

**Recycling Lives Limited**

**Annual report and financial statements**

**Registered number 03783452**

**30 September 2017**



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## **Officers and professional advisers**

**Directors**                S T Jackson (resigned 5 April 2017)  
                                 P Finnerty  
                                 D S Jackson  
                                 A B Jackson  
                                 W T Fletcher

**Company Secretary** P Finnerty

**Registered office**    Recycling Lives Centre  
                                 1a Essex Street  
                                 Preston  
                                 PR1 1QE

**Auditor**                RSM UK Audit LLP  
                                 Bluebell House  
                                 Brian Johnson Way  
                                 Preston  
                                 PR2 5PE

## Strategic report

The directors present the Strategic Report, Directors' Report and the Audited Financial Statements for the year ended 30 September 2017.

The principal activity of the Company is the provision of a wide range of online and offline recycling and waste management solutions, largely for scrap metal, scrap cars, plastics, general waste and waste electrical and electronic equipment (WEEE). As a vertically integrated business it is able to undertake all aspects of the waste management and recycling process - sourcing and processing waste to produce high grade recycled materials for re-use. Using proprietary technology - unique software and platforms developed in-house - the Company is able to process commercial contracts and meet the rigorous compliance requirements of the recycling sector. Online platforms for skip hire, scrap car collection and car auctions, complemented by seven well-positioned sites across the UK, allow the Company to manage contracts nationwide, thus making up the growing majority of revenues

Recycling Lives Limited has four active wholly owned subsidiaries:

- Recycling Lives (Environmental Services) - providing waste management solutions on a national basis;
- Recycling Lives Compliance Services (formerly Advantage Waste Brokers Limited) - providing a producer compliance scheme for WEEE, enabling manufacturers to meet their regulatory obligations for recycling;
- WE3 Compliance Limited - a producer compliance scheme for WEEE, which complements the activities of Recycling Lives Compliance Services;
- RAW2K Limited (acquired 30<sup>th</sup> June 2017) - managing the de-fleet, salvage and scrappage of End-of-Life Vehicles (ELVs) for the public and private sectors.

Providing employment and training opportunities to individuals who face disadvantage, continues to form a significant part of the Recycling Lives strategy. While not part of its Articles, the Group chooses to support a number of social enterprises and charities, including Recycling Lives (UK) Limited, a registered charity that offers support to vulnerable and marginalised people. The charity offers accommodation, education, training and work experience to homeless and long-term unemployed individuals through residential facilities, with the aim of helping them back into full-time work and finding them a place to call home. Its associated Social Enterprise offers work and training opportunities to offenders in prisons through its HMP Academies programme in order to reduce reoffending rates, and manages redistribution of surplus food to charitable organisations, through its Food Redistribution Centre. Each offers real opportunity for individuals to change their lives for the better and for the long-term.

### Business Review

During the period under review, the company has shown a significant improvement in gross profit to £9,007,000 (2016: £6,617,000). The gross profit margin stands at 21% (2016: 22.8%). EBITDA has grown to £5,756,000 from £4,254,000 in 2016.

The company continues to improve its balance sheet, with net assets of £8,827,000 (2016: £5,364,000). This, combined with strong liquidity, a strong growth strategy and managed exposure to market forces in times of economic uncertainty, means forecast levels of growth are attainable.

Following significant investment in state-of-the-art processing and recycling equipment between 2012 and 2014, the Company has continued to invest in infrastructure and proprietary technologies enabling continued growth.

The Company wins contracts by providing keen commercial pricing and excellent service levels, managed via digital and online platforms. Environmental impact is delivered by employing diligent recycling techniques and maximising re-use. Recycling Lives associated social programmes mean, by default, contract providers are able to demonstrate and enhance their own corporate social responsibility, while maintaining maximum commerciality. In short, the company develops, de-risks and delivers social impact on behalf of its clients and contract providers, offering additional social value to the contract at no extra cost.

Recycling Lives has been awarded the Queen's Award for Enterprise and Sustainable Development twice, in 2010 and again 2014.

## Key Performance Indicators

The Company monitors its financial trading Key Performance Indicators (KPIs) on a weekly and monthly basis via its internal management information systems. The main financial KPIs produced and reviewed by the Company include:

- Number of loads of material out per week
- Tonnages of material purchased and sold daily by department
- Total hours worked each week and processing costs per tonne by department
- Plant & transport repairs & maintenance costs, fuel usage and economy
- Total income and expenditure against budget

## Principal Risks and Uncertainties

In forming the current strategy, the Company determined the biggest risk to business sustainability was to remain a middle-tier material processor, which was limited to trade in the UK and highly susceptible to margin erosion by international exporters. Through making significant investment, the Company is now a top-tier recycler with its own strong export markets. This yields higher profits and stronger market share of recycled materials.

The combination of becoming a top-tier exporter and developing bespoke digital solutions to source waste, has allowed Recycling Lives to compete at the very pinnacle of material pricing. In addition, its unique ability to measure and share exemplary social impact with suppliers, has proven successful in helping to secure material supply.

## Credit Risk

The risk of financial loss due to a counterparty's failure to honour its obligations arises principally in relation to transactions where the Company provides services to customers. Our policies dictate that in excess of 50% of all sales must be paid in advance with cleared funds prior to materials being despatched, thereby minimising losses. All other credit terms are only granted to customers who demonstrate an appropriate payment history and satisfy creditworthiness procedures. Individual exposures are monitored to ensure that the Group's exposure to bad debts is not significant.

In the financial year ended 30 September 2017, the Company incurred no significant bad debts.

## Liquidity Risk

The Company seeks to mitigate liquidity risk by closely managing cash flows and monitoring strong weekly KPIs.

## Future Developments

During 2017/18 the Company will further develop its vertically integrated business model through ongoing investment in its people, sites and infrastructure. This will allow it to offer best price and service to organisations nationally, for all aspects of the waste management and recycling process.

Recycling Lives remains committed to achieving social value that is equal to or greater than 10% of its annual sales. During 2017/18 it will further expand and develop the groups charitable programmes and continue to create measurable social impact that permanently improves the lives of vulnerable people and marginalised communities in the United Kingdom.



**W T Fletcher**  
Director

11 / 11 / 2018

## **Directors' report**

### **Dividends**

The Company has not paid dividends in either the current or the prior year.

### **Directors**

The directors who held office during the year were as follows:

S T Jackson (resigned 5 April 2017)

P Finnerty

D S Jackson

A B Jackson

W T Fletcher

### **Disclosure of information to auditor**

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditor is unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

### **Other information**

An indication of likely future developments in the business and particulars of significant events which have occurred since the end of the financial year have been included in the Strategic Report on page 2.

### **Auditor**

Pursuant to Section 487 of the Companies Act 2006, RSM UK Audit LLP have been appointed as auditors in the year and will continue in office.

By order of the board



**W T Fletcher**  
*Director*

Recycling Lives Centre  
1a Essex Street  
Preston  
PR1 1QE

11 Jan 2018

## **Statement of directors' responsibilities in respect of the Strategic Report, the Directors' Report and the financial statements**

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

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

## **Independent Auditors report to the members of Recycling Lives Limited**

### **Opinion**

We have audited the financial statements of Recycling Lives Limited (the 'company') for the year ended 30 September 2017 which comprise the Profit and Loss Account and Other Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 September 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Conclusions relating to going concern**

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

### **Other information**

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### **Opinions on other matters prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.



**Matters on which we are required to report by exception**

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report and the directors' report.

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

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

**Responsibilities of directors**

As explained more fully in the directors' responsibilities statement set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

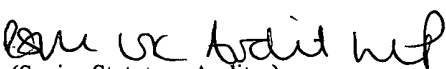
In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

**Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <http://www.frc.org.uk/auditorsresponsibilities> This description forms part of our auditor's report.

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.

  
Karen Musgrave (Senior Statutory Auditor)  
For and on behalf of RSM UK Audit LLP, Statutory Auditor  
Chartered Accountants  
Bluebell House  
Brian Johnson Way  
Preston  
PR2 5PE

12/1/2018

**Profit and Loss Account and Other Comprehensive Income**  
*for the year ended 30 September 2017*

	Note	2017 £000	2016 £000
Turnover	2	42,804	29,074
Cost of sales		(33,797)	(22,457)
<b>Gross profit</b>		<b>9,007</b>	<b>6,617</b>
Administrative expenses		(3,902)	(2,984)
Other operating income		651	621
<b>EBITDA</b>		<b>5,756</b> <b>13.4%</b>	<b>4,254</b> <b>14.6%</b>
Depreciation		(1,333)	(1,183)
<b>Operating profit</b>	3	<b>4,423</b>	<b>3,071</b>
Interest payable and similar charges	6	(800)	(606)
<b>Profit on ordinary activities before taxation</b>		<b>3,623</b>	<b>2,465</b>
Tax on profit on ordinary activities	7	(160)	245
<b>Profit for the financial year</b>		<b>3,463</b>	<b>2,710</b>
<b>Other comprehensive income</b>		<b>-</b>	<b>-</b>
<b>Total comprehensive income for the year</b>		<b>3,463</b>	<b>2,710</b>

All amounts relate to continuing operations.

The notes on pages 11 to 25 form an integral part of these financial statements.

**Balance Sheet**  
**At 30 September 2017**

	<i>Note</i>	<b>2017</b> <b>£000</b>	<b>£000</b>	<b>2016</b> <b>£000</b>	<b>£000</b>
<b>Fixed assets</b>					
Tangible assets	8		17,686		17,010
Investments	9		2,890		950
			<hr/>		<hr/>
			20,576		17,960
<b>Current assets</b>					
Stocks	10	1,389		655	
Debtors	11	6,292		6,567	
Cash at bank and in hand		550		28	
		<hr/>		<hr/>	
<b>Creditors: amounts falling due within one year</b>	12	8,231 (7,491)		7,250 (7,787)	
		<hr/>		<hr/>	
<b>Net current assets/(liabilities)</b>			740		(537)
			<hr/>		<hr/>
<b>Total assets less current liabilities</b>			21,316		17,423
<b>Creditors: amounts falling due after more than one year</b>	13		(11,683)		(11,176)
<b>Provisions for liabilities</b>	15		(806)		(883)
			<hr/>		<hr/>
<b>Net assets</b>			8,827		5,364
			<hr/>		<hr/>
<b>Capital and reserves</b>					
Called up share capital	17		-		-
Capital redemption reserve	17		7		7
Profit and loss account	17		8,820		5,357
			<hr/>		<hr/>
<b>Shareholders' funds</b>			8,827		5,364
			<hr/>		<hr/>

The notes on pages 11 to 25 form an integral part of these financial statements.

These financial statements were approved by the board of directors on 11 Jan 2018 and were signed on its behalf by:



**W T Fletcher**  
*Director*

Registered number 03783452

## Statement of Changes in Equity

	<b>Called up Share capital £000</b>	<b>Capital redemption reserve £000</b>	<b>Profit and loss account £000</b>	<b>Total equity £000</b>
Balance at 1 October 2015	-	7	2,647	2,654
<b>Total comprehensive income for the period</b>				
Profit	-	-	2,710	2,710
	<hr/>	<hr/>	<hr/>	<hr/>
Total comprehensive income for the period	-	-	2,710	2,710
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Balance at 30 September 2016</b>	<b>-</b>	<b>7</b>	<b>5,357</b>	<b>5,364</b>
	<hr/>	<hr/>	<hr/>	<hr/>

	<b>Called up Share capital £000</b>	<b>Capital redemption reserve £000</b>	<b>Profit and loss account £000</b>	<b>Total equity £000</b>
Balance at 1 October 2016	-	7	5,357	5,364
<b>Total comprehensive income for the period</b>				
Profit	-	-	3,463	3,463
	<hr/>	<hr/>	<hr/>	<hr/>
Total comprehensive income for the period	-	-	3,463	3,463
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Balance at 30 September 2017</b>	<b>-</b>	<b>7</b>	<b>8,820</b>	<b>8,827</b>
	<hr/>	<hr/>	<hr/>	<hr/>

The notes on page 11 to 25 form an integral part of these financial statements.

## **Notes**

*(forming part of the financial statements)*

### **1 Accounting policies**

Recycling Lives Limited (the “Company”) is a private company limited by shares and incorporated and domiciled in the UK. The Company is registered in England and Wales.

The Company is exempt by virtue of s400 of the Companies Act 2006 from the requirement to prepare group financial statements. These financial statements present information about the Company as an individual undertaking and not about its group.

These financial statements were prepared in accordance with Financial Reporting Standard 102 *The Financial Reporting Standard* applicable in the UK and Republic of Ireland (“FRS 102”) as issued in August 2014. The presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £1,000.

The Company’s ultimate parent undertaking, Recycling Lives Holdings Limited includes the Company in its consolidated financial statements. The consolidated financial statements of Recycling Lives Holdings Limited are available to the public and may be obtained from Companies House, Crown Way, Cardiff, CF14 3UZ, United Kingdom. The company has taken advantage of the exemption from disclosing the following information as permitted by the reduced disclosure regime within FRS102:

- Reconciliation of the number of shares outstanding from the beginning to end of the period;
- Cash Flow Statement and related notes; and
- Key Management Personnel compensation.
- Section 11 ‘Basic Financial Instruments’ and Section 12 ‘Other financial Instrument Issues’ - carrying amounts for the financial instruments measured at the amortised cost or cost less impairment, interest income/expense and net gains/losses for financial instruments measured at amortised cost, loan defaults or breaches and descriptions of hedging relationships.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

#### **1.1 Measurement convention**

The financial statements are prepared on the historical cost basis.

#### **1.2 Going concern**

The financial statements have been prepared on a going concern basis.

The Company’s business activities together with the factors likely to affect its future development, performance and position are set out in the Strategic Report on page 2.

The Company meets its day to day working capital requirements through an overdraft facility and term loans.

The directors have considered the Company to have adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern assumption.

In September 2017 the company secured a new bank loan to replace the facility that was due to expire in June 2018.

#### **1.3 Classification of financial instruments issued by the Company**

In accordance with FRS 102.22, financial instruments issued by the Company are treated as equity only to the extent that they meet the following two conditions:

- (a) they include no contractual obligations upon the Company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Company; and
- (b) where the instrument will or may be settled in the entity’s own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the entity’s own equity instruments or is a derivative that will be settled by the entity exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

## **Notes (continued)**

### **1 Accounting policies (continued)**

#### **1.3 Classification of financial instruments issued by the Company (continued)**

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the entity's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

#### **1.4 Basic financial instruments**

##### *Trade and other debtors / creditors*

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument.

##### *Interest-bearing borrowings classified as basic financial instruments*

Interest-bearing borrowings are recognised initially at the present value of future payments discounted at a market rate of interest. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

##### *Cash and cash equivalents*

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

#### **1.5 Investments**

In the parent financial statements, investments in subsidiaries are carried at cost less impairment.

Unlisted investments are stated at cost less any impairment.

#### **1.6 Tangible fixed assets**

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Where parts of an item of tangible fixed assets have different useful lives, they are accounted for as separate items of tangible fixed assets.

Leases in which the entity assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. All other leases are classified as operating leases. Leased assets acquired by way of finance lease are stated on initial recognition at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, including any incremental costs directly attributable to negotiating and arranging the lease. At initial recognition a finance lease liability is recognised equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments. The present value of the minimum lease payments is calculated using the interest rate implicit in the lease. Lease payments are accounted for as described at 1.10 below.

The Company assesses at each reporting date whether tangible fixed assets (including those leased under a finance lease) are impaired.

Depreciation is charged to the profit and loss account on a straight-line or reducing balance basis over the estimated useful lives of each part of an item of tangible fixed assets. Land is not depreciated. Leased assets are depreciated over the shorter of the lease term and their useful lives. The estimated useful lives are as follows:

Improvements to property	10% on cost
Plant and machinery	5 - 20% on reducing balance
Fixtures and fittings	25% on reducing balance
Motor vehicles	25% on reducing balance

## **Notes (continued)**

### **1 Accounting policies (continued)**

#### **1.6 Tangible fixed assets (continued)**

Depreciation methods, useful lives and residual values are reviewed if there is an indication of a significant change since last annual reporting date in the pattern by which the company expects to consume an asset's future economic benefits.

#### **1.7 Stocks**

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost is based on the first-in first-out average principle and includes expenditure incurred in acquiring the stocks, production or conversion costs and other costs in bringing them to their existing location and condition.

#### **1.8 Provisions**

A provision is recognised in the balance sheet when the entity has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are recognised at the best estimate of the amount required to settle the obligation at the reporting date.

Where the parent company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its company, the company treats the guarantee contract as a contingent liability in its individual financial statements until such time as it becomes probable that the company will be required to make a payment under the guarantee.

#### **1.9 Turnover**

Turnover represents amounts invoiced, net of value added tax, in respect of the sale of goods and services to customers. Other income represents rental income received for the letting of property and other trading supplementary to the main trade of the business.

#### **1.10 Expenses**

##### *Operating lease – Company as a lessee*

Payments (excluding costs for services and insurance) made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease unless the payments to the lessor are structured to increase in line with expected general inflation; in which case the payments related to the structured increases are recognised as incurred. Lease incentives received are recognised in profit and loss over the term of the lease as an integral part of the total lease expense.

##### *Operating Lease – Company as a lessor*

Rental income from assets leased under operating leases is recognised on a straight-line basis over the term of the lease. Rent free periods or other incentives given to the lessee are accounted for as a reduction to the rental income and recognised on a straight-line basis over the lease term.

##### *Finance lease*

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability using the rate implicit in the lease. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent rents are charged as expenses in the periods in which they are incurred.

##### *Interest receivable and Interest payable*

Interest payable and similar charges include interest payable, finance leases recognised in profit or loss using the effective interest method.

Interest income and interest payable are recognised in profit or loss as they accrue, using the effective interest method. Dividend income is recognised in the profit and loss account on the date the entity's right to receive payments is established.

### **1.11 Retirement benefits**

#### ***Defined contribution plans***

For defined contribution schemes the amount charged to profit or loss is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments.

### **1.12 Foreign exchange**

Transactions in currencies other than the functional currency (foreign currencies) are initially recorded at the exchange rate prevailing on the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date.

All translation differences are taken to profit or loss.

### **1.13 Taxation**

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. The following timing differences are not provided for: differences between accumulated depreciation and tax allowances for the cost of a fixed asset if and when all conditions for retaining the tax allowances have been met; and differences relating to investments in subsidiaries, to the extent that it is not probable that they will reverse in the foreseeable future and the reporting entity is able to control the reversal of the timing difference. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax balances are not discounted.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

### **1.14 Critical Accounting Estimates and Areas of Judgement**

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

#### ***Critical accounting estimates and assumptions***

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates and assumptions will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

#### ***Critical areas of judgement***

In categorising leases as finance leases or operating leases, management makes judgements as to whether significant risks and rewards of ownership have transferred to the Company as lessee, or the lessee, where the Company is a lessor.



## Notes (continued)

In assessing the likely outcome of ongoing legal cases, the company uses industry experts and legal advice to form a rounded opinion and updates these assumptions on a regular basis, recognising all costs, incurred and expected, in the profit and loss when the outcome is assessed to be negative.

### 2 Turnover

	2017 £000	2016 £000
Sale of goods	42,804	29,074
Total turnover	<u>42,804</u>	<u>29,074</u>
By geographical market	2017 £000	2016 £000
United Kingdom	22,259	15,484
Asia	11,212	6,674
United States of America	4,942	2,708
Europe	4,391	4,208
	<u>42,804</u>	<u>29,074</u>

### 3 Operating Profit

	2017 £000	2016 £000
Audit of these financial statements	15	17
Non-Audit services	53	9
Foreign exchange gain	-	-
Value of stock expensed	<u>16,474</u>	<u>8,976</u>

## Notes (continued)

### 4 Staff numbers and costs

The average number of persons employed by the Company (including directors) during the period, analysed by category, was as follows:

	Number of employees	
	2017	2016
Administration	42	36
Production	171	165
	<u>213</u>	<u>201</u>

The aggregate payroll costs of these persons were as follows:

	2017 £000	2016 £000
Wages and salaries	4,983	4,430
Social security	479	365
Contributions to defined contribution plans	34	28
	<u>5,496</u>	<u>4,823</u>

### 5 Directors' emoluments

The directors' emoluments in respect of qualifying services were:

	2017 £000	2016 £000
Directors' emoluments	344	260
Company contributions to money purchase pension plans	2	6

The aggregate of remuneration and amounts receivable under long term incentive schemes of the highest paid director was £116,000 (2016: £75,000), and company pension contributions of £nil (2016: £nil) were made to a money purchase scheme on his behalf.

	Number of directors	
	2017	2016
Retirement benefits are accruing to the following number of directors under:		
Money purchase schemes	<u>4</u>	<u>5</u>

### 6 Interest payable and similar charges

	2017 £	2016 £
Bank loan interest payable	754	564
Hire purchase interest	46	42
	<u>800</u>	<u>606</u>

## Notes (continued)

### 7 Taxation

#### Total tax expense recognised in the profit and loss account, other comprehensive income and equity

	2017 £000	£000	2016 £000	£000
<i>Current tax</i>				
Current tax on income for the period	237		60	
Adjustments in respect of prior periods	-		(480)	
	<hr/>		<hr/>	
Total current tax		237		(420)
<i>Deferred tax (see note 15)</i>				
Origination and reversal of timing differences	410		175	
Adjustments in respect of prior periods	(487)		-	
	<hr/>		<hr/>	
Total deferred tax		(77)		175
		<hr/>		<hr/>
Total tax		160		(245)
		<hr/>		<hr/>

	£000	2017 £000	£000	£000	2016 £000	£000
	<b>Current tax</b>	<b>Deferred tax</b>	<b>Total tax</b>	<b>Current tax</b>	<b>Deferred tax</b>	<b>Total tax</b>
Recognised in Profit and loss account	237	(77)	160	(420)	175	(245)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total tax	237	(77)	160	(420)	175	(245)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

#### Analysis of current tax recognised in profit and loss

	2017 £000	2016 £000
UK corporation tax	160	(420)
	<hr/>	<hr/>
Total current tax recognised in profit and loss	160	(420)
	<hr/>	<hr/>

## Notes (continued)

### 7 Taxation (continued)

#### Reconciliation of effective tax rate

	2017 £000	2016 £000
Profit for the year	3,463	2,710
Total tax expense	160	(245)
	<hr/>	<hr/>
Profit excluding taxation	3,623	2,465
Tax using the UK corporation tax rate of 19.5% (2016: 20%)	705	478
Reduction in tax rate on deferred tax balances		
Non-deductible expenses	7	58
Recognition of previously unrecognised tax losses	-	(301)
Group losses surrendered	(36)	-
Deferred tax prior year adjustment	(60)	-
Other time differences	31	-
Adjustment to tax charge for previous years	(487)	-
(Over) provided in prior years	-	(480)
	<hr/>	<hr/>
Total tax expense included in profit or loss	160	(245)
	<hr/>	<hr/>

#### *Factors that may affect future current tax changes*

Reductions in the UK corporation tax rate from 20% to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015.

An additional reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the company's future current tax charge.

## Notes (continued)

### 8 Tangible fixed assets

	Land and buildings £000	Plant and machinery £000	Fixtures and fittings £000	Motor vehicles £000	Total £000
<b>Cost</b>					
As at 1 October 2016	8,504	12,951	847	745	23,047
Additions	-	1,729	84	381	2,194
Disposals	-	(185)	-	-	(185)
<b>As at 30 September 2017</b>	<b>8,504</b>	<b>14,495</b>	<b>931</b>	<b>1,126</b>	<b>25,056</b>
<b>Depreciation</b>					
As at 1 October 2016	1,125	3,769	620	523	6,037
Charge for the year	157	1,023	62	91	1,333
<b>As at 30 September 2017</b>	<b>1,282</b>	<b>4,792</b>	<b>682</b>	<b>614</b>	<b>7,370</b>
<b>Net book value</b>					
As at 30 September 2017	<b>7,222</b>	<b>9,703</b>	<b>249</b>	<b>512</b>	<b>17,686</b>
As at 30 September 2016	7,379	9,182	227	222	17,010

#### *Land and buildings*

The net book value of land and buildings includes:

	2017 £000	2016 £000
Freehold property	3,960	3,960
Improvements to property	1,362	1,519
Long leasehold	1,900	1,900
	<b>7,222</b>	<b>7,379</b>

#### *Hire purchase agreements*

Included within the total net book value of tangible fixed assets is £1,306,000 (2016: £1,379,000) in respect of assets held under finance lease and similar hire purchase contracts, depreciation for the year on these assets were £201,000 (2016: £167,000).

## Notes (continued)

### 9 Fixed asset investments

	<b>Shares in company undertakings £000</b>
<i>Net book value</i> As at 1 October 2016	950
Additions	1,940
<i>Net book value</i> As at 30 September 2017	<u>2,890</u>

	<b>Registered office address</b>	<b>Registered number</b>	<b>Principal activity</b>
<i>Subsidiary undertakings</i>			
Recycling Lives Compliance Services Limited (Formerly Advantage Waste Brokers Limited)	Recycling Lives Centre Essex Street Preston PR1 1QE	04748329	WEEE Producer Compliance Scheme
WE3 Compliance Limited	Recycling Lives Centre Essex Street Preston PR1 1QE	05944262	WEEE Producer Compliance Scheme
Recycling Lives (Environmental Services) Limited	Recycling Lives Centre Essex Street Preston PR1 1QE	07189786	Waste Management
Recycling Lives (Services) Limited	Recycling Lives Centre Essex Street Preston PR1 1QE	09285420	Dormant
Raw2k Limited	Recycling Lives Centre Essex Street Preston PR1 1QE	04304063	Online Car Auctions
Bulky Waste Limited	Recycling Lives Centre Essex Street Preston PR1 1QE	07564259	Dormant

## Notes (continued)

Investments above which represent a holding greater than 20% are as follows:

	Aggregate of capital and reserves £000	Profit or loss for the year £000	Class of shares held	Ownership	
				2017	2016
Recycling Lives Compliance Services Limited (Formerly Advantage Waste Brokers Limited)	488	187	Ordinary	100%	100%
WE3 Compliance Limited	580	153	Ordinary	100%	100%
Recycling Lives (Environmental Services) Limited	(189)	(181)	Ordinary	100%	100%
Recycling Lives (Services) Limited	-	-	Ordinary	100%	100%
Raw2k Limited	676	119	Ordinary	100%	0%
Bulky Waste Limited	-	-	Ordinary	100%	100%

### 10 Stock

	2017 £000	2016 £000
Stocks of materials for resale	1,389	655

### 11 Debtors

	2017 £000	2016 £000
Trade debtors	1,849	3,468
Amounts owed by group undertakings	2,961	1,843
Director current accounts	85	55
Other debtors	454	365
Prepayments and accrued income	943	836
	<u>6,292</u>	<u>6,567</u>

### 12 Creditors: Amounts falling due within one year

	2017 £000	2016 £000
Bank loans and overdrafts	760	1,082
	333	322
Trade creditors	3,987	4,881
Corporation tax	176	59
Amounts owed to group undertakings	1,454	539
Directors current accounts	2	-
Taxation and social security	188	247
Other creditors	379	35
Accruals and deferred income	212	622
	<u>7,491</u>	<u>7,787</u>

## Notes (continued)

### 13 Creditors: Amounts falling due after more than one year

	2017 £000	2016 £000
Bank loans and overdrafts	10,640	10,240
Obligations under finance leases and hire purchase contracts	673	936
Other creditors	370	-
	<u>11,683</u>	<u>11,176</u>

### 14 Interest-bearing loans and borrowings

An analysis of the maturity of loans, overdrafts and finance leases is given below:

	Bank loans & overdrafts £000	Obligations under finance lease and HP contracts £000	Total £000
<i>As at 30 September 2017</i>			
In one year or less on demand	760	333	1,093
Between one and two years	760	268	1,028
Between two and five years	9,880	405	10,285
	<u>11,400</u>	<u>1,006</u>	<u>12,406</u>
<i>As at 30 September 2016</i>			
In one year or less on demand	1,082	322	1,404
Between one and two years	10,240	936	11,176
Between two and five years	-	-	-
	<u>11,322</u>	<u>1,258</u>	<u>12,580</u>

The Company has granted a first legal charge over its freehold and leasehold property as security for the bank loan. The hire purchase debts are secured on the assets to which they relate.

The single bank loan is a 3 year term loan and is due to mature in September 2020, repayments are made on a 15 year amortisation profile, it attracts a rate of 2.90% above LIBOR

#### *Finance lease liabilities*

Finance lease liabilities are payable as follows:

	Minimum lease payments 2017 £000	Minimum lease payments 2016 £000
Less than one year	333	322
Between one and five years	673	936
More than five years	-	-
	<u>1,006</u>	<u>1,258</u>





## Notes (continued)

### 18 Operating lease commitments

#### *The company as a lessee*

Non-cancellable operating lease rentals are payable as follows:

	2017 £000	2016 £000
Less than one year	457	343
Between one and five years	621	794
More than five years	7,442	7,794
	<hr/> 8,520	<hr/> 8,931
	<hr/> <hr/>	<hr/> <hr/>

During the year £404,000 was recognised as an expense in the profit and loss account in respect of operating leases (2015: £432,000).

#### *The company as a lessor*

Non-cancellable operating lease rentals are receivable as follows:

	2017 £000	2016 £000
Less than one year	117	114
Between one and five years	85	114
More than five years	-	-
	<hr/> 205	<hr/> 228
	<hr/> <hr/>	<hr/> <hr/>

During the year £227,000 was recognised as income in the profit and loss account in respect of operating leases (2015: £236,000).

### 19 Directors' loan accounts

The following balances owed to the Company directors were outstanding at the year-end:

	2017 £000	2016 £000
D Jackson	85	53
S Jackson	(2)	2
	<hr/> 83	<hr/> 55
	<hr/> <hr/>	<hr/> <hr/>

The amounts are repayable on demand.

## **20 Related parties**

As permissible under FRS 102, particulars have not been provided for related party transactions entered into between two or more members of the group, provided that any member which is a party to the transaction is wholly-owned by that group.

The related party transactions with other parties are outlined below:

### *New Reg Limited*

Recycling Lives Limited is connected to New Reg Limited by a common shareholder and a common director.

At the end of the period Recycling Lives Limited owed £18,000 (2016: £74,000) to New Reg Limited. The balance relates to purchases for IT support services over the period of £28,000 (2016: £11,000) and recharges of wages for £28,000 (2016: £34,000).

Recycling lives is connected to three other entities with whom it has transactions with via common directors. The aggregate owed to Recycling Lives Limited by these entities was £552,000 (2016: 290,000). The balances have arisen due to recharges for the use of company assets.

## **21 Ultimate controlling parties**

The Company is a subsidiary undertaking of Recycling Lives Holdings Limited. The ultimate controlling party is Recycling Lives Holdings Limited.

The largest and smallest group in which the results of the Company are consolidated is that headed by Recycling Lives Holdings Limited, incorporated in England and Wales. The registered office address of Recycling Lives Holdings Limited is Recycling Lives Centre, 1a Essex Street, Preston, PR1 1QE. The consolidated financial statements of this group is available to the public and may be obtained from Companies House, Crown Way, Cardiff, CF14 3UZ, United Kingdom.