

Environcom England Limited

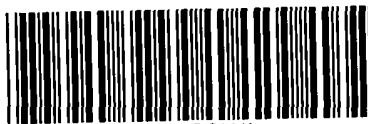
Report and Financial Statements

Year Ended

31 December 2016

Company Number 04980148

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Environcom England Limited

Company Information

Directors	V Tandon C A M Buchan J A Parsons C J Stephenson (appointed 13 January 2016)
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	Lloyds Bank 202 High Street Lincoln LN5 7AP
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 2016

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 2016 Environcom England Limited continued the work to align prices paid or received for electrical appliances with global commodity prices. This has allowed the company to reduce exposure to these external factors and allowed it to return to profitability. During the year, the company achieved total revenues of £12,377,647 (2015 - 12,476,238). Revised pricing along with continued focus on cost control, productivity savings and innovation have contributed to the improvement in gross margin to 23.1% (2015 - 8.0%) and the company delivered a gross profit in the year of £2,861,620 (2015 - £998,836). Operating profit in the year after exceptional items was £940,090 (2015 - loss £1,962,404) and profit before taxation in the year also improved to £852,905 (2015 - loss £2,008,794).

External Factors

During 2016, the UK experienced a reduction in surplus capacity in the UK fridge recycling market which reduced the competitive pressures and significantly contributed to the turn-around in profit performance for the company. This allowed the company to secure sufficient volume to be processed and embed pricing models to accurately reflect commodity prices and led to the delivery of the significantly improved profit performance. Forecasts supplied by the Environment Agency suggest demand for recycling capacity will continue to grow against an inelastic supply position indicating the new pricing models are sustainable for the foreseeable future.

The devaluation of sterling following the Brexit vote has made Environcom's exported products more competitive however, much of this benefit was offset by increases in global shipping prices.

Internal Factors

Environcom have continued to innovate in the WEEE sector in order to remain at the forefront of processing efficiency. This work will continue in 2017 with specific projects identified and funded.

Environcom England Limited

Strategic Report For the Year Ended 31 December 2016

Principal risk and uncertainty

Going Concern

In 2016 the company made a profit before taxation of £852,905 (2015 - loss £2,008,794) and has net liabilities of £5,114,194 (2015 - £5,967,099) including net current liabilities of £7,744,066 (2015 - £9,114,883) of which £8,103,559 (2015 - £8,499,084) is owed to group undertakings. The directors have reviewed the business performance and are confident, based on the positive EBITDA performance in the period after the year end that the revised pricing models will enable the group to continue to deliver the profitability and cash requirements of the business for the future

The directors have prepared profit and cash flow forecasts for the year ending 31 December 2019. These are dependent on securing the forecast inbound volume of material to be recycled at the current price mechanisms. Recent recycling target numbers released by the Environment Agency suggest that spare capacity in the fridge recycling market has significantly reduced in 2016 and fridge recycling plants will continue to operate at near capacity levels until at least 2019. The directors have reviewed the cash requirements of the business for the next twelve months and are confident that company will generate sufficient cash to meet its liabilities when they fall due. The business has also secured an invoice discounting facility to meet the demands on working capital.

In addition to the above, the company's ability to continue normal operations is still reliant on the loan finance previously provided by its investors to its parent company. In December 2016, agreement was reached with the principal investors to extend the terms of the loans, reducing the balance due in 2017 to £852,000. The directors have prepared detailed group profit and cash flow forecasts for the next twelve months and demonstrates the groups ability to make these repayments.

On this basis, the directors consider that the Group has adequate resources to continue to meets its liabilities as they fall due. The financial statements have therefore been prepared on a going concern basis. The directors acknowledge however that should the Group not achieve the forecast results they will be required to agree with the investors either an extension to the repayment of their loans or for additional loans to cover working capital requirements. This indicates the existence of a material uncertainty would exist which may cast significant doubt on the ability of the Group and the Company to continue as a going concern.

Environcom England Limited

Strategic Report For the Year Ended 31 December 2016

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.

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:

Environcom England Limited

Directors' Report For the Year Ended 31 December 2016

The directors present their report and the financial statements for the year ended 31 December 2016.

Results and dividends

The profit for the year, after taxation, amounted to £852,905 (2015 - loss £2,008,794).

The directors do not recommend a payment of a final dividend for the year (2015 - £Nil).

Directors

The directors who served during the year were:

V Tandon
C A M Buchan
J A Parsons
M J Daly (resigned 30 September 2016)
G Parkin (resigned 29 February 2016)
C J Stephenson (appointed 13 January 2016)

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.

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.

Environcom England Limited

Directors' Report (continued) For the Year Ended 31 December 2016

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 the director is aware, there is no relevant audit information of which the Company's auditor is unaware, and
- the 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:

Environcom England Limited

Directors' Responsibilities Statement For the Year Ended 31 December 2016

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 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 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 to 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 2016, 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).

Respective responsibilities of directors and auditors

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

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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 1.2 to the financial statements concerning the Company's ability to continue as a going concern.

At 31 December 2016, the company has net liabilities of £5,114,194 (2015 – £5,967,099). The Company relies upon parent company support for its funding.

Should the Group not achieve the forecast results, the parent company directors will be required to agree with the investors either an extension to the repayment of their loans or for additional loans to cover working capital requirements and to provide financial support to the company. This indicates the existence of a material uncertainty which may cast significant doubt on 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.

Opinion 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 Directors' Report for the financial year for which the financial statements are prepared is consistent with those financial statements and this report has been prepared in accordance with applicable legal requirements.

Environcom England Limited

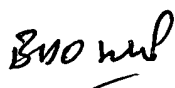
Independent Auditor's Report to the Members of Environcom England Limited

Matters on which we are required to report by exception

In the light of our knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Directors' Report.

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

19/5/2017

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 2016

	Note	2016 £	2015 £
Turnover	4	12,377,647	12,476,238
Cost of sales		(9,516,027)	(11,477,402)
GROSS PROFIT		2,861,620	998,836
Administrative expenses		(1,810,045)	(2,301,358)
Exceptional administrative expenses		(111,485)	(659,882)
OPERATING PROFIT/(LOSS)	5	940,090	(1,962,404)
Interest payable and expenses	9	(87,185)	(46,390)
PROFIT/(LOSS) BEFORE TAX		852,905	(2,008,794)
Taxation	10	-	-
PROFIT/(LOSS) FOR THE YEAR		852,905	(2,008,794)

There was no other comprehensive income for 2016 (2015:£NIL).

The notes on pages 12 to 25 form part of these financial statements.

Environcom England Limited

Registered number:04980148

Balance Sheet As at 31 December 2016

	Note	2016 £	2015 £
FIXED ASSETS			
Tangible assets	11	2,629,870	3,147,782
Investments	12	2	2
		<u>2,629,872</u>	<u>3,147,784</u>
CURRENT ASSETS			
Stocks	13	253,612	207,874
Debtors: amounts falling due within one year	14	2,301,355	1,853,574
Cash at bank and in hand		83,727	219,164
		<u>2,638,694</u>	<u>2,280,612</u>
Creditors: amounts falling due within one year	15	(10,382,760)	(11,395,495)
NET CURRENT LIABILITIES		<u>(7,744,066)</u>	<u>(9,114,883)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>(5,114,194)</u>	<u>(5,967,099)</u>
NET LIABILITIES		<u>(5,114,194)</u>	<u>(5,967,099)</u>
CAPITAL AND RESERVES			
Called up share capital	16	13,000,100	13,000,100
Profit and loss account	17	(18,114,294)	(18,967,199)
		<u>(5,114,194)</u>	<u>(5,967,099)</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: 19/5/17

The notes on pages 12 to 25 form part of these financial statements.

Environcom England Limited

Statement of Changes in Equity For the Year Ended 31 December 2016

	Called up share capital	Profit and loss account	Total equity
	£	£	£
At 1 January 2016	13,000,100	(18,967,199)	(5,967,099)
COMPREHENSIVE INCOME FOR THE YEAR			
Profit for the year	-	852,905	852,905
AT 31 DECEMBER 2016	13,000,100	(18,114,294)	(5,114,194)

Statement of Changes in Equity For the Year Ended 31 December 2015

	Called up share capital	Profit and loss account	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)

The notes on pages 12 to 25 form part of these financial statements.

Environcom England Limited

Notes to the Financial Statements For the Year Ended 31 December 2016

1. General information

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.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the 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.

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 3).

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 27 December 2015 to 31 December 2016.

2.2 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 2016 and these financial statements may be obtained from Companies House.

Environcom England Limited

Notes to the Financial Statements For the Year Ended 31 December 2016

2. Accounting policies (continued)

2.3 Going concern

In 2016 the Company made a profit before taxation of £852,905 (2015 - loss £2,008,794) and has net liabilities of £5,114,194 (2015 - £5,967,099) including net current liabilities of £7,744,066 (2015 - £9,114,883) of which £8,103,559 (2015 - £8,499,084) is owed to group undertakings. The Company relies upon parent company support for its funding which has been confirmed in a letter of support. The parent company directors have reviewed the business performance of the Group and are confident, based on the positive EBITDA performance in the period after the year end, that the revised pricing models will enable the Group to continue to deliver the profitability and cash requirements of the business for the future.

The parent company directors have prepared profit and cash flow forecasts for the period ending 31 December 2019. These are dependent on securing the forecast inbound volume of material to be recycled at the current price mechanisms. Recent recycling target numbers released by the Environment Agency suggest that spare capacity in the fridge recycling market has significantly reduced in 2016 and fridge recycling plants will continue to operate at near capacity levels until at least 2019. The parent company directors have reviewed the cash requirements of the business for the next twelve months and are confident that Group will generate sufficient cash to meet its liabilities when they fall due. The Group has also secured an invoice discounting facility to meet the demands on working capital. The directors of the Company have also prepared cash flow forecasts for the Company for the same period which show that the Company will still be reliant on the parent company for financial support.

In addition to the above, the Group's ability to continue normal operations is still reliant on the loan finance previously provided by its investors to its parent company. In December 2016, agreement was reached with the principal investors to extend the terms of the loans, reducing the balance due in 2017 to £852,000. The directors have prepared detailed Group profit and cash flow forecasts for the next twelve months and demonstrates the Group's ability to make these repayments.

On this basis, the directors consider that the Group has adequate resources to continue to meet its liabilities as they fall due and will provide continuing financial support to the Company. The financial statements have therefore been prepared on a going concern basis. The directors acknowledge however that should the Group not achieve the forecast results the parent company directors will be required to agree with the investors either an extension to the repayment of their loans or for additional loans to cover working capital requirements and to provide financial support to the Company. This indicates the existence of a material uncertainty would exist which may cast significant doubt on 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. Such adjustments might include having to reduce the value of the assets to their realisable amount and providing for further liabilities which might arise.

2.4 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.

Environcom England Limited

Notes to the Financial Statements For the Year Ended 31 December 2016

2. Accounting policies (continued)

2.5 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.

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 basis:

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

2.6 Valuation of investments

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

2.7 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 and an appropriate proportion of fixed and variable overheads.

2.8 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.

2.9 Cash and cash equivalents

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

2.10 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

Environcom England Limited

Notes to the Financial Statements For the Year Ended 31 December 2016

2. Accounting policies (continued)

2.10 Financial instruments (continued)

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.

2.11 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.

2.12 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.

2.13 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.

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

2.14 Operating leases: the Company as 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.

Environcom England Limited

Notes to the Financial Statements For the Year Ended 31 December 2016

2. Accounting policies (continued)

2.15 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.

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.

2.16 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.

2.17 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 2016

3. 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 11.

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 13.

Environcom England Limited

Notes to the Financial Statements For the Year Ended 31 December 2016

4. Turnover

Analysis of turnover by country of destination:

	2016 £	2015 £
United Kingdom	10,394,361	10,060,406
Rest of Europe	588,654	806,214
Rest of the world	1,394,632	1,609,618
	<u>12,377,647</u>	<u>12,476,238</u>

5. Operating profit/(loss)

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

	2016 £	2015 £
Depreciation of tangible fixed assets	377,963	479,954
Exchange differences	17,484	18,769
Exceptional item - bad debt	111,485	659,882
Other operating lease rentals, plant hire and other rents	<u>1,167,307</u>	<u>1,245,336</u>

The depreciation charge above includes depreciation charged on assets under finance leases of £3,087 (2015 - £279,224).

During the year, £111,485 (2015 - £659,882) due from Display Recycling Limited, a related party prior to being acquired by Environcom Limited, was forgiven.

6. Auditor's remuneration

	2016 £	2015 £
Fees payable to the Company's auditor and its associates for the audit of the Company's annual accounts	<u>46,224</u>	<u>10,154</u>

Environcom England Limited

Notes to the Financial Statements For the Year Ended 31 December 2016

7. Employees

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

	2016 £	2015 £
Wages and salaries	3,728,459	4,213,749
Social security costs	296,259	324,911
Cost of defined contribution scheme	22,142	18,757
	<u>4,046,860</u>	<u>4,557,417</u>

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

	2016 No.	2015 No.
Direct labour	148	170
Sales and technical sales	10	6
Accounts and administration	26	32
	<u>184</u>	<u>208</u>

8. Directors' remuneration

	2016 £	2015 £
Directors' emoluments	55,543	-
	<u>55,543</u>	<u>-</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.

9. Interest payable and similar charges

	2016 £	2015 £
Bank interest payable	37,902	4
Other loan interest payable	43,668	4,338
Finance leases and hire purchase contracts	5,615	42,048
	<u>87,185</u>	<u>46,390</u>

Environcom England Limited

Notes to the Financial Statements For the Year Ended 31 December 2016

10. Taxation

There is no charge to corporation tax in view of the losses incurred in the year. Losses of approximately £10.4m are available to be carried forward and offset against future profits.

There is an unrecognised deferred tax asset of approximately £3.0m (2015 - £3.3m) which includes losses of £1.8m (2015 - £2.1m) and accelerated capital allowances of £1.2m (2015 - £1.2m). The directors have not recognised this as it is not certain that the asset will be fully utilised in the near future.

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2015 - higher than) the standard rate of corporation tax in the UK of 20% (2015 - 20.25%). The differences are explained below:

	2016 £	2015 £
Profit/(loss) on ordinary activities before tax	852,905	(2,008,794)
Profit/(loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 20% (2015 - 20.25%)	170,581	(406,781)
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	8,860	3,038
Utilisation of tax losses	(277,331)	-
Short term timing difference leading to an increase (decrease) in taxation	22,297	-
Other timing differences leading to an increase (decrease) in taxation	75,593	94,563
Unrelieved tax losses carried forward	-	309,180
Total tax charge for the year	-	-

Factors that may affect future tax charges

The Finance (No.2) Act 2015 enacted the corporation tax rate to reduce from the current rate of 20% to 19% from 1 April 2017 with a further reduction to 18% from April 2020. On 24 March 2016, the Chancellor of the Exchequer announced that legislation would be introduced in Finance Act 2016 to reduce the main rate of corporation tax to 17% from 1 April 2020, superseding the 18% rate effective from that date introduced in Finance (No.2) Act 2015. These changes to the future tax rate were substantively enacted at the balance sheet date.

Environcom England Limited

Notes to the Financial Statements For the Year Ended 31 December 2016

11. Tangible fixed assets

	Leasehold improvements £	Plant and machinery £	Fixtures, fittings and equipment £	Total £
Cost or valuation				
At 1 January 2016	564,720	6,476,923	429,078	7,470,721
Transfers intra group	-	(312,299)	(27,515)	(339,814)
Disposals	-	(1,482)	-	(1,482)
At 31 December 2016	564,720	6,163,142	401,563	7,129,425
Depreciation				
At 1 January 2016	557,809	3,449,113	316,017	4,322,939
Charge for the year	6,403	337,667	33,893	377,963
Transfers intra group	-	(178,949)	(20,916)	(199,865)
Disposals	-	(1,482)	-	(1,482)
At 31 December 2016	564,212	3,606,349	328,994	4,499,555
Net book value				
At 31 December 2016	508	2,556,793	72,569	2,629,870
At 31 December 2015	6,911	3,027,810	113,061	3,147,782

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

	2016 £	2015 £
Plant and machinery	9,262	2,488,321

Environcom England Limited

Notes to the Financial Statements For the Year Ended 31 December 2016

12. Fixed asset investments

	Investments in subsidiary companies £
Cost	
At 1 January 2016	2
At 31 December 2016	2
Net book value	
At 31 December 2016	2
At 31 December 2015	2

Subsidiary undertakings

The following were subsidiary undertakings of the Company:

Name	Class of shares	Holding	Principal activity
Environcom (North West) Limited	Ordinary	100 %	Environmental recycling of electrical or electronic equipment and sale of electrical goods

Environcom England Limited

Notes to the Financial Statements For the Year Ended 31 December 2016

13. Stocks

	2016 £	2015 £
Raw materials and consumables	136,253	137,080
Finished goods and goods for resale	117,359	70,794
	<u>253,612</u>	<u>207,874</u>

There is no material difference between the balance sheet value of stocks and their replacement cost.

14. Debtors

	2016 £	2015 £
Trade debtors	1,227,376	883,756
Amounts owed by group undertakings	276,828	130,000
Other debtors	-	12,782
Prepayments and accrued income	797,151	827,036
	<u>2,301,355</u>	<u>1,853,574</u>

An impairment loss of £111,485 (2015 - £675,453) was recognised against trade debtors.

15. Creditors: Amounts falling due within one year

	2016 £	2015 £
Trade creditors	1,171,757	1,501,564
Amounts owed to group undertakings	8,103,559	8,499,084
Other taxation and social security	69,061	376,448
Obligations under finance lease and hire purchase contracts	2,583	-
Proceeds of factored debts	707,293	-
Other creditors	3,011	-
Accruals and deferred income	325,496	1,018,399
	<u>10,382,760</u>	<u>11,395,495</u>

Proceeds of factored debts are secured by a legal charge over trade debtors.

Obligations under finance leases and hire purchase contracts are secured over the assets to which they relate.

Environcom England Limited

Notes to the Financial Statements For the Year Ended 31 December 2016

16. Share capital

	2016 £	2015 £
Shares classified as equity		
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. Reserves

Profit & loss account

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

18. Pension commitments

The company operates a defined contribution scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund and amounted to £22,142 (2015 - £18,757). Contributions totaling £3,011 (2015 - £nil) were payable to the fund and at the balance sheet date.

19. Commitments under operating leases

At 31 December 2016 the Company had future minimum lease payments under non-cancellable operating leases as follows:

	2016 £	2015 £
Not later than 1 year	934,779	991,508
Later than 1 year and not later than 5 years	2,514,262	2,780,225
Later than 5 years	1,050,000	1,650,000
	<u>4,499,041</u>	<u>5,421,733</u>

Environcom England Limited

Notes to the Financial Statements For the Year Ended 31 December 2016

20. 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.

Up until 31 December 2016, Display Recycling Limited was a related party under common control of one of the directors. During the year the following transactions were entered into with Display Recycling Limited:

Sales invoices £287,429 (2015- 1,671,680)
Purchase invoices £235,844 (2015 - £251,570)

Amounts outstanding at the year end were:

Trade debtors £Nil (2015 - £19,369)
Trade creditors £Nil (2015 - £nil)

During the year £111,485 (2015 - £659,882) owed from Display Recycling Limited was provided in the statement of comprehensive income as an exceptional item.

On 31 December 2016, Display Recycling Limited was acquired by Environcom Limited and therefore became a wholly owned subsidiary.

21. Controlling party

The company's ultimate parent company is Environcom Limited, which is the largest and smallest group which prepares group financial statements including the results of the company. Copies of the group financial statements may be obtained from Companies House, Crown Way, Cardiff, CF14 3UZ.

The ultimate controlling party is Aloe Environment Fund II, a French Investment Fund.