

EnvironCom England Limited

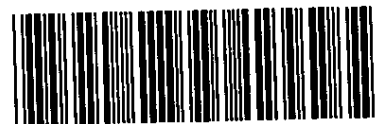
Report and Financial Statements

Year Ended

31 December 2015

Company Number 04980148

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EnvironCom England Limited

Company Information

| | |
|----------------------------|---|
| Directors | V Tandon C A M Buchan J A Parsons M J Daley C J Stephenson (appointed 24 December 2015) |
| Company secretary | J A Parsons |
| Registered number | 04980148 |
| Registered office | Spittlegate Level Grantham NG31 7UH |
| Independent auditor | BDO LLP Regent House Clinton Avenue Nottingham NG5 1AZ |
| Bankers | Clydesdale Bank 35 Regent Street London SW1Y 4ND |
| Solicitors | MBM Commercial LLP 5th Floor, 125 Princes Street Edinburgh EH2 4AD |

EnvironCom England Limited

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EnvironCom England Limited

Strategic report For the Year Ended 31 December 2015

Introduction

The principal activity of Environcom England Limited, a subsidiary company, during the year was the environmental recycling and reuse of electrical and electronic equipment

Business review

During 2015 Environcom England Limited had to overcome the challenge of continuous declines in global commodity prices. Following the falls at the end of 2014, steel products fell by a further 38% in 2015, plastic by 49% and copper by 29%. These external factors have impacted the industry as a whole and meant that throughout the year reviews of pricing mechanisms and contracts with material providers were necessary to recover the lost revenues.

External Factors

The over-capacity in the industry for recycling of fridges has been partially resolved by the excellent work of the Environment Agency who have been working to stamp out the illegal recyclers of this stream. Furthermore, one of our major competitors also closed one of its fridge plants due to the price competition caused by the excess capacity. This has led to more favourable market conditions and has allowed Environcom to improve their performance.

Internal Factors

We have made good progress developing new markets for reuse products both domestically and across the EU.

The combined effect of the improvements in reuse coupled with the renegotiations on inbound materials prices meant that Environcom England Limited was able to increase revenue by £1.9m to £12.5m in 2015 (2014 - £10.6m).

The impact of falling commodity prices meant that Environcom England Limited was loss making in the first three quarters of the year, however the combined effect of price re-negotiations and internal improvements enabled the Company to trade EBITDA positive in the final quarter of the year, and looks forward to a more stable improving income stream throughout 2016. Overall Environcom improved profitability before taxation in the year by £2.7m from a loss of £4.7m to a loss of £2.0m (2014 - loss of £4.7m).

In the early months of 2016 Environcom England Limited continued to build on the solid platform achieved in the final quarter of 2015 and improve on profitability through further focus on reuse and cost control.

Now that earnings have stabilized, Environcom expects in 2016 to carry out some restructuring of the balance sheet releasing cash tied up in current and fixed assets which will improve the net current liability position.

EnvironCom England Limited

Strategic report (continued)

Principal risk and uncertainty

Going Concern

In 2015 the company made a loss before taxation of £2,008,794 (2014 - £4.7m) and has net current liabilities of £9,114,883. The directors have prepared detailed company profit and cash flow forecasts for the next three years ending 31 December 2018 which indicate that additional funds are required in the first quarter of 2016 to enable the company to continue normal operations. The directors have secured this additional funding which provides the additional working capital required to service the liabilities falling due early in the year.

After making careful enquiries, the directors are confident that the company will meet the targets set out in the forecasts for the foreseeable future, being a period of at least twelve months from the date of approval of these financial statements. Group profit and loss and cash flow forecasts have been prepared for 3 years ending 31 December 2018 which assumes inbound volume of material will be secured and that price increases achieved in 2015 will continue through to 2016 and beyond. Since 31 December 2015 unaudited management accounts show a positive EBITDA to July 2016 (the latest date to which unaudited management accounts have been drawn up).

The company has the ability to improve the net current liabilities in 2016 through the releasing of cash by refinancing the plant and equipment which is fully repaid early in 2016 and through entering into an agreement with a suitable finance institution to commence invoicing discounting some of the debtor balance. This will benefit the company over and above the forecasts prepared. There are currently ongoing discussions with the bank to refinance the plant and equipment.

In addition to the above, the company's ability to continue normal operations is dependent on the successful outcome of the parent company's re-negotiations with its investors with regard to their loan notes. Since the year end the parent company directors have agreed an initial extension to January 2017. As at September 2016 the parent company directors are in further discussion to either extend or restructure the loan notes beyond this date. Whilst no formal agreement has been reached the directors have no reason to believe that this proposal will not be approved. Whilst acknowledging the inherent uncertainty in obtaining a formal agreement the directors have no reason to believe at this stage that the extension or restructure will not be obtained.

On this basis, the financial statements have therefore been prepared on a going concern basis. The directors acknowledge however that these conditions indicate the existence of material uncertainty which may cast significant doubt on the ability of the company to continue as a going concern and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

Financial key performance indicators

The Board puts in place a formal budget to measure and assess performance, together with regular forecasting. It has also put in place a number of key performance indicators to measure progress and these are detailed below.

Revenue - the company is committed to growing its revenue year on year. This measure shows the success of the sales teams in terms of gaining orders.

Gross Margin - the gross margin and gross margin percentage are important indicators of financial performance and the company closely monitors margin achievement to understand any trends in external pricing and buying performance.

EBITDA - this is the key measure of financial performance assessed by the company.

Debtor and creditor days and age profiles - the company monitors closely its receipt and payments performance against terms to ensure not only working capital is effectively controlled but to understand any issues very quickly.

EnvironCom England Limited

Strategic report (continued)

Due to the confidential nature and sensitivity of these measures the targets and actual performance are not disclosed

This report was approved by the board and signed on its behalf



C J Stephenson
Director

Date 23 September 2016

EnvironCom England Limited

Directors' report For the Year Ended 31 December 2015

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

Results and dividends

The loss for the year, after taxation, amounted to £2,008,794 (2014 -loss £4,739,892)

The directors do not recommend a payment of a final dividend for the year (2014 - £Nil)

Directors

The directors who served during the year were

V Tandon
S Feeney (resigned 24 December 2015)
C A M Buchan
J A Parsons
M J Daley
G Parkin (resigned 29 February 2016)
G Duke (resigned 31 March 2015)
C J Stephenson (appointed 24 December 2015)

Financial instruments

The company's principal financial instruments comprise cash and balances with group undertakings and various items such as trade debtors and trade creditors that arise directly from its operations

The main risk associated with the company's financial assets and liabilities are set out below

Price risk

The company does not deem the exposure to price changes in operating activity costs to be significant enough to consider any hedging activity to be necessary

Credit risk

The company's credit risk is primarily attributed to its trade receivables, with exposure spread over a large number of counterparties and customers. The company aims to minimise such losses with a key focus on debtor collection in order to minimise bad debt exposure

Interest rate risk

The company finances its operations through a mixture of loans from investors and balances with group undertakings. The company manages interest rate risk by securing fixed interest rate financing

Liquidity risk

The company aims to mitigate liquidity risk by managing cash generated by its operations. Flexibility is maintained by retaining surplus cash in readily accessible bank accounts

EnvironCom England Limited

Directors' report For the Year Ended 31 December 2015

Foreign currency risk

The company buys and sells goods and services in currencies other than sterling. As a result the value of the company's non-sterling revenue, purchases, financial assets and liabilities and cash flows can be affected by movements in exchange rates in general, and in the Euro rates in particular.

The company's transactional currency exposures arise from non-sterling loans, sales, partially offset by non-sterling purchases. The company mitigates this exposure by offsetting such exposures.

Qualifying third party indemnity provisions

The company maintains liability insurance for directors and officers as permitted by section 234 of the Companies Act 2006.

Disclosure of information to auditor

Each of the persons who are directors at the time when this directors' report is approved has confirmed that

- so far as that director is aware, there is no relevant audit information of which the Company's auditor is unaware, and
- that director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This report was approved by the board and signed on its behalf



J A Parsons
Secretary

Date 23 September 2016

EnvironCom England Limited

Directors' responsibilities statement For the Year Ended 31 December 2015

The directors are responsible for preparing the strategic report, the directors' report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under Company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to

- select suitable accounting policies for the Company financial statements and then apply them consistently,
- make judgments and accounting estimates that are reasonable and prudent, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

EnvironCom England Limited

Independent Auditor's report to the members of EnvironCom England Limited

We have audited the financial statements of Environcom England Limited for the year ended 31 December 2015 which comprise the Statement of comprehensive income, the balance sheet, the statement of changes in equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective responsibilities of directors and auditor

As explained more fully in the statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's (FRC'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 FRC's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2015 and of its loss for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Emphasis of matter

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 1.3 to the financial statements concerning the company's ability to continue as a going concern.

At 31 December 2015, the company has made a loss on ordinary activities before taxation of £2,008,794 and has net liabilities of £5,967,099. The Company relies upon group support for its funding. The parent's company's ability to support is dependent on the successful outcome of the parent company's re-negotiations with its investors on the extension and restructure of the loan notes. Subsequent to the year end the parent company directors agreed an initial extension of the loan notes to January 2017. The parent company directors are in further discussion to either extend or restructure the loan notes beyond this date and have no reason to believe at this stage that the extension or restructure will not be obtained.

These conditions, along with the other matters explained in notes to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the ability of the company to continue as a going concern. The financial statements do not include the adjustments that would result if the company was unable to continue as a going concern.

EnvironCom England Limited

Independent Auditor's report to the members of EnvironCom England Limited

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the strategic report and directors' report for the financial year period for which the financial statements are prepared is consistent with the financial statements

Matters on which we are required to report by exception

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

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



Richard Wilson (Senior statutory auditor)
for and on behalf of BDO LLP, Statutory auditor
Nottingham
United Kingdom

28 | 9 | 2016

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127)

EnvironCom England Limited

Statement of comprehensive income For the Year Ended 31 December 2015

| | Note | 2015 £ | As restated 2014 £ |
|--|-------|--------------------|--------------------------|
| Turnover | 1 4,3 | 12,476,238 | 10,587,330 |
| Cost of sales | | (11,477,402) | (11,614,792) |
| Gross profit/(loss) | | 998,836 | (1,027,462) |
| Administrative expenses | | (2,301,358) | (2,127,314) |
| Exceptional administrative expenses | | (659,882) | (706,583) |
| Operating loss | 4 | (1,962,404) | (3,861,359) |
| Interest payable and expenses | 8 | (46,390) | (78,533) |
| Loss before tax | | (2,008,794) | (3,939,892) |
| Tax on loss | 9 | - | (800,000) |
| Loss for the year | | (2,008,794) | (4,739,892) |
| Other comprehensive income | | - | - |
| Total comprehensive charge for the year | | (2,008,794) | (4,739,892) |

The notes on pages 12 to 26 form part of these financial statements

EnvironCom England Limited

Registered number 04980148

Balance sheet As at 31 December 2015

| | Note | 2015 £ | 2014 £ |
|---|------|--------------------|--------------------|
| Fixed assets | | | |
| Tangible assets | 10 | 3,147,782 | 3,614,761 |
| Investments | 11 | 2 | 2 |
| | | <u>3,147,784</u> | <u>3,614,763</u> |
| Current assets | | | |
| Stocks | 12 | 207,874 | 360,345 |
| Debtors amounts falling due within one year | 13 | 1,853,574 | 2,843,923 |
| Cash at bank and in hand | | 219,164 | 350,211 |
| | | <u>2,280,612</u> | <u>3,554,479</u> |
| Creditors amounts falling due within one year | 14 | (11,395,495) | (11,127,547) |
| Net current liabilities | | <u>(9,114,883)</u> | <u>(7,573,068)</u> |
| Total assets less current liabilities | | <u>(5,967,099)</u> | <u>(3,958,305)</u> |
| Net liabilities | | <u>(5,967,099)</u> | <u>(3,958,305)</u> |
| Capital and reserves | | | |
| Called up share capital | 16 | 13,000,100 | 13,000,100 |
| Profit and loss account | 15 | (18,967,199) | (16,958,405) |
| | | <u>(5,967,099)</u> | <u>(3,958,305)</u> |

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


C J Stephenson
Director

Date 23 September 2016

The notes on pages 12 to 26 form part of these financial statements

EnvironCom England Limited

Statement of changes in equity As at 31 December 2015

| | Share capital £ | Retained earnings £ | Total equity £ |
|--|-----------------------|---------------------------|--------------------|
| At 1 January 2015 | 13,000,100 | (16,958,405) | (3,958,305) |
| Comprehensive income for the year | | | |
| Loss for the year | - | (2,008,794) | (2,008,794) |
| At 31 December 2015 | 13,000,100 | (18,967,199) | (5,967,099) |

Statement of changes in equity As at 31 December 2014

| | Share capital £ | Retained earnings £ | Total equity £ |
|--|-----------------------|---------------------------|--------------------|
| At 1 January 2014 | 13,000,100 | (12,218,513) | 781,587 |
| Comprehensive income for the year | | | |
| Loss for the year | - | (4,739,892) | (4,739,892) |
| At 31 December 2014 | 13,000,100 | (16,958,405) | (3,958,305) |

The notes on pages 12 to 26 form part of these financial statements

EnvironCom England Limited

Notes to the financial statements For the Year Ended 31 December 2015

1. Accounting policies

1.1 Basis of preparation of financial statements

Environcom England Limited is a company incorporated in England and Wales under the Companies Act. The address of the registered office is given on the contents page and the nature of the company's operations and its principal activity is set out in the strategic report.

The financial statements have been prepared under the historical cost convention and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland and the Companies Act 2006.

The company is itself a subsidiary company and is exempt from the requirement to prepare group accounts by virtue of section 400 of the Companies Act 2006. These financial statements therefore present information about the company as an individual undertaking and not about its group.

Information on the impact first-time adoption of FRS 102 is given in note 20.

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

The company's accounting reference date is 31 December. It is company policy to prepare financial statements to the nearest Saturday to this date. The accounting period covers 28 December 2014 to 26 December 2015.

1.2 Financial reporting standard 102 - reduced disclosure exemption

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"

- the requirements of Section 4 Statement of Financial Position paragraph 4.12(a)(iv),
- the requirements of Section 7 Statement of Cash Flows,
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17 (d),
- the requirements of Section 11 Financial Instruments paragraphs 11.39 to 11.48A,
- the requirements of Section 12 Other Financial Instruments paragraphs 12.26 to 12.29,
- the requirements of Section 33 Related Party Disclosure paragraph 33.7

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

EnvironCom England Limited

Notes to the financial statements For the Year Ended 31 December 2015

1. Accounting policies (continued)

1.3 Going concern

At 31 December 2015, the company has made a loss on ordinary activities before taxation of £2,008,794 (2014 - £3,939,892) and has net liabilities of £5,967,099 (2014 - £3,958,305). The company relies upon group support for its funding.

Since 31 December 2015 unaudited management accounts show a positive EBITDA to July 2016 (the latest date to which unaudited management accounts have been drawn up). After making careful enquiries, the directors are confident that the company will meet the targets set out in the forecasts for the foreseeable future, being a period of at least twelve months from the date of approval of these financial statements.

In addition to the above, the company's ability to continue normal operations is dependent on the successful outcome of the parent company's re-negotiations with its investors with regard to their loan notes. Since the year end the parent company directors have agreed an initial extension to January 2017. As at September 2016 the parent company directors are in further discussion to either extend or restructure the loan notes beyond this date. Whilst no formal agreement has been reached the directors have no reason to believe that this proposal will not be approved. Whilst acknowledging the inherent uncertainty in obtaining a formal agreement the directors have no reason to believe at this stage that the extension or restructure will not be obtained.

The financial statements have therefore been prepared on a going concern basis. The directors acknowledge however that these conditions indicate the existence of material uncertainty which may cast significant doubt on the ability of the company to continue as a going concern and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

The financial statements do not include the adjustments that would result if the company was unable to continue as a going concern. Such adjustments might include having to reduce the value of the assets to their realisable amount and providing for further liabilities which might arise.

1.4 Turnover

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

Turnover is recognised when goods are dispatched or services are provided.

1.5 Tangible fixed assets

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

EnvironCom England Limited

Notes to the financial statements For the Year Ended 31 December 2015

1 Accounting policies (continued)

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives. The estimated useful lives range as follows:

Depreciation is provided on the following bases:

| | | |
|----------------------------------|---|----------------------------|
| Leasehold improvements | - | 25% - 33% straight line |
| Plant and machinery | - | 10% - 25% reducing balance |
| Fixtures, fittings and equipment | - | 25% reducing balance |

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

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'other operating income' in the statement of comprehensive income.

1.6 Operating leases. Lessee

Rentals paid under operating leases are charged to the statement of comprehensive income on a straight line basis over the period of the lease.

1.7 Valuation of investments

Investments in subsidiaries are carried at cost less any provision for impairment where appropriate.

To the extent that the carrying amount of the fixed asset impairment exceeds the recoverable amount, that is the higher of the net realisable value and value in use, the fixed asset investment is written down to its recoverable amount.

For the purpose of the impairment review, the recoverable amount of the fixed asset investment is determined based on value-in-use calculations using estimated discounted future cash flow projections reflecting the time value of money and risks related to the cash-generating unit ("CGU"). These cash flow projections are based on detailed financial forecasts approved by management with the key assumptions being sales growth, margin improvement and cost efficiencies.

1.8 Stocks

Stocks are stated at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving stock. Cost includes all direct costs.

1.9 Debtors

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

EnvironCom England Limited

Notes to the financial statements For the Year Ended 31 December 2015

1. Accounting policies (continued)

1.10 Financial instruments

The company only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other accounts receivable and payable, loans from banks and other third parties, and loans to related parties

Debt instruments that are payable or receivable within one year, typically trade payables or receivables, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration, expected to be paid or received

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the statement of comprehensive income

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

1.11 Leasing and hire purchase

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible fixed assets. Assets acquired by finance lease are depreciated over the shorter of the lease term and their useful lives. Assets acquired by hire purchase are depreciated over their useful lives. Finance leases are those where substantially all of the benefits and risks of ownership are assumed by the company. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the profit and loss account so as to produce a constant periodic rate of charge on the net obligation outstanding in each period

1.12 Creditors

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

1.13 Foreign currency translation

The company's functional and presentational currency is GBP

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

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

Exchange gains and losses are recognised in the statement of comprehensive income

EnvironCom England Limited

Notes to the financial statements For the Year Ended 31 December 2015

1. Accounting policies (continued)

1.14 Taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the profit and loss account, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

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

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

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits, and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met
- Where they relate to timing differences in respect of interests in subsidiaries, associates, branches and joint ventures and the company can control the reversal of the timing differences and such reversal is not considered probable in the foreseeable future.

Deferred tax balances are not recognised in respect of permanent differences. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

1.15 Exceptional items

Exceptional items are transactions that fall within the ordinary activities of the company but are presented separately due to their size or incidence.

1.16 Pensions

The company operates a defined contribution pension scheme and the pension charge represents the amounts payable by the company to the fund in respect of the year.

EnvironCom England Limited

Notes to the financial statements For the Year Ended 31 December 2015

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

The company makes certain estimates and assumptions regarding the future. Estimates and judgements are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions. The Directors consider that the following estimates and judgements that have the most significant effect on the carrying amounts of assets and liabilities within the financial statements are discussed below

Depreciation

Tangible fixed assets are depreciated over their useful life taking into account, where appropriate, residual values. Assessment of useful lives and residual values are performed annually, taking into account factors such as technological innovation, maintenance programmes and management considerations. In assessing the residual values, the remaining life of the asset, its projected disposal value and future market conditions are taken into account. Detail on tangible fixed assets can be found in note 10.

Recoverability of trade debtors

Bad debt provisions are made by the directors based on the age of the unpaid debtor and the terms of trade.

Stock provisions and valuation

Stock provisions include obsolescence, slow moving and defective items which take into account the results from stock counts and represent the expected write-down between the estimated net realisable value and original cost. Net realisable value represents the estimated selling price less all estimated costs of completion and costs of disposal. Details on stock can be found in note 12.

EnvironCom England Limited

Notes to the financial statements For the Year Ended 31 December 2015

3 Analysis of turnover

Analysis of turnover by country of destination

| | 2015 £ | 2014 £ |
|-------------------|-------------------|-------------------|
| United Kingdom | 10,060,406 | 8,719,341 |
| Rest of Europe | 806,214 | 363,849 |
| Rest of the world | 1,609,618 | 1,504,140 |
| | <u>12,476,238</u> | <u>10,587,330</u> |

4. Operating loss

The operating loss is stated after charging

| | 2015 £ | 2014 £ |
|--|----------------|-----------|
| Depreciation of tangible fixed assets | 479,954 | 580,907 |
| Operating lease rentals | 663,176 | 737,658 |
| Exchange differences | 18,769 | (2,477) |
| Exceptional items - uninsured loss | - | 590,297 |
| Exceptional items - litigation costs | - | 116,286 |
| Exceptional items - bad debt write off | 659,882 | - |
| | <u>659,882</u> | <u>-</u> |

In the prior year administrative expenses included £1,457,312 of costs which the directors consider to be more appropriately recognised within cost of sales. The financial statements have been adjusted to recognise this restatement. There is no impact on the results or net liabilities of this restatement.

During the year £659,882 due from Display Recycling Limited, a related party, was provided for (see note 18).

5 Auditor's remuneration

| | 2015 £ | 2014 £ |
|---|---------------|---------------|
| Fees payable to the Company's auditor and its associates for the audit of the Company's annual accounts | <u>10,154</u> | <u>12,857</u> |

EnvironCom England Limited

Notes to the financial statements For the Year Ended 31 December 2015

6 Employees

Staff costs, including directors' remuneration, were as follows

| | 2015 £ | 2014 £ |
|-------------------------------------|------------------|------------------|
| Wages and salaries | 4,213,749 | 4,076,863 |
| Social security costs | 324,911 | 318,115 |
| Cost of defined contribution scheme | 18,757 | 11,669 |
| | <u>4,557,417</u> | <u>4,406,647</u> |

The average monthly number of employees, including the directors, during the year was as follows

| | 2015 No. | 2014 No |
|-----------------------------|-------------|------------|
| Direct labour | 170 | 168 |
| Sales and technical sales | 6 | 6 |
| Accounts and administration | 32 | 37 |
| | <u>208</u> | <u>211</u> |

7. Directors' remuneration

| | 2015 £ | 2014 £ |
|-----------------------|----------------|----------------|
| Directors' emoluments | 282,350 | 201,190 |
| | <u>282,350</u> | <u>201,190</u> |

Directors' remuneration is recharged to Environcom England Limited from its parent company, Environcom Limited. Details of the highest paid director in the group is disclosed in the financial statements of Environcom Limited.

8. Interest payable and similar charges

| | 2015 £ | 2014 £ |
|--|---------------|---------------|
| Bank interest payable | 4 | 29 |
| Other loan interest payable | 4,338 | 25,621 |
| Finance leases and hire purchase contracts | 42,048 | 52,883 |
| | <u>46,390</u> | <u>78,533</u> |

EnvironCom England Limited

Notes to the financial statements For the Year Ended 31 December 2015

9 Taxation

| | 2015 £ | 2014 £ |
|--|-----------|-----------|
| Total current tax | | |
| Deferred tax | | |
| Deferred tax release during the year | - | 800,000 |
| Total deferred tax | - | 800,000 |
| Taxation on profit on ordinary activities | - | 800,000 |

There is no charge to corporation tax in view of the losses incurred in the year. Losses of approximately £11.8m are available to be carried forward and offset against future profits.

There is an unrecognised deferred tax asset of approximately £3.2m (2014 - £3.3m) which includes losses of £2m (2014 - £2.1m) and accelerated capital allowances of £1.2m (2014 - £1.2m). The directors have not recognised this as it is not certain that the asset will be fully utilised in the near future.

EnvironCom England Limited

Notes to the financial statements For the Year Ended 31 December 2015

9 Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2014 -higher than) the standard rate of corporation tax in the UK of 20.25% (2014 -21.49%). The differences are explained below

| | 2015 £ | 2014 £ |
|--|--------------------|--------------------|
| (Loss)/profit on ordinary activities before tax | <u>(2,008,794)</u> | <u>(3,939,892)</u> |
| (Loss)/profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 20.25% (2014 -21.49%) | (406,781) | (846,683) |
| Effects of | | |
| Expenses not deductible for tax purposes, other than goodwill amortisation and impairment | 2,766 | 37,265 |
| Unrelieved tax losses carried forward | 404,015 | 809,418 |
| Movement in deferred tax | - | 800,000 |
| Total tax charge for the year | <u>-</u> | <u>800,000</u> |

Factors that may affect future tax charges

The Chancellor of the Exchequer announced, in the 2015 Summer Budget, that the corporation tax rate would reduce from the current rate of 20% to 19% from 1 April 2017 and 18% from 1 April 2020. These changes to the future tax rate were substantively enacted on 26 October 2015. The provision for deferred tax in the financial statements has been based upon the rate of 20% given that the timing differences are expected to reverse at this rate. The provision for deferred tax is calculated based on the tax rates enacted or substantially enacted at the balance sheet date.

There are losses of approximately £11.8m (2014 - £10.2m) available to be set off against future profits.

EnvironCom England Limited

Notes to the financial statements For the Year Ended 31 December 2015

10 Tangible fixed assets

| | Leasehold improvements £ | Plant and machinery £ | Fixtures, fittings and equipment £ | Total £ |
|-----------------------------------|--------------------------------|-----------------------------|---|------------------|
| Cost | | | | |
| At 1 January 2015 | 563,740 | 6,464,928 | 429,078 | 7,457,746 |
| Additions | 980 | 11,995 | - | 12,975 |
| At 31 December 2015 | 564,720 | 6,476,923 | 429,078 | 7,470,721 |
| Depreciation | | | | |
| At 1 January 2015 | 502,946 | 3,066,373 | 273,666 | 3,842,985 |
| Charge owned for the period | 54,863 | 103,516 | 42,351 | 200,730 |
| Charge financed for the period | - | 279,224 | - | 279,224 |
| At 31 December 2015 | 557,809 | 3,449,113 | 316,017 | 4,322,939 |
| At 31 December 2015 | 6,911 | 3,027,810 | 113,061 | 3,147,782 |
| At 31 December 2014 | 60,794 | 3,398,555 | 155,412 | 3,614,761 |

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

| | 2015 £ | 2014 £ |
|---------------------|------------------|-----------|
| Plant and machinery | 2,488,321 | 2,767,541 |

EnvironCom England Limited

Notes to the financial statements For the Year Ended 31 December 2015

11. Fixed asset investments

| | Investments in subsidiary companies £ |
|--|---|
| Cost | |
| At 1 January 2015 and 31 December 2015 | 2 |
| | <hr/> |
| At 31 December 2015 | 2 |
| | <hr/> |
| At 31 December 2014 | 2 |
| | <hr/> |
| Subsidiary undertakings | |

The following were subsidiary undertakings of the Company

| Name | Country of incorporation | Class of shares | Holding | Principal activity |
|------------------------------------|-----------------------------|--------------------|---------|-------------------------|
| Environcom (North West) Limited | United Kingdom | Ordinary Shares | 100 % | Environmental recycling |

12 Stocks

| | 2015 £ | 2014 £ |
|-------------------------------------|-----------|-----------|
| Raw materials and consumables | 137,080 | 126,279 |
| Finished goods and goods for resale | 70,794 | 234,066 |
| | <hr/> | <hr/> |
| | 207,874 | 360,345 |
| | <hr/> | <hr/> |

There is no material difference between the balance sheet value of stocks and their replacement cost. Stock recognised in cost of sales during the year as an expense was £848,389 (2014 - £1,222,783). An impairment loss of £Nil (2014 - £Nil) was recognised in cost of sales against stock during the year for slow moving items.

EnvironCom England Limited

Notes to the financial statements For the Year Ended 31 December 2015

13 Debtors

| | 2015 £ | 2014 £ |
|------------------------------------|------------------|------------------|
| Trade debtors | 883,756 | 1,241,450 |
| Amounts owed by group undertakings | 130,000 | 301,659 |
| Other debtors | 12,782 | - |
| Prepayments and accrued income | 827,036 | 1,300,814 |
| | <u>1,853,574</u> | <u>2,843,923</u> |

An impairment loss of £675,453 (2014 - £Nil) was recognised against trade debtors

14. Creditors Amounts falling due within one year

| | 2015 £ | 2014 £ |
|------------------------------------|-------------------|-------------------|
| Trade creditors | 1,501,564 | 2,362,196 |
| Amounts owed to group undertakings | 8,499,084 | 7,402,736 |
| Taxation and social security | 376,448 | 114,845 |
| Other creditors | - | 3,500 |
| Accruals and deferred income | 1,018,399 | 1,244,270 |
| | <u>11,395,495</u> | <u>11,127,547</u> |

Environcom England Limited has various facilities with the bank which are secured by a legal charge over Spittlegate Industrial Estate, Grantham, Lincolnshire, by debentures from Environcom England Limited, Environcom North West Limited and Blue Compliance Limited, by a floating charge from Environcom Limited, and by an unlimited cross-guarantee between Environcom England Limited, Environcom Limited, Blue Compliance Limited and Environcom (North West) Limited

15 Reserves

Profit & loss account

All other net gains and losses and transactions with owners (e.g. dividends) not recognised elsewhere

EnvironCom England Limited

Notes to the financial statements For the Year Ended 31 December 2015

16. Share capital

| | 2015 £ | 2014 £ |
|---|-------------------|-------------------|
| Allotted, called up and fully paid | | |
| 13,000,100 Ordinary shares of £1 each | <u>13,000,100</u> | <u>13,000,100</u> |

17 Commitments under operating leases

At 31 December 2015 the Company had future minimum lease payments under non-cancellable operating leases as follows

| | 2015 £ | 2014 £ |
|--|------------------|------------------|
| Not later than 1 year | 991,508 | 898,078 |
| Later than 1 year and not later than 5 years | 2,780,225 | 2,823,907 |
| Later than 5 years | 1,650,000 | 2,250,000 |
| Total | <u>5,421,733</u> | <u>5,971,985</u> |

18. Related party transactions

Advantage has been taken of the exemption offered by FRS102 Section 33 Related Party Disclosures from the requirement to disclose transactions between other wholly owned group companies

During the year the following transactions were entered into with Display Recycling Limited, a company under common control of one of the directors

Sales invoices £1,671,680 (2014 - 86,292)
Purchase invoices £251,570 (2014 - £55,374)

Amounts outstanding at the year end were

Trade debtors £19,369 (2014 - £543,890)
Trade creditors £Nil (2014 - £114,918)

During the year £659,882 owed from Display Recycling Limited was provided in the statement of comprehensive income as an exceptional item

EnvironCom England Limited

Notes to the financial statements For the Year Ended 31 December 2015

19 Controlling party

The company's parent company is Environcom Limited, which is the largest and smallest group which prepares group financial statements including the results of the company. The controlling party is Aloe Environment Fund II, a French Investment Fund.

20 First time adoption of FRS 102

The policies applied under the entity's previous accounting framework are not materially different to FRS 102 and have not impacted on equity or profit or loss.