

Environcom England Limited

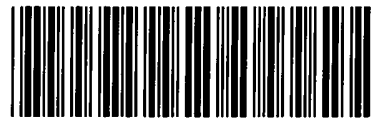
Annual Report and Financial Statements

Year Ended

31 December 2017

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
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 2017

The directors present the strategic report together with the audited financial statements for the year ended 31 December 2017.

Principal activity

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 2017 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 £10,856,118 (2016 - £12,377,647). Revised pricing along with continued focus on cost control, productivity savings and innovation have contributed to the gross margin of 30.17% (2016 - 23.1%) and the company delivered a gross profit in the year of £3,275,898 (2016 - £2,861,620). Operating profit in the year was £1,387,877 (2016 - £940,090) and profit before taxation in the year decreased to £277,083 (2016 - £852,905).

External Factors

During 2017, the rate of growth of the market for recycling of electrical appliances slowed leading the UK to miss its target for recycling by some 100,000 tonnes. Environcom England Limited continued to attract sufficient volume with competitive transparent pricing models and high levels of service. The targets set by the Environment Agency for 2018 for recycling continue to increase the volumes of electrical material required to be recycled, while an inelastic supply position for processing capacity indicate current pricing models are sustainable for the foreseeable future.

Internal Factors

Environcom have continued to innovate in the WEEE sector in order to remain at the forefront of processing efficiency. This will continue in 2018 in order to maintain improved margins and customer value.

Environcom England Limited

Strategic Report (continued) For the Year Ended 31 December 2017

Going Concern

In 2017 the company made an operating profit of £1,387,877 (2016 £940,090) and has net liabilities of £4,837,111 (2016 – £5,114,194) of which £7,375,859 (2016 - £8,103,559) is owed to group undertakings. The group have provided a support letter stating that the monies owed will not be recalled for at least 12 months from the signing of the financial statements. However the group's forecast results may not be achieved and as a result it is possible that the group will need to agree with their investors either an extension to the repayment of their current loans, or additional loans to cover the working capital requirements. In the event that the forecast results are not achieved and the group is unable to raise the require finance, the monies owed to the group undertaking may be recalled. This indicates the existence of a material uncertainty which, may cast uncertainty on the ability of the company to continue as a going concern.

The directors have prepared profit and cash flow forecasts for the three years ending 31 December 2020 and have reviewed the cash requirements of the company for the next twelve months and are confident that the company will generate sufficient cash to meet its liabilities when they fall due

On this basis the directors have prepared the financial statements on a going concern basis. The financial statements do not include 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.

Financial key performance indicators

The board puts in place a formal budget to measure and assess performance together with regular forecasts and monthly management accounts to measure progress. The financial key performance indicators are detailed below

Revenue – This measure shows the success of the business in attracting and processing volume of material to be reused and recycled.

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 pricing and operational performance.

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

Debtor and Creditor days and aged profiles – the company closely monitors its receipts and payments performance against terms to ensure not only working capital is effectively controlled, but to understand any issues quickly.

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

Environcom England Limited

Strategic Report (continued) For the Year Ended 31 December 2017

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



C J Stephenson
Director

Date: 20 July 2018

Environcom England Limited

Directors' Report For the Year Ended 31 December 2017

The directors present their report together with the audited financial statements for the year ended 31 December 2017.

Results and dividends

The profit for the year, after taxation, amounted to £277,083 (2016 - £852,905).

The directors do not recommend a payment of a final dividend for the year (2016 - £Nil).

Directors

The directors who served during the year were:

V Tandon
C A M Buchan
J A Parsons
C J Stephenson

Qualifying third party indemnity provisions

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

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 few goods and services in currencies other than sterling, and therefore does not consider the risk of foreign currency movements to be material to Environcom England Limited.

Environcom England Limited

Directors' Report (continued) For the Year Ended 31 December 2017

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
Director

Date: 20 July 2018

Environcom England Limited

Directors' Responsibilities Statement For the Year Ended 31 December 2017

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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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;
- 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 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

Opinion

We have audited the financial statements of Environcom England Limited ("the company") for the year ended 31 December 2017 which comprise the statement of comprehensive income, the balance sheet, the statement of changes in equity and related 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 Financial Reporting Standard 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 31 December 2017 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.

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.

Material uncertainty related to going concern

We draw attention to note 2.5 to the financial statements, which indicates that the company is reliant on the group not recalling the monies owed to the group. As stated in note 2.5, these events or conditions, along with other matters as set out in note 2.5, indicate that a material uncertainty exists that may cast significant doubt on the group and the parent company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Environcom England Limited

Independent Auditor's report to the members of Environcom England Limited (continued)

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. 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 directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

Environcom England Limited

Independent Auditor's report to the members of Environcom England Limited (continued)

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 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, 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.

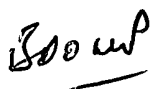
A further description of our responsibilities for the audit of the financial statements is located at the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Environcom England Limited

Independent Auditor's report to the members of Environcom England Limited (continued)

Use of our 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.



Richard Wilson (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
Nottingham
United Kingdom

20 July 2018

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 2017

	Note	2017 £	2016 £
Turnover	4	10,856,118	12,377,647
Cost of sales		(7,580,220)	(9,516,027)
Gross profit		3,275,898	2,861,620
Administrative expenses		(1,888,021)	(1,810,045)
Exceptional administrative expenses		-	(111,485)
Operating profit	5	1,387,877	940,090
Interest payable and expenses	8	(1,110,794)	(87,185)
Profit before tax		277,083	852,905
Taxation		-	-
Profit for the financial year		277,083	852,905

There was no other comprehensive income for 2017 (2016:£NIL).

The notes on pages 14 to 26 form part of these financial statements.

Environcom England Limited

Registered number: 04980148

Balance Sheet As at 31 December 2017

	Note	2017 £	2017 £	2016 £	2016 £
Fixed assets					
Tangible assets	10		2,466,443		2,629,870
Investments	11		2		2
			<u>2,466,445</u>		<u>2,629,872</u>
Current assets					
Stocks	12	290,072		253,612	
Debtors: amounts falling due within one year	13	1,862,660		2,301,355	
Cash at bank and in hand		48,324		83,727	
		<u>2,201,056</u>		<u>2,638,694</u>	
Creditors: amounts falling due within one year	14	(2,998,815)		(10,382,760)	
Net current liabilities			<u>(797,759)</u>		<u>(7,744,066)</u>
Total assets less current liabilities			<u>1,668,686</u>		<u>(5,114,194)</u>
Creditors: amounts falling due after more than one year	15		(6,505,797)		-
Net liabilities			<u><u>(4,837,111)</u></u>		<u><u>(5,114,194)</u></u>
Capital and reserves					
Called up share capital	17		13,000,100		13,000,100
Profit and loss account	18		(17,837,211)		(18,114,294)
			<u><u>(4,837,111)</u></u>		<u><u>(5,114,194)</u></u>

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



J A Parsons

Director

Date: 20 July 2018

The notes on pages 14 to 26 form part of these financial statements.

Environcom England Limited

Statement of Changes in Equity For the Year Ended 31 December 2017

	Called up share capital	Profit and loss account	Total equity
	£	£	£
At 1 January 2017	13,000,100	(18,114,294)	(5,114,194)
Comprehensive income for the year			
Profit for the year	-	277,083	277,083
At 31 December 2017	13,000,100	(17,837,211)	(4,837,111)

The notes on pages 14 to 26 form part of these financial statements.

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)

The notes on pages 14 to 26 form part of these financial statements.

Environcom England Limited

Notes to the Financial Statements For the Year Ended 31 December 2017

1. General information

Environcom England Limited is a private company limited by shares and incorporated in England and Wales under the Companies Act 2006. The address of the registered office is given on the company information page and the nature of the company's operations and its principal activity are 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 preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the company's accounting policies (see note 3).

The following principal accounting policies have been applied:

2.2 Accounting reference date

The company's accounting reference date is 31 December. It is company policy to prepare financial statements to the nearest Sunday to this date. The accounting period covers 1 January 2016 to 31 December 2017.

2.3 Financial reporting standard 102 - reduced disclosure exemptions

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102 "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 11.41(b), 11.41(c), 11.41(e), 11.41(f), 11.42, 11.44 to 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b) and 11.48(c);
- the requirements of Section 12 Other Financial Instruments paragraphs 12.26 to 12.27, 12.29(a), 12.29(b) and 12.29A;
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statements of Environcom Limited as at 31 December 2017 and these financial statements may be obtained from Companies House, Crown Way, Cardiff, CF14 3UZ.

2.4 Exemption from preparing consolidated financial statements

The company is a parent company that is also a subsidiary included in the consolidated financial statements of its immediate parent undertaking established under the law of an EEA state and is therefore exempt from the requirement to prepare consolidated financial statements under section 400 of the Companies Act 2006.

Environcom England Limited

Notes to the Financial Statements For the Year Ended 31 December 2017

2. Accounting policies (continued)

2.5 Going concern

In 2017 the company made an operating profit of £1,387,877 (2016 £940,090) and has net liabilities of £4,837,111 (2016 – £5,114,194) of which £7,375,859 (2016 - £8,103,559) is owed to group undertakings. The group have provided a support letter stating that the monies owed will not be recalled for at least 12 months from the signing of the financial statements. However the group's forecast results may not be achieved and as a result it is possible that the group will need to agree with their investors either an extension to the repayment of their current loans, or additional loans to cover the working capital requirements. In the event that the forecast results are not achieved and the group is unable to raise the require finance, the monies owed to the group undertaking may be recalled. This indicates the existence of a material uncertainty which, may cast uncertainty on the ability of the company to continue as a going concern.

The directors have prepared profit and cash flow forecasts for the three years ending 31 December 2020 and have reviewed the cash requirements of the company for the next twelve months and are confident that the company will generate sufficient cash to meet its liabilities when they fall due

On this basis the directors have prepared the financial statements on a going concern basis. The financial statements do not include 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.

2.6 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.

2.7 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

Environcom England Limited

Notes to the Financial Statements For the Year Ended 31 December 2017

2. Accounting policies (continued)

2.8 Valuation of investments

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

2.9 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.

2.10 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.

2.11 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.

2.12 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.

Environcom England Limited

Notes to the Financial Statements For the Year Ended 31 December 2017

2. Accounting policies (continued)

2.12 Financial instruments (continued)

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.

2.13 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.

2.14 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.

2.15 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.

2.16 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 2017

2. Accounting policies (continued)

2.17 Current and deferred 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 reporting date, except that:

2.18 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.

2.19 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.

3. Judgements 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 12.

Environcom England Limited

Notes to the Financial Statements For the Year Ended 31 December 2017

4. Turnover

Analysis of turnover by country of destination:

	2017 £	2016 £
United Kingdom	8,801,958	10,394,361
Rest of Europe	413,743	588,654
Rest of the world	1,640,417	1,394,632
	<u>10,856,118</u>	<u>12,377,647</u>

5. Operating profit

The operating profit is stated after charging:

	2017 £	2016 £
Depreciation of tangible fixed assets	323,473	377,963
Fees payable to the company's auditor and its associates for the audit of the company's annual financial statements	20,462	46,224
Exchange differences	14,439	17,484
Exceptional item - bad debt	-	111,485
Other operating lease rentals, plant hire and other rents	<u>980,550</u>	<u>1,167,307</u>

The depreciation charge above includes depreciation charged on assets under finance leases of £2,165 (2016 - £3,087).

Environcom England Limited

Notes to the Financial Statements For the Year Ended 31 December 2017

6. Employees

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

	2017 £	2016 £
Wages and salaries	3,084,999	3,728,459
Social security costs	263,547	296,259
Cost of defined contribution scheme	19,909	22,142
	<u>3,368,455</u>	<u>4,046,860</u>

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

	2017 No.	2016 No.
Direct labour	111	148
Sales and technical sales	9	10
Accounts and administration	26	26
	<u>146</u>	<u>184</u>

7. Directors' remuneration

	2017 £	2016 £
Directors' emoluments	<u>220,244</u>	<u>55,543</u>

The directors did not receive any remuneration for services to the company (2016 - £55,543). The directors are remunerated by Environcom Limited and details including the highest paid director are disclosed in those financial statements. It is not practicable to allocate the directors remuneration across each company in the group.

8. Interest payable and similar expenses

	2017 £	2016 £
Intercompany interest payable	1,053,873	72
Other loan interest payable	56,424	81,498
Finance leases and hire purchase contracts	497	5,615
	<u>1,110,794</u>	<u>87,185</u>

Environcom England Limited

Notes to the Financial Statements For the Year Ended 31 December 2017

9. Taxation

There is no charge to corporation tax as the company has losses of approximately £9.8m (2016 - 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 £2.9m (2016 - £2.9m) which includes losses of £1.7m (2016 - £1.7m) and accelerated capital allowances of £1.2m (2016 - £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 (2016 - lower than) the standard rate of corporation tax in the UK of 19.25% (2016 - 20.00%). The differences are explained below:

	2017 £	2016 £
Profit on ordinary activities before tax	<u>277,083</u>	<u>852,905</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.25% (2016 - 20.00%)	53,338	170,581
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	2,761	8,860
Utilisation of tax losses	(59,825)	(277,331)
Short term timing difference leading to an increase in taxation	-	22,297
Other differences leading to an increase in taxation	3,726	75,593
Total tax charge for the year	<u>-</u>	<u>-</u>

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 20.00% to 19.00% from 1 April 2017 with a further reduction to 18.00% 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 17.00% from 1 April 2020, superseding the 18.00% 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 2017

10. Tangible fixed assets

	Leasehold improvements £	Plant and machinery £	Fixtures, fittings and equipment £	Total £
Cost or valuation				
At 1 January 2017	564,720	6,163,142	401,563	7,129,425
Additions	5,611	78,465	6,806	90,882
Transfers intra group	-	162,333	-	162,333
At 31 December 2017	570,331	6,403,940	408,369	7,382,640
Depreciation				
At 1 January 2017	564,212	3,606,349	328,994	4,499,555
Charge for the year on owned assets	951	298,898	23,624	323,473
Transfers intra group	-	93,169	-	93,169
At 31 December 2017	565,163	3,998,416	352,618	4,916,197
Net book value				
At 31 December 2017	5,168	2,405,524	55,751	2,466,443
At 31 December 2016	508	2,556,793	72,569	2,629,870

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

	2017 £	2016 £
Plant and machinery	54,125	9,262

Environcom England Limited

Notes to the Financial Statements For the Year Ended 31 December 2017

11. Fixed asset investments

	Investments in subsidiary companies £
Cost	
At 1 January 2017	2
At 31 December 2017	2
Net book value	
At 31 December 2017	2
At 31 December 2016	2

Subsidiary undertakings

The following is a direct subsidiary undertaking 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.

The registered address of Environcom (North West) Limited is Spittlegate Level, Grantham, NG31 7UH.

12. Stocks

	2017 £	2016 £
Raw materials and consumables	163,696	136,253
Finished goods and goods for resale	126,376	117,359
	<u>290,072</u>	<u>253,612</u>

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 £187,050 (2016 - £37,082)..

Environcom England Limited

Notes to the Financial Statements For the Year Ended 31 December 2017

13. Debtors

	2017 £	2016 £
Trade debtors	1,124,832	1,227,376
Amounts owed by group undertakings	40,470	276,828
Prepayments and accrued income	697,358	797,151
	<u>1,862,660</u>	<u>2,301,355</u>

The impairment loss recognised in profit or loss for the year in respect of bad and doubtful trade debtors was £Nil (2016 - £111,485).

14. Creditors: Amounts falling due within one year

	2017 £	2016 £
Trade creditors	1,034,659	1,171,757
Amounts owed to group undertakings	908,000	8,103,559
Other taxation and social security	204,257	69,061
Obligations under finance lease and hire purchase contracts	11,748	2,583
Proceeds of factored debts	548,785	707,293
Other creditors	2,999	3,011
Accruals and deferred income	288,367	325,496
	<u>2,998,815</u>	<u>10,382,760</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 2017

15. Creditors: Amounts falling due after more than one year

	2017 £	2016 £
Net obligations under finance leases and hire purchase contracts	37,938	-
Amounts owed to group undertakings	6,467,859	-
	<u>6,505,797</u>	<u>-</u>

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

In December 2017, the directors of Environcom Limited agreed to reschedule the unsecured loans made to the company such that they will not be repayable before 1 January 2019. As a result and with the exception of £908,000 which is due within one year, the remaining amounts due to Environcom Limited are recognised within creditors: amounts falling due after one year. Interest is recharged by Environcom Limited based on the outstanding balance at the year end.

16. Hire purchase and finance leases

Minimum lease payments under hire purchase fall due as follows:

	2017 £	2016 £
Within one year	11,748	2,583
Between 1-2 years	12,395	-
Between 2-5 years	25,543	-
	<u>49,686</u>	<u>2,583</u>

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

17. Share capital

	2017 £	2016 £
Allotted, called up and fully paid		
13,000,100 ordinary shares of £1 each	<u>13,000,100</u>	<u>13,000,100</u>

Environcom England Limited

Notes to the Financial Statements For the Year Ended 31 December 2017

18. Reserves

The company's capital and reserves are as follows:

Called up share capital

Called up share capital represents the nominal value of the shares issued.

Profit and loss account

The profit and loss account represents cumulative profits or losses, net of dividends paid and other adjustments.

19. Pension commitments

The company operates a defined contribution pension 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 £19,909 (2016 - £22,142). Contributions totalling £2,999 (2016 - £3,011) were payable to the fund at the reporting date and are included in creditors..

20. Commitments under operating leases

At 31 December 2017 the company had future minimum lease payments under non-cancellable operating leases as follows:

	2017 £	2016 £
Not later than 1 year	973,503	934,779
Later than 1 year and not later than 5 years	2,575,062	2,514,262
Later than 5 years	450,000	1,050,000
	<u>3,998,565</u>	<u>4,499,041</u>

21. Related party transactions

The company has taken advantage of the exemption available in Section 33.1A of FRS 102 whereby it has not disclosed transactions with the ultimate parent company or any wholly owned subsidiary undertaking of the group.

22. Ultimate parent and 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.