share of JV operating loss	-	14
Finance costs recognised in profit and loss	4	8
Decrease in trade and other receivables	24	598
Decrease in inventories	4	10
(Decrease) in trade and other payables	(133)	(93)
<b>Net cash (used by)/generated from discontinued operations</b>	<b>(623)</b>	<b>259</b>
<b>Net cash (used by)/generated from operations</b>	<b>(3,062)</b>	<b>106</b>
Finance costs paid	(82)	(72)
Income taxes paid	(1)	-
<b>Net cash (used by)/generated from operating activities</b>	<b>(3,145)</b>	<b>34</b>
<b>Cash flows from investing activities</b>		
Acquisition of subsidiaries	(143)	(378)
Disposal of subsidiaries	(248)	-
Net overdraft acquired with subsidiaries	(5)	257
Bank balance disposed of with subsidiaries	(73)	-
Purchase of property, plant and equipment	(2)	(5)
Proceeds on disposal of property, plant and equipment	6	-
<b>Net cash used in investing activities</b>	<b>(465)</b>	<b>(126)</b>
<b>Cash flows from financing activities</b>		
Gross proceeds from issue of ordinary shares	10,849	-
Share placing costs	(648)	-
Capital contribution	400	-
Proceeds from long term borrowings	500	133
Repayments of borrowings	(90)	-
<b>Net cash generated from financing activities</b>	<b>11,011</b>	<b>133</b>
<b>Net increase in cash and cash equivalents</b>	<b>7,401</b>	<b>41</b>
<b>Cash and cash equivalents at beginning of the period</b>	<b>(753)</b>	<b>(794)</b>
<b>Cash and cash equivalents at end of the period</b>	<b>6,648</b>	<b>(753)</b>

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

# GREEN COMPLIANCE PLC AND ITS SUBSIDIARY UNDERTAKINGS

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2010

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### 1 SEGMENTAL REPORTING

With effect from 1 April 2009, the Group adopted IFRS 8, 'Operating Segments'. This accounting standard replaced IAS 14 'Segment Reporting' requires a 'through the eyes of management' approach; consequently segmental information is presented on the same basis as for internal reporting purposes. Given the changes in the group's activities and the changes in senior management over the last year, it is to be expected that there is no well-established approach; however, the Group's chief operating decision maker ('CODM') comprising the three executive directors reviews the internal financial reports highlighting the current performance of the operating subsidiaries and the level of central costs in order to make decisions about the allocation of resources. Performance is evaluated on actual operating results.

The operating subsidiaries are combined as the energy services and consultancy division, as at 31 March 2010 the only identifiable operating segment. The activities of this division and the Group as a whole are based wholly in the UK, and all trading is UK based. Central costs are effectively those of Green Compliance plc.

The measurement policies the Group uses for segment reporting under IFRS 8 are the same as those used in its financial statements, except that expenses relating to exceptional items are not included in arriving at the operating profit of the operating segment.

In the previous financial statements, the Group had identified employment consultancy, online risk assessments, drug testing and central costs as separately identifiable segments. As described in note 21, the employment consultancy division was sold on 31 December 2009, and, with the exception of central costs, the other segments ceased trading either prior to or during the year commencing 1 April 2009. Consequently, the activities of the employment consultancy, online risk assessments, and drug testing segments are aggregated together as discontinued operations.

# GREEN COMPLIANCE PLC AND ITS SUBSIDIARY UNDERTAKINGS

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2010

### 1 SEGMENTAL REPORTING (CONTINUED)

Segmental information is analysed as follows:

	Energy Services and Consultancy		Employment consultancy		Total	
	2010	2009	2010	2009	2010	2009
	£000	£000	£000	£000	£000	£000
Revenue derived entirely from external customers	547	-	645	1,052	1,192	1,052
Cost of sales	(458)	-	(47)	(407)	(505)	(407)
Gross profit	89	-	598	645	687	645
Depreciation and amortisation	(12)	-	(23)	(82)	(35)	(82)
Other operating expenses	(869)	-	(848)	(1,466)	(1,717)	(1,466)
<b>Operating loss</b>	<b>(792)</b>	-	<b>(273)</b>	<b>(903)</b>	<b>(1,065)</b>	<b>(903)</b>
<b>Central costs</b>	<b>(464)</b>	<b>(199)</b>	-	-	<b>(464)</b>	<b>(199)</b>
Group operating loss arising from continuing operations before exceptional items	(1,256)	(199)	(273)	(903)	(1,529)	(1,102)
<b>Exceptional items</b>	<b>(1,980)</b>	-	-	-	<b>(1,980)</b>	-
<b>Operating loss</b>	<b>(3,236)</b>	<b>(199)</b>	<b>(273)</b>	<b>(903)</b>	<b>(3,509)</b>	<b>(1,102)</b>
Finance income	1	-	-	-	1	-
Finance costs	(85)	(64)	(4)	(6)	(89)	(70)
<b>Loss for the period</b>	<b>(3,320)</b>	<b>(263)</b>	<b>(277)</b>	<b>(909)</b>	<b>(3,597)</b>	<b>(1,172)</b>
<b>Loss on disposal</b>					<b>(342)</b>	-
<b>Loss before taxation</b>					<b>(3,939)</b>	<b>(1,172)</b>
	<b>2010</b>	2009	<b>2010</b>	2009	<b>2010</b>	2009
	<b>£000</b>	£000	<b>£000</b>	£000	<b>£000</b>	£000
<b>Segment assets</b>						
Employment consultancy	-	-	-	608	-	608
Energy Services and Consultancy	1,254	-	-	-	1,254	-
Central	6,665	144	-	-	6,665	144
	<b>7,919</b>	144	-	608	<b>7,919</b>	752

The balance sheets and cash flows are reported only on a consolidated basis to the CODM and are in the same format as for the balance sheet on page 18 and cash flow on page 20.

# GREEN COMPLIANCE PLC AND ITS SUBSIDIARY UNDERTAKINGS

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2010

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### 2 OPERATING LOSS

The operating loss is stated after charging:

	<b>2010</b>	2009
	<b>£000</b>	£000
Auditor's remuneration for:		
Fees payable to the company's auditor for the audit of the company's annual accounts	17	10
Fees payable to the company's auditor for other services:		5
The audit of the company's subsidiaries pursuant to legislation	15	16
Tax services	4	9
Other services pursuant to legislation	-	1
Operating lease rentals		
Land & Buildings	43	51
Other	5	-
Impairment of intangible assets	1,263	550
Amortisation of intangible assets	3	10
(Profit) on disposal of owned assets	(1)	(11)
Depreciation of owned assets	32	71

### 3 EXCEPTIONAL ITEMS

	<b>2010</b>	2009
	<b>£000</b>	£000
Payments to former directors and employees	288	-
Loan charges	100	-
Acquisition costs incurred	458	-
Other	11	-
	<hr/>	<hr/>
	857	-
Impairment of investment in subsidiaries		
	<hr/>	<hr/>
	1,123	-
	<hr/>	<hr/>
	1,980	-

Payments to former directors and employees represent the remuneration and termination amounts in respect of directors and employees who have left during the year.

Loan charges represent the aggregate fees on bank facilities totalling £900,000 during the year and which were personally discharged by Bob Holt.

As explained in note 9, the directors consider that the entire investment in Innovative HIP Limited and Commercial Energy Performance Pack Limited should be impaired.

Acquisition costs of £458,000 were incurred during the period in respect of the acquisition of Innovative HIP Limited and Commercial Energy Performance Pack Limited and the acquisition of Waterchem Limited completed on 8 April 2010. Acquisition costs in respect of Waterchem Limited have been charged against profit and loss account in accordance with IFRS 3(R).

# GREEN COMPLIANCE PLC AND ITS SUBSIDIARY UNDERTAKINGS

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2010

### 4 FINANCE INCOME AND COSTS

	<b>2010</b>	2009
	<b>£000</b>	£000
<b>Continuing operations</b>		
<b>Finance income</b>		
Unwinding of discount on deferred consideration receivable	1	-
	<u>1</u>	<u>-</u>
<b>Finance costs</b>		
Interest on bank loans and overdraft	30	64
Interest on other loans	52	-
Unwinding of discount on deferred consideration payable	3	-
	<u>85</u>	<u>64</u>
<b>Discontinued operations</b>		
Interest on bank loans and overdraft	4	6

### 5 DIRECTORS AND EMPLOYEES

The average number of employees (including executive directors) employed during the year was:

	<b>2010</b>	2009
	<b>Number</b>	Number
Administration	34	28
Management	4	5
	<u>38</u>	<u>33</u>

The aggregate payroll costs was as follows:

	<b>2010</b>	2009
	<b>£000</b>	£000
Salaries	<b>1,369</b>	938
Social security costs	<b>146</b>	114
Pension costs	<b>26</b>	48
Share-based payment		-
	<u>1,541</u>	<u>1,100</u>
Compensation and redundancy costs included in exceptional items	<b>93</b>	-
	<u>1,634</u>	<u>1,100</u>

# GREEN COMPLIANCE PLC AND ITS SUBSIDIARY UNDERTAKINGS

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2010

### 5 DIRECTORS AND EMPLOYEES (CONTINUED)

Remuneration of the directors of Green Compliance plc, who are the key managers of the Group, is set out below:

	<b>2010</b>	2009
	<b>£000</b>	£000
Wages, fees and salaries	<b>353</b>	194
Compensation for loss of office	<b>90</b>	-
Social security costs	<b>44</b>	22
Other pension costs	<b>2</b>	5
	<b>489</b>	221

The following options were outstanding in respect of an EMI and an Unapproved Scheme as at 1 April 2009 and all have now lapsed:

<b>Director</b>	<b>Number of ordinary shares under option</b>	
	<b>EMI</b>	<b>Unapproved</b>
Ian Rummels	150,000	-
David Curtis	150,000	-
David Robertson	-	100,000
Reg Pomphrett	-	100,000
	<u>300,000</u>	<u>200,000</u>

The following options were granted during the year and are outstanding at the end of the year:

	A Options	B Options	C Options	Total	Grant date
Richard Hodgson	6,860,873	6,860,873	6,860,873	20,582,619	1 February 2010
Bob Holt	10,291,309	10,291,309	10,291,309	30,873,927	24 December 2009
John Prowse	10,291,309	10,291,309	10,291,309	30,873,927	24 December 2009
	<u>27,443,491</u>	<u>27,443,491</u>	<u>27,443,491</u>	<u>82,330,473</u>	

The exercise price for all of the options is 1p.

The performance criterion for each is target share price, and the measurement dates and exercise periods for each of the options are as follows:

	A Options	B Options	C Options
Target share price (pence)	2	3	4
Measurement Date	1 September 2012 - 30 November 2012	1 September 2013 - 30 November 2013	1 September 2014 - 30 November 2014
Exercise Period	1 December 2012 - 30 December 2017	1 December 2013 - 30 December 2017	1 December 2014 - 30 December 2017

# GREEN COMPLIANCE PLC AND ITS SUBSIDIARY UNDERTAKINGS

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2010

### 5 DIRECTORS AND EMPLOYEES (CONTINUED)

The fair value of options granted for each target price under the above scheme has been calculated using Monte Carlo pricing model

with the following assumptions and parameters:

Share price at grant date - 24 December 2009	2.75p
Share price at grant date - 1 February 2010	2.25p
No employees	3
Vesting period	8 years
Option life	8 years
Expected life	8 years
Risk free rate	3.5%
Expected dividend yield	0%
Volatility	149% and 50%

### 6 TAX EXPENSE

The Group has unrelieved tax losses available to offset against future trading profits of £2,918,000 (2009: £2,673,000)

	2010	2009
	£000	£000
The tax charge represents:		
United Kingdom corporation tax at 21% (2008: 20%)	-	-
Total current tax	-	-

The difference between the total current tax shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax is as follows:

	2010	2009
	£000	£000
Loss on ordinary activities before tax	(3,939)	(1,172)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 21% (2009: 21%).	(827)	(246)
Effect of:		
Expenses not deductible for tax purposes	386	123
Depreciation for the period in excess of capital allowances	6	5
Tax losses of subsidiaries disposed of	384	-
Tax losses carried forward	51	118
Total current tax	-	-

# GREEN COMPLIANCE PLC AND ITS SUBSIDIARY UNDERTAKINGS

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2010

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### 7 EARNINGS PER SHARE

The basic loss per share is based upon an equity loss of £3,939,000 (2009: £1,172,000) and 113,261,711 (2009: 14,065,019) ordinary shares of 1p each, being the weighted average number of shares in issue during the year.

### 8 DISCONTINUED OPERATIONS

As set out in note 21, the Group disposed of the entire share capital in four companies collectively trading as the employment consultancy division. In addition, during the year the Group disposed of its remaining 50% interest in Wyatt Biotech Limited and 25% interest in Audio Medical Services Limited, both for £nil consideration. During the year ended 31 March 2009, the Group ceased its activities in the on-line risk assessment and in drug testing.

The results from operating activities of discontinued operations are set out below:

	<b>2010</b>	Restated 2009
	<b>£000</b>	£000
Revenue	<b>645</b>	1,052
Cost of sales	<b>(47)</b>	(407)
Gross Profit	<b>598</b>	645
Operating expenses	<b>(870)</b>	(1,548)
Operating loss	<b>(272)</b>	(903)
Finance costs	<b>(4)</b>	(6)
	<b>(276)</b>	(909)
Loss on disposal (per note 21)	<b>(342)</b>	-
Other	<b>(1)</b>	-
Loss for the period from discontinued operations	<b>(619)</b>	(909)

# GREEN COMPLIANCE PLC AND ITS SUBSIDIARY UNDERTAKINGS

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2010

### 9 INTANGIBLE ASSETS

	<b>Goodwill on consolidation £000</b>	<b>Licences £000</b>	<b>Customer Contracts £000</b>	<b>Capitalised software costs £000</b>	<b>Total £000</b>
<b>Cost</b>					
At 1 April 2008	1,868	186	-	-	2,054
Additions	318	-	65	-	383
At 31 March 2009	2,186	186	65	-	2,437
Additions	1,883	-	290	-	2,173
Arising on acquisition of businesses	-	-	-	45	45
Disposals	(2,186)	(186)	(65)	-	(2,437)
At 31 March 2010	1,883	-	290	45	2,218
<b>Amortisation/impairment</b>					
At 1 April 2008	644	186	-	-	830
Charged for the year	-	-	11	-	11
Impairment	550	-	-	-	550
Write down re deferred income	696	-	-	-	696
At 1 April 2009	1,890	186	11	-	2,087
Charge for the year	-	-	-	3	3
Impairment charge	983	-	140	-	1,123
Disposals	(1,840)	(186)	(11)	-	(2,037)
At 31 March 2010	1,033	-	140	3	1,176
<b>Net book amount at 31 March 2010</b>	<b>850</b>	<b>-</b>	<b>150</b>	<b>42</b>	<b>1,042</b>
Net book amount at 31 March 2009	296	-	54	-	350

On 8 April 2009, the Group acquired 100% of the issued share capital of Innovative HIP Limited ('IHP') and of Commercial Energy Performance Pack Limited ('CEPP'). On 2 February 2010 the Group acquired 51% of the issued share capital of Simon West Limited ('SW'). The details of these transactions are set out in note 20 to the accounts.

The intangible asset recognised as customer contracts represents the expected value to be derived based on expected cash inflows from existing customer relationships. Cash flows are discounted at a weighted average cost of capital of 9%, a level which the directors consider is commensurate with the risks associated with capturing returns from the customer relationships.

# GREEN COMPLIANCE PLC AND ITS SUBSIDIARY UNDERTAKINGS

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2010

### 9 INTANGIBLE ASSETS (CONTINUED)

Goodwill solely relates to the cash generating unit of energy services and consultancy, for the year ended 31 March 2009 divided into the separate acquisitions of IHP & CEPP, and of SW. Goodwill is not amortised but is tested for impairment at least annually. Value in use calculations are generally utilised to calculate recoverable amount. Value in use is calculated as the net present value of the projected pre tax cash flows of the cash generating unit in which the goodwill is contained, applying a discount rate of 9%. The key assumptions regarding the value in use calculations are forecast revenue and margin growth which in turn are based on historical performance over the past year, adjusted for expected changes in the market.

As a consequence of the losses incurred by and the uncertainty whether sufficient positive cash flows can be generated in the future from HIP & CEPP during the year, the directors consider that the intangible assets in respect of IHP & CEPP should be 100% impaired. Consequently, the remaining intangible assets all relate to the SW acquisition.

### 10 PROPERTY, PLANT AND EQUIPMENT

	<b>Fixtures and fittings</b>	<b>Office equipment</b>	<b>Motor Vehicles</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Cost				
At 1 April 2008	30	568	-	598
Acquired	-	9	-	9
Additions	-	5	-	5
At 31 March 2009	30	582	-	612
Arising on acquisition of businesses	10	5	8	23
Arising on disposal of businesses	(31)	(582)	-	(613)
Additions	1	1	-	2
Disposals	-	-	(8)	(8)
At 31 March 2010	10	6	-	16
Depreciation				
At 1 April 2008	13	483	-	496
Provided in the year	8	63	-	71
At 31 March 2009	21	546	-	567
Arising on disposal of businesses	(21)	(569)	-	(590)
Provided in the year	2	26	4	32
Disposals	-	-	(4)	(4)
At 31 March 2010	2	3	-	5
Net book amount at 31 March 2010	<b>8</b>	<b>3</b>	<b>-</b>	<b>11</b>
Net book amount at 31 March 2009	9	36	-	45

# GREEN COMPLIANCE PLC AND ITS SUBSIDIARY UNDERTAKINGS

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2010

### 11 INVENTORIES

Group	2010 £	2009 £
Work in progress	-	14
Goods for resale	-	8
	<u>-</u>	<u>22</u>

### 12 TRADE AND OTHER RECEIVABLES

Group - due within one year	2010 £000	2009 £000
Trade receivables	74	168
Deferred consideration for the disposal of the PES Group (note 21)	25	-
Prepayments and accrued income	32	166
Other debtors	43	-
	<u>174</u>	<u>334</u>

The carrying value of trade receivables is considered a reasonable approximation of fair value.

Trade receivables of £10,000 (2009: £nil) were found to be impaired.

As at 31 March 2009 trade receivables of £8,000 (2009: £16,000) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	2010 £000	2009 £000
Up to 3 months	2	15
3 to 6 months	6	1
	<u>8</u>	<u>16</u>

Group - due after more than one year

	2010 £000	2009 £000
Deferred consideration for the disposal of the PES Group (note 21)	<u>44</u>	<u>-</u>

# GREEN COMPLIANCE PLC AND ITS SUBSIDIARY UNDERTAKINGS

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2010

### 13 TRADE AND OTHER PAYABLES

Group	2010 £000	2009 £000
Trade payables	329	349
Social security and other taxes	60	192
Other payables	285	351
Accruals and deferred income	60	97
Share of joint venture net liabilities	-	48
	<u>734</u>	<u>1,037</u>

The carrying values are considered to be a reasonable approximation of fair value.

### 14 DEFERRED TAX ASSET (UNPROVIDED)

Group	2010 £	2009 £
Depreciation in excess of capital allowances	6	20
Tax losses carried forward	613	1,335
	<u>619</u>	<u>1,355</u>

In accordance with the Group's accounting policies, a deferred tax asset of £619,000 (2009: £1,355,000) has not been recognised. The deferred tax asset would be recovered in the event that taxable profits arise. This is not considered likely in the foreseeable future, due to the significant level of tax losses being carried forward (see note 6).

### 15 FINANCIAL INSTRUMENTS

	Current		Non-current	
	2010 £000	2009 £000	2010 £000	2009 £000
Bank borrowings	-	768	-	24
Other loan	12	-	12	150
	<u>12</u>	<u>768</u>	<u>12</u>	<u>174</u>

The amount shown as non-current is repayable within 1-2 years.

During the year, the Group took out a loan for £500,000 from Barclays bank. This was personally discharged along with an associated overdraft liability of £400,000 by a capital contribution from Bob Holt as explained in note 19.

# GREEN COMPLIANCE PLC AND ITS SUBSIDIARY UNDERTAKINGS

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2010

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### 15 FINANCIAL INSTRUMENTS (CONTINUED)

The Group uses financial instruments comprising borrowings and cash and various items, such as trade receivables and trade payables that arise directly from its operations. The main purpose of these financial instruments is to fund the Group's operations.

The Group does not engage in trading or speculative activities using derivative financial instruments.

The fair value of financial assets and liabilities due within one year is deemed to equal their notional value. All other financial assets and liabilities are discounted to reflect their fair value.

The Group has no exposure to foreign currency risk.

The main risks arising from the Group's financial instruments are credit, interest rate, and liquidity risk. The Board reviews and agrees policies for managing this risk and they are summarised below. These policies have remained unchanged from previous periods.

#### Credit Risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers.

The Group ensures that customers are contacted on issue of invoices to ensure that they meet the customer's expectations. Efforts are then made to collect the monies that are outstanding as soon as they fall due. After all reasonable attempts have been made to ensure collection of outstanding monies the Group would consider the use of legal tools in an attempt to secure any outstanding monies that it has a legal right to.

#### Interest rate risk

The Group finances its operations through a mixture of cash and bank borrowings. The Group exposure to interest rate fluctuations on its borrowings is managed by the use of both fixed and floating facilities as the Board consider necessary.

#### Liquidity risk

The Group seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable cash requirements and to invest cash assets safely and profitably. Short-term flexibility is achieved by the use of overdraft facilities. The Group's bankers Barclays Bank PLC have placed an adequate facility at the Group's disposal. Current forecasts predict that the Group's funding requirements fall within the facility's limit.

### 16 LEASING COMMITMENTS

Non-cancellable operating lease rentals are payable as follows:

	31 March 2010		31 March 2009	
	Land & Buildings	Other Items	Land & Buildings	Other Items
	£000	£000	£000	£000
Operating leases:				
Within 1 year	20	3	41	-
Within 2 to 5 years	-	-	41	-
	<u>20</u>	<u>3</u>	<u>82</u>	<u>-</u>

# GREEN COMPLIANCE PLC AND ITS SUBSIDIARY UNDERTAKINGS

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2010

### 17 SHARE CAPITAL

#### Ordinary shares

Authorised	Number (million)		£000	
	2010	2009	2010	2009
Ordinary shares of 1p each	1,550.0	200	15,500	2,000
Deferred shares of 1p each	150.0	-	1,500	-
Allotted, called up and fully paid	Number (million)		£000	
	2010	2009	2010	2009
Ordinary shares of 1p each	1,030.3	14.1	10,303	141
Deferred shares of 1p each	138.0	-	1,380	-
			<b>11,683</b>	<b>141</b>

The movement in issued share capital was as follows:

	Number (million)	nominal amount £000	share premium £000
As at 1 April 2009	14.0	140	
Acquisition of Innovative HIP Limited and Commercial Energy Performance Pack Limited	35.6	356	
Placed for cash prior to 24 December 2009	68.0	680	170
Issued in satisfaction of deferred consideration	22.4	224	
Conversion of loans into ordinary share capital	14.2	142	36
Conversion of other liabilities due to directors of Green Compliance plc into ordinary shares	4.2	42	11
Issued in respect of additional consideration	4.0	40	10
As at 23 December 2009	162.4	1,624	227
Reorganisation share capital	(138.0)	(1,380)	
	24.4	244	227
Placed for cash 24 December 2009	999.9	9,999	
Conversion of loan into ordinary share capital	1.5	15	
Acquisition of Innovative HIP Limited and Commercial Energy Performance Pack Limited	3.4	34	
Acquisition of Simon West Limited at fair value 2.25p per ordinary share	1.1	11	14
<b>As at 31 March 2010</b>	<b>1,030.3</b>	<b>10,303</b>	<b>241</b>

# GREEN COMPLIANCE PLC AND ITS SUBSIDIARY UNDERTAKINGS

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2010

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### 17 SHARE CAPITAL (CONTINUED)

Prior to the consolidation of the ordinary share capital explained below, ordinary shares were issued at a fair value of 1.25p each as follows and as described fully in the Notice of Extraordinary General Meeting held on 8 April 2009:

18 million to the vendor of Premier Employment Solutions Limited and 4.4 million to the vendor of TEBC Limited in satisfaction of part or all of agreed deferred consideration due;

13 million to Bob Holt in respect of conversion of £130,000 loan into ordinary shares;

4.2 million to directors of Green Compliance plc in satisfaction of various liabilities accruing to them;

Prior to the consolidation of the ordinary share capital explained below, further ordinary shares were issued at a fair value of 1.25p each as follows:

4.0 million to the vendor of the Health & Safety Department Limited in respect of agreed additional consideration;

1.2 million to Andy Russell in respect of conversion of £15,000 loan note into ordinary shares

At an Extraordinary General Meeting of the company on 24 December, it was resolved that every 20 existing ordinary shares held by each shareholder be consolidated into one ordinary share of 1 and any ordinary share that is not so consolidated be redesignated as a deferred share of 1p. Immediately after the share consolidation, the ordinary share capital was reorganised further by sub-dividing and redesignating each newly created ordinary share of 20p into three ordinary shares of 1p and 17 deferred shares of 1p; thus 162,405,971 ordinary shares were sub-divided and redesignated into 24,360,897 ordinary shares and 138,045,074 deferred shares. The deferred shares have no voting rights or rights to receive a dividend and have a very limited right to any distribution on a return of capital. Shareholders have not been issued with a share certificate in respect of the deferred shares, which are deemed worthless. The company has a right to acquire the deferred shares for a nominal sum from all deferred shareholders.

### 18 SHARE PREMIUM ACCOUNT

	<b>2010</b>	2009
	<b>£000</b>	£000
At 1 April	<b>1,903</b>	1,903
Premium on shares issued per note 17	<b>241</b>	-
Share placing costs brought forward	<b>(127)</b>	-
At 31 March	<b>2,017</b>	1,903

# GREEN COMPLIANCE PLC AND ITS SUBSIDIARY UNDERTAKINGS

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2010

### 19 RESERVES

	<b>Merger Reserve</b>	<b>Capital Contribution</b>	<b>Retained loss</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
Balance as at 1 April 2008	228	-	(2,797)
Loss for the period	-	-	(1,172)
Balance as at 31 March 2009	228	-	(3,969)
Disposal of subsidiary interest	(42)	-	-
Premium on shares issued on acquisition	145	-	-
Share-based payments	-	-	14
Discharge of Bank borrowings	-	900	-
Share placing costs	-	-	(648)
Loss for the period	-	-	(3,939)
Balance as at 31 March 2010	331	900	(8,542)

In March 2010, Bob Holt agreed with Barclays Bank PLC to discharge personally £900,000 of indebtedness due to Barclays from the company. The aggregate amount due to Barclays as at the date of discharge has been classified as a Capital contribution.

### 20 ACQUISITIONS

On 8 April 2009, the Group acquired the entire issued share capital of Innovative HIP Limited ('IHP') and of Commercial Energy Performance Pack Limited ('CEPP') for a consideration payable by the issue of 57.6 million ordinary shares of Wyatt Group plc (renamed Green Compliance plc) at a fair value as determined by the market price of the shares of 1.25p each. 35.6 million shares were issued at 1.25p each in April 2009, giving rise to a cost of investment of £445,000. The £89,000 premium on issue has been taken to the merger reserve. As a result of the share consolidation described in note 17, the remaining consideration was satisfied on 24 December 2009 by the issue of 3.3 million shares at a fair value 1p each as determined by the price of new shares issued on the same day, giving rise to a further cost of investment of £33,000. £15,000 costs were attributed to the acquisition.

On 2 February 2010, the Group acquired 51% of the issued share capital of Simon West Limited ('SW') for a consideration of £175,000 payable as to £150,000 in cash and 1,111,111 ordinary shares issued at a fair value as determined by the market price of the shares of 2.25p each. The remaining share capital may be acquired in two instalments in February 2011 and February 2012 at the Group's option for a deferred contingent consideration equivalent to 1.5 times and twice the profit before tax for the years ending 31 January 2011 and 2012 respectively, up to a maximum aggregate amount of £1 million including the consideration satisfied in February 2009. Accordingly, the acquisition is deemed to be 100%. The discounted estimated deferred contingent consideration is £769,000. The goodwill relates to the acquisition of staff and their knowledge of the market.

On 6 April 2010, by means of a 'reverse takeover' under AIM rules, the Group acquired the entire issued share capital of Waterchem Limited ('WL') for a total initial consideration of £5.534 million to be satisfied by the payment of an initial cash consideration of £4.0 million, the issue of the Loan Note Consideration to the value of £534,000 and the issue of new ordinary shares to the value of £1 million. This consideration is subject to a working capital adjustment at completion. The loan notes are unsecured and interest will accrue at 3% per annum on the outstanding balance of the loan notes. The loan notes and accrued interest will be redeemed in full on or before the first anniversary of the date of Completion.

# GREEN COMPLIANCE PLC AND ITS SUBSIDIARY UNDERTAKINGS

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2010

### 20 ACQUISITIONS (CONTINUED)

In addition, conditional on WL achieving specified profit targets for the year ended 31 December 2010, additional consideration will become payable as follows: if the audited Earnings before Interest, Taxation, Depreciation & Amortisation ('EBITDA') of WL for the year ended 31 December 2010 is greater than £1.225 million then an additional £5.50 of consideration will become payable for every £1 of EBITDA in excess of £1.225 million up to a maximum of £4 million. The additional consideration will become payable four weeks after the certification of the EBITDA figure and may be satisfied in cash or loan notes at the option of the vendors.

On 4 May 2010, the Group acquired the entire issued share capital of Mayfair Fire Protection Limited together with the business and assets of Professional Fire Solutions Limited (together 'MF') for an initial cash consideration of £2.514 million and deferred contingent consideration of £1.25 million.

Details of these acquisitions are as follows:

	Acquired during year			Acquired after year-end	
	IHP & CEPP £000	SW* £000	Total £000	WL** £000	MF** £000
<b>Cost of investment</b>					
Cash	-	150	150	4,534	2,514
Issue of fully paid ordinary shares	478	25	503	1,000	-
Discounted deferred contingent consideration	-	769	769	1,250	1,250
Attributable costs	15	-	15	-	-
<b>Fair value of total consideration</b>	<b>493</b>	<b>944</b>	<b>1,437</b>	<b>6,784</b>	<b>3,764</b>
<b>Fair value of assets and liabilities acquired</b>					
Book values					
Property, plant and equipment	22	46	68	147	133
Current assets - trade and other receivables	288	10	298	2,464	322
Current assets/(liabilities) - bank	13	(18)	(5)	751	-
Current liabilities - trade and other payables	(828)	(82)	(910)	(2,000)	(408)
Non-current liabilities - borrowings	(125)	(12)	(137)	(1)	(37)
<b>Fair value of net liabilities acquired</b>	<b>(630)</b>	<b>(56)</b>	<b>(686)</b>	<b>1,361</b>	<b>10</b>
<b>Intangibles capitalised</b>					
Customer contracts♣	140	150	290	-	-
Goodwill	983	850	1,833	5,423	3,754
	<b>1,123</b>	<b>1,000</b>	<b>2,123</b>	<b>5,423</b>	<b>3,754</b>
<b>Net cash outflows in respect of acquisitions during the year</b>					
Cash consideration expended	-	143	143		
Cash at bank/(overdraft) acquired	13	(18)	(5)		
	<b>13</b>	<b>125</b>	<b>138</b>		

\* Provisional figures in respect of acquisition during the year.

\*\* Provisional figures in respect of acquisitions after the year-end.

♣ The formal valuations assigned to customer contracts in respect of WL and MF have not been carried out as at the date of the accounts.

In the year ended 31 March 2010, IHP & CEPP contributed turnover of £524,000 and a loss after taxation of £773,000 to Group results. In the period ended 31 March 2010, SW's turnover was £57,000 of which £8,000 arose post acquisition and its loss after taxation was £100,000, of which £21,000 arose post acquisition.

# GREEN COMPLIANCE PLC AND ITS SUBSIDIARY UNDERTAKINGS

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2010

### 21 DISPOSALS

On 31 December 2009, the Group disposed of the entire issued share capital of Premier Employment Solutions Limited, Premier Employment Benefits Limited, Health and Safety Department Limited, and TEBC Limited to Ian Rummels for a deferred consideration of £75,000 payable in equal instalments in cash on the subsequent three anniversaries of the date of disposal. This amount has been discounted to £69,000. In addition, the purchaser assumed a deferred liability due to the vendor of TEBC Limited equivalent to £189,000. Additional consideration was payable to or from the purchaser depending on the level of non-group current assets and liabilities as at the completion date. £100,000 was paid to the purchaser on account of the estimated level of non-group current assets and liabilities on completion and further sums totalling £148,000 subsequently.

In addition, the Group disposed of its 50% interest in Wyatt Biotech Limited and of its 25% interest in Audio Medical Services Limited during the year for £nil consideration and the Group assumed responsibility for bank indebtedness of £426,000. There were no other transactions in connection with Wyatt Biotech Limited or with Audio Medical Systems Limited during the year.

The net assets of the disposed entities at the date of disposal and at 31 March 2009 were as follows:

	<b>As at 31 December 2009</b>	<b>As at 31 March 2009</b>
	<b>£000</b>	<b>£000</b>
Property, plant and equipment	23	45
Current assets - trade and other receivables	136	1,050
Current assets - stock and work in progress	18	22
Current assets - cash at bank	73	266
Current liabilities - trade and other payables	(268)	(744)
Non- current liabilities - borrowings	(30)	(44)
Attributable goodwill and intangible asset	400	350
	<u>352</u>	<u>945</u>
Loss on disposal	(342)	
Net consideration	<u>10</u>	
Satisfied by:		
Cash paid	(248)	
Deferred consideration after discounting	69	
Liability assumed by purchaser	189	
	<u>10</u>	

### 22 CAPITAL COMMITMENTS

Neither the Group nor the company had any capital commitments at 31 March 2010 or 31 March 2009.

# GREEN COMPLIANCE PLC AND ITS SUBSIDIARY UNDERTAKINGS

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2010

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### 23 RELATED PARTY TRANSACTIONS

On 8 April 2009, the Group acquired the entire share capital of Innovative HIP Limited and of Commercial Energy Performance Pack Limited from Green CO<sub>2</sub> Plc (formerly 9999 Plc). This constituted a related party transaction as Bob Holt was a director of Green CO<sub>2</sub> Plc within the previous 12 months and Reg Pomphrett was a director of Green CO<sub>2</sub> Plc.

During the year, Bob Holt loaned the company a total of £300,000 interest-free; this amount was repaid during the year.

Rapid Realisations Limited ('Rapid'), a company of which Bob Holt is a director, subscribed to the placing on 24 December 2009 at the placing price of 1p each. Rapid made loans at commercial rates of interest totalling £755,000 during the year. The principal amounts and accrued interest have been repaid during the year.

In December 2009, John Charlton agreed to convert £15,000 due to him into 1,500,000 Ordinary shares at the placing price of 1p each.

John Prowse's daughter received £6,387 in respect of research services carried out on arm's-length basis.

As at 31 March 2010, subsidiary companies were owed a net balance of £41,000 (2009: £nil) by Ewen Cirencester Plc, a company of which John Charlton is a director.

### 24 POST BALANCE SHEET EVENTS

On 6 April 2010, the Group acquired the entire issued share capital of Waterchem Limited. Details of this acquisition are set out in note 20.

On 4 May 2010, Green Compliance plc acquired the entire issued share capital of Mayfair Fire Protection Limited and the business and assets of Fire Protection Limited. Details of this acquisition are set out in note 20.

# GREEN COMPLIANCE PLC AND ITS SUBSIDIARY UNDERTAKINGS

## COMPANY ACCOUNTS - PRINCIPAL ACCOUNTING POLICIES

For the year ended 31 March 2010

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The principal accounting policies adopted in the preparation of these company financial statements are set out below:

### **Basis of preparation**

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

The Company has taken advantage of section 408 of the Companies Act 2006 not to publish its own profit and loss account.

### **Investments**

All investments recorded in the Company's balance sheet are initially recorded at cost, being the fair value of the consideration given, including acquisition charges associated with the investment. Subsequently, they are reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable.

### **Intangible assets**

The Group undertakes regular impairment reviews to assess the suitability of the carrying value of its intangible assets where there is an indication that an impairment review is required.

The Directors base useful estimated economic lives on the period over which they believe that the Company will derive economic benefit from the asset.

### **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.

	<b>Note</b>	<b>2010</b> <b>£000</b>	<b>2009</b> <b>£000</b>
<b>Fixed assets</b>			
Investments	3	<u>945</u>	<u>354</u>
<b>Current assets</b>			
Debtors due within one year	4	32	224
Debtors due after more than one year	4	44	-

# GREEN COMPLIANCE PLC AND ITS SUBSIDIARY UNDERTAKINGS

## COMPANY BALANCE SHEET

As at 31 March 2010

Cash at bank and in hand		<u>6,633</u>	<u>-</u>
		<b>6,709</b>	224
<b>Creditors: amounts falling due within one year</b>	5	<b>(1,019)</b>	(2,637)
<b>Net current assets/(liabilities)</b>		<u><b>5,690</b></u>	<u>(2,413)</u>
<b>Total assets less current liabilities</b>		<b>6,635</b>	(2,059)
<b>Creditors: amounts falling due after more than one year</b>	6	<b>(342)</b>	(230)
<b>Net assets/(liabilities)</b>		<u><b>6,293</b></u>	<u>(2,289)</u>
<b>Capital and reserves</b>			
Share capital	7	<b>11,683</b>	141
Share premium account	8	<b>2,017</b>	1,903
Capital contribution	8	<b>900</b>	-
Merger reserve	8	<b>331</b>	186
Profit and loss account	8	<u><b>(8,638)</b></u>	<u>(4,519)</u>
<b>Shareholders' funds</b>		<u><b>6,293</b></u>	<u>(2,289)</u>

The financial statements were approved by the Board of Directors on 21 May 2010.

**Richard Hodgson**

**Director**

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

# GREEN COMPLIANCE PLC AND ITS SUBSIDIARY UNDERTAKINGS

## COMPANY BALANCE SHEET

As at 31 March 2010

### 1 LOSS ATTRIBUTABLE TO PARENT COMPANY

The loss attributable to members of the parent company is £3,485,000 (2009: £1,199,000).

### 2 INTANGIBLE FIXED ASSETS

	<b>Licences £</b>
Cost	
At 1 April 2009 and 31 March 2010	<u>186,434</u>
Amortisation	
At 1 April 2009 and 31 March 2010	<u>186,434</u>
<b>Net book amount at 31 March 2009 and 31 March 2010</b>	<b><u>-</u></b>

The licences were disposed of during the year as per the consolidated accounts.

### 3 INVESTMENTS

#### Total investments comprise:

	<b>2010 £000</b>	2009 £000
Investments in joint ventures	-	4
Investments in subsidiary undertakings	<u>945</u>	<u>350</u>
	<u>945</u>	<u>354</u>

#### Investments in joint ventures

The company's interest in the joint venture was disposed during the year for £nil consideration.

# GREEN COMPLIANCE PLC AND ITS SUBSIDIARY UNDERTAKINGS

## NOTES TO THE COMPANY FINANCIAL STATEMENTS

As at 31 March 2010

### 3 INVESTMENTS (CONTINUED)

#### Investments in subsidiary undertakings

	<b>Shares in Group undertakings</b>
	<b>£000</b>
Cost	
At 1 April 2009	2,499
Additions	1,423
Disposal	(350)
At 31 March 2010	<u>3,572</u>
Impairments	
At 1 April 2009	2,149
Impaired during the year	478
At 31 March 2010	<u>2,627</u>
Net book value	
At 31 March 2009	<u>350</u>
At 31 March 2010	<u>945</u>

The company, which is the holding company for the Group, had the following principal subsidiaries at 31 March 2010:

<b>Name of undertaking</b>	<b>Country of registration and incorporation</b>	<b>Class of share capital held</b>	<b>Proportion held by parent company</b>	<b>by the Group</b>	<b>Nature of business</b>
Innovative HIP Limited	United Kingdom	Ordinary	100%	100%	Energy consultancy
Green Compliance Energy Consultancy Limited	United Kingdom	Ordinary	100%	100%	Energy consultancy
Simon West Limited	United Kingdom	Ordinary	51%	51%	Energy consultancy

Green Compliance Energy Consultancy Limited was formerly known as Commercial Energy Performance Pack Limited.

# GREEN COMPLIANCE PLC AND ITS SUBSIDIARY UNDERTAKINGS

## NOTES TO THE COMPANY FINANCIAL STATEMENTS

As at 31 March 2010

### 4 DEBTORS

	<b>2010</b>	2009
	<b>£000</b>	£000
Due within one year:		
Amounts owed by Group undertakings	-	207
Prepayments and accrued income	7	17
Other debtors	<u>25</u>	<u>-</u>
	<u>32</u>	<u>224</u>
Due after more than one year:		
Other debtors	<u>44</u>	<u>-</u>

### 5 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	<b>2010</b>	2009
	<b>£000</b>	£000
Bank loans and overdrafts	-	1,034
Trade creditors	237	199
Amounts owed to Group undertakings	-	973
Social security and other taxes	14	30
Other payables	284	1
Accruals and deferred income	54	31
Deferred consideration	<u>430</u>	<u>369</u>
	<u>1,019</u>	<u>2,637</u>

### 6 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	<b>2010</b>	2009
	<b>£000</b>	£000
Directors Loans	-	130
Deferred consideration	<u>342</u>	<u>100</u>
	<u>342</u>	<u>230</u>

The deferred consideration relates to the acquisition of Simon West Limited.

# GREEN COMPLIANCE PLC AND ITS SUBSIDIARY UNDERTAKINGS

## NOTES TO THE COMPANY FINANCIAL STATEMENTS

As at 31 March 2010

### 7 SHARE CAPITAL

#### Ordinary shares

Authorised	Number (million)		£000	
	2010	2009	2010	2009
Ordinary shares of 1p each	1,550.0	200	15,500	2,000
Deferred shares of 1p each	150.0	-	1,500	-
Allotted, called up and fully paid	Number (million)		£000	
	2010	2009	2010	2009
Ordinary shares of 1p each	1,030.3	14.1	10,303	141
Deferred shares of 1p each	138.0	-	1,380	-
			<b>11,683</b>	<b>141</b>

The movements in share capital during the year are set out in note 17 to the Group accounts.

### 8 SHARE PREMIUM ACCOUNT AND RESERVES

	Share premium account	Capital Contribution	Merger reserve	Retained earnings
	£000	£000	£000	£000
At 1 April 2009	1,903	-	186	(4,519)
Loss for the year	-	-	-	(3,485)
Premium on shares issued	241	-	145	-
Share placing costs	(127)	-	-	(648)
Capital contribution	-	900	-	-
Share-based payments	-	-	-	14
<b>At 31 March 2010</b>	<b>2,017</b>	<b>900</b>	<b>331</b>	<b>(8,638)</b>

### 9 DEFERRED TAX ASSET

	Unprovided	
	2010	2009
	£000	£000
Depreciation in excess of capital allowances	-	1
Tax losses carried forward	302	123
Unprovided deferred tax asset	302	124

### 10 RELATED PARTY TRANSACTIONS

Related party disclosures are as for the consolidated accounts note 23.

# GREEN COMPLIANCE PLC

## NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Annual General Meeting of GREEN COMPLIANCE PLC will be held at the offices of Collins Stewart, 88 Wood Street, London EC2V 7QR on Thursday 24 June 2010 at 2.30pm. for the following purposes:

### Ordinary Business:

- 1 To receive and adopt the Accounts for the year ended 31st March 2010, together with the reports of the Directors and auditors thereon.
- 2 To re-elect R POMPHRETT who retires by rotation, as a Director of the Company
- 3 To elect J L R PROWSE as a Director of the company.
- 4 To elect R G HODGSON as a Director of the company.
- 5 To re-appoint Grant Thornton UK LLP as auditors and to authorise the Directors to determine their remuneration

By Order of the Board

R B Pomphrett  
Secretary

2 June 2010

Purlieu's  
Cotswold Centre  
Ewen  
Cirencester  
GL7 6BY

### EXPLANATORY NOTES

#### Resolution 1

The Directors are required by law to present to the Meeting the Audited Accounts and the Directors' Report for the year ended 31 March 2010.

#### Resolutions 2, 3 and 4

In accordance with the Articles of Association R Pomphrett retires by rotation and being eligible offers himself for re-election. Messrs Prowse and Hodgson have both been appointed since the last AGM and in accordance with the Articles of Association are required to offer themselves for election.

#### Resolution 5

The Auditors are required to be appointed at each AGM at which accounts are presented.

### NOTES:-

1. Members are entitled to appoint a proxy to exercise all or any of their rights to attend and to speak and vote on their behalf at the meeting. A shareholder may appoint more than one proxy in relation to the Annual General Meeting provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that shareholder. A proxy need not be a shareholder of the Company. A proxy form which may be used to make such appointment and give proxy instructions accompanies this notice.

## GREEN COMPLIANCE PLC

2. To be valid any proxy form or other instrument appointing a proxy must be received by post or (during normal business hours only) by hand at Neville Registrars, Neville Registrar Limited 18 Laurel Lane, Halesowen, West Midlands B63 3DA no later than 48 hours before the appointed time of the meeting.
3. The return of a completed proxy form, other such instrument or any CREST Proxy Instruction (as described in paragraph 7 below) will not prevent a shareholder attending the Annual General Meeting and voting in person if he/she wishes to do so.
4. To be entitled to attend and vote at the Annual General Meeting (and for the purpose of the determination by the Company of the votes they may cast), Shareholders must be registered in the Register of Members of the Company by 6.00p.m. on 22 June 2010 (or, in the event of any adjournment, not less than 48 hours prior to the time of the adjourned meeting). Changes to the Register of Members after the relevant deadline shall be disregarded in determining the rights of any person to attend and vote at the meeting.
5. As at 1 June 2010 (being the last business day prior to the publication of this notice) the Company's issued share capital consists of 1,088,579,968 ordinary shares, carrying one vote each. Therefore, the total voting rights in the Company as at 1 June 2010 are 1,088,579,968.
6. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so by using the procedures described in the CREST Manual. CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.
7. In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with CRESTCo's specifications, and must contain the information required for such instruction, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID 7RA11) by 6.00p.m. on 22 June 2010. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Application Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.
8. CREST members and, where applicable, their CREST sponsors, or voting service providers should note that CRESTCo does not make available special procedures in CREST for any particular message. Normal system timings and limitations will, therefore, apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member, or sponsored member, or has appointed a voting service provider, to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting system providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.
9. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.
10. In order to facilitate voting by corporate representatives at the meeting, arrangements will be put in place at the meeting so that (i) if a corporate shareholder has appointed the chairman of the meeting as its corporate representative to vote on a poll in accordance with the directions of all of the other corporate representatives for that shareholder at the meeting, then on a poll those corporate representatives will give voting directions to the chairman and the chairman will vote (or withhold a vote) as corporate representative in accordance with those directions; and (ii) if more than one corporate representative for the same corporate shareholder attends the meeting but the corporate shareholder has not appointed the chairman of the meeting as its corporate representative, a designated corporate representative will be nominated, from those corporate representatives who attend, who will vote on a poll and the other corporate representatives will give voting directions to that designated corporate representative. Corporate shareholders are referred to the guidance issued by the Institute of Chartered Secretaries and Administrators on proxies and corporate representatives ([www.icsa.org.uk](http://www.icsa.org.uk)) for further details of this procedure. The guidance includes a sample form of appointment letter if the chairman is being appointed as described in (i) above.

## **GREEN COMPLIANCE PLC**

11. The register of Directors' interest in the share capital of the Company, copies of the Directors' contracts of service with the Company or its subsidiaries copies of the memorandum and articles of association and the register of members will be available for inspection at the registered office of the Company, Purlieu's, Cotswold Centre, Ewen, Cirencester GL7 6BY during usual business hours on any weekday (Saturdays, Sundays and public holidays excluded) from the date of this Notice until the conclusion of the Annual General Meeting and will be available for inspection at the place of the Annual General meeting for at least 15 minutes prior to and during the Meeting.