# ASCO UK LIMITED

**ANNUAL REPORT AND**

**FINANCIAL STATEMENTS**

**For the year ended 31 December 2016**

**Registered No: SC029934**

ASCO UK Limited
Annual report and financial statements
For the year ended 31 December 2016

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Registered number SC029934

ASCO UK Limited

Officers and professional advisers

| | |
|---|---|
| **Directors** | A J Brown<br>C J Lennox<br>M J Walker |
| **Company Secretary** | F N McIntyre |
| **Registered Office** | ASCO Group Headquarters<br>Unit A, 11 Harvest Avenue<br>D2 Business Park<br>Dyce<br>Aberdeen<br>AB21 0BQ |
| **Independent Auditors** | PricewaterhouseCoopers LLP<br>Chartered Accountants and Statutory Auditors<br>The Capitol, 431 Union Street,<br>Aberdeen<br>AB11 6DA |
| **Solicitors** | Burness Paull LLP<br>1 Union Wynd<br>Aberdeen<br>AB10 1SL |
| **Bankers** | HSBC Bank plc<br>2 Queens Road<br>Aberdeen<br>AB15 4ZT |

The directors present their Strategic Report on the company for the year ended 31 December 2016.

**Principal activity**

The company is a wholly owned subsidiary of ASCO Holdings Limited. The company's principal activities are the provision of distribution and support services to oil companies engaged in both upstream and downstream activity. These include transport, provision of personnel and marine services and, at Peterhead, Aberdeen and Great Yarmouth, the operation of a service base. The bases offer a comprehensive service to the oil related North Sea operators from extensive quay and back-up facilities.

**Business review**

The company's sales decreased by 13% over the prior year largely as a result of the lower oil price and value of marine gasoil sales. A large proportion of revenue varies with fuel prices. Although the decreased oil price led to a decrease in fuel revenues, movements up or down have limited effect on actual profitability. These revenues generate a relatively fixed level of contribution which does not fluctuate with the fuel price.

Shareholders' equity increased by 16% (from £68.0 to £78.7m) due to profit for the financial year.

**KPIs**

ASCO Group manages its operations on a divisional basis. For this reason, the company's directors believe that further key performance indicators for the company other than turnover and operating profit are not necessary or appropriate for an understanding of the development, performance or position of the business.

The key performance indicators of the group are discussed in the Group's financial statements, and do not form part of this report.

**Risks and uncertainties**

Like most businesses, the company operates in a market which can fluctuate, and faces strong competitive pressures. The company manages this risk by focusing on adding value to the services we deliver to our customers and to building strong, enduring, long-term client relationships.

Client investment and activity levels are, of course, influenced to some extent by the oil price (as well as other factors like the need to replace depleted reserves and rig availability). Following the sharp drop in oil price during Q4 2014, which continued through 2015 and which has recovered slightly during 2016, the expectation is that the price will remain at around current levels in the short to medium term. Activity levels for the North Sea are expected to continue to be impacted albeit with some activity improvement anticipated in 2017.

**Risks and uncertainties (continued)**

Whilst not all of the company's activities are reliant on project activity, to mitigate some of the associated risk the business is looking at new opportunities in order to capitalise on market rationalisation with the potential that brings with companies looking to outsource and consolidate services.

Approved by the Board and signed on its behalf by:

Mark Walker

**M J Walker**
Director
28 April 2017

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

**Results and dividends**

The profit for the year after interest and taxation was £10,699,000 (2015: £4,423,000). The directors recommend that no dividend be paid (2015: £Nil) and the profit for the year will be transferred to the retained earnings reserve.

A more detailed review of the business is given in the Strategic Report.

**Post balance sheet events**

On 1 January 2017, the company acquired the trade and relevant assets and liabilities of fellow group company, Enviroco Limited, at their carrying value. The directors believe that the continued integration of waste services within the group quayside activities provides the best basis for future business development.

There have been no further material events between 31 December 2016 and the date of authorising the financial statements that would require adjustment to the financial statements or disclosure.

**Future developments**

There have not been any significant changes in the company's principal activities in the year. The directors are not aware, at the date of this report, of any likely changes in the company's activities in the next year.

**Financial Risk Management Objectives and Policies**

The company's activities expose it to a number of financial risks including credit risk, cash flow risk and liquidity risk.

The company's principal financial assets are bank balances and cash, and trade and other receivables. The company's credit risk is primarily attributable to its trade receivables. This is mitigated to some extent by performing credit checks. The amounts presented in the balance sheet are net of allowances for doubtful receivables. An allowance for impairment is made where there is an identified trigger event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

The credit risk on liquid funds is limited because the counterparty is a bank with high credit ratings assigned by international credit rating agencies. The company has no significant concentration of credit risk, with exposure spread over a number of counterparties.

In order to maintain liquidity to ensure that sufficient funds are available for ongoing operations and future developments, the company is party to group funding arrangements and uses a mixture of long-term and short-term finance.

**Environmental policy**

The company recognises the importance of its environmental responsibilities. The directors are aware of the need to comply with environmental regulations and are subject to regular visits by the Scottish Environmental Protection Agency in Scotland and the Environmental Agency in England.

**Employees**

Employees are provided with information on matters of concern to them, principally through the operation of regular team briefings to every employee.

In the field of consultation, the group has well-developed procedures with the appropriate trade unions, where they are recognised, and it is through such procedures and the union representation involved that the views of the employees are taken into account in making decisions which are likely to affect their interests. Elsewhere, views of employees are sought as appropriate through the management structure, encouraging involvement in company's performance.

The company strives to attract, develop and retain talented and engaged employees who are key to achieving objectives of the business.

Internal communication systems have been developed to inform all managers and staff throughout the group of significant events.

Although much of the company's work is unsuitable for disabled persons, positive efforts are made to recruit and train disabled persons for appropriate work and promote their career development. Arrangements are made, whenever possible, for retraining employees who become disabled, to enable them to perform work identified as appropriate to their aptitudes and abilities.

**Directors**

The present membership of the Board is set out on page 1. S Donald resigned as director on 1 January 2016. There have been no further changes in the membership during the financial year or subsequent to the year-end to the date of signing of this report.

**Statement of directors' responsibilities**

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", 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 the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;

**Statement of directors' responsibilities (continued)**

- state whether applicable United Kingdom Accounting Standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements 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.

The directors 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.

In the case of each director in office at the date the Directors' Report is approved:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

**Directors' indemnities**

As permitted by the Articles of Association, the directors have the benefit of an indemnity which is a qualifying third party indemnity provision as defined by Section 234 of the Companies Act 2006. The indemnity was in force throughout the last financial year and is currently in force.

The company also purchased and maintained throughout the financial year directors' and officers' liability insurance in respect of itself and its directors.

Approved by the Board and signed on its behalf by:

M J Walker
Director
28 April 2017

# *Independent auditors' report to the members of ASCO UK Limited*

## Report on the financial statements

### Our opinion

In our opinion, ASCO UK Limited's financial statements (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.

### What we have audited

The financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), comprise:

- the Statement of financial position as at 31 December 2016;
- the Income Statement for the year then ended;
- the Statement of changes in equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

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

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

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

In addition, in light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Strategic Report and the Directors' Report. We have nothing to report in this respect.

## Other matters on which we are required to report by exception

### Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- 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.

We have no exceptions to report arising from this responsibility.

## Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

# Responsibilities for the financial statements and the audit

## Our responsibilities and those of the directors

As explained more fully in the Statement of directors' responsibilities set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

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) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

## What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report. With respect to the Strategic Report and Directors' Report, we consider whether those reports include the disclosures required by applicable legal requirements.

Bruce Collins

Bruce Collins (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Aberdeen
28 April 2017

ASCO UK Limited

Income Statement

For the year ended 31 December 2016

| | Note | 2016 £'000 | 2015 £'000 |
|---|---|---|---|
| **Revenue** | 4 | 277,754 | 319,271 |
| Cost of sales | | (256,481) | (295,542) |
| **Gross profit** | | 21,273 | 23,729 |
| Administrative expenses | | (8,745) | (15,140) |
| Exceptional items | 5 | (55) | (4,000) |
| **OPERATING PROFIT** | 6 | 12,473 | 4,589 |
| Interest payable and similar charges | 8 | (145) | (195) |
| **PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION** | | 12,328 | 4,394 |
| Tax on profit on ordinary activities | 9 | (1,629) | 29 |
| **PROFIT FOR THE FINANCIAL YEAR** | | 10,699 | 4,423 |

All of the company's activities relate to continuing operations and the income statement has been prepared on that basis. The company has no recognised gains or losses other than as presented above.

Notes on pages 12 to 28 are an integral part of these financial statements.

ASCO UK Limited
Statement of financial position
As at 31 December 2016

| | Note | 2016 £'000 | 2015 £'000 |
|---|---|---|---|
| **FIXED ASSETS** | | | |
| Property, plant and equipment | 10 | 25,259 | 24,803 |
| **CURRENT ASSETS** | | | |
| Stocks | 11 | 3,679 | 742 |
| Debtors | 12 | 65,938 | 97,786 |
| Cash at bank and in hand | | 26,173 | 2 |
| | | 95,790 | 98,530 |
| **CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR** | 13 | (39,630) | (52,219) |
| **NET CURRENT ASSETS** | | 56,160 | 46,311 |
| **TOTAL ASSETS LESS CURRENT LIABILITIES** | | 81,419 | 71,114 |
| Creditors: amounts falling due after more than one year | 14 | (1,081) | (1,929) |
| Deferred tax liabilities | 9 | (955) | (591) |
| Provisions for liabilities | 15 | (687) | (597) |
| **NET ASSETS** | | 78,696 | 67,997 |
| **CAPITAL AND RESERVES** | | | |
| Called up share capital | 17 | 750 | 750 |
| Retained earnings | | 77,946 | 67,247 |
| **TOTAL SHAREHOLDERS' FUNDS** | | 78,696 | 67,997 |

Notes on pages 12 to 28 are an integral part of these financial statements.

The financial statements on pages 9 to 28 were approved by the board of directors and signed on its behalf by:

M J Walker
Director
28 April 2017

# ASCO UK Limited
## Statement of changes in equity
## For the year ended 31 December 2016

| | Called up share capital £'000 | Retained earnings £'000 | Total £'000 |
|---|---|---|---|
| At 1 January 2015 | 750 | 62,824 | 63,574 |
| Result for the year | - | 4,423 | 4,423 |
| At 31 December 2015 | 750 | 67,247 | 67,997 |
| Result for the year | - | 10,699 | 10,699 |
| At 31 December 2016 | 750 | 77,946 | 78,696 |

## 1. GENERAL INFORMATION

The financial statements of ASCO UK Limited for the year ended 31 December 2016 were authorised for issue by the Board of Directors and the statement of financial position was signed on the Board's behalf by M J Walker on 28 April 2017.

ASCO UK Limited ("the Company") is a private limited company incorporated and domiciled in the United Kingdom. The company's principal activities are the provision of distribution and support services to oil companies engaged in both upstream and downstream activity. The company's registered office is ASCO Group Headquarters, Unit A, 11 Harvest Avenue, D2 Business Park, Dyce, Aberdeen, AB21 0BQ.

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101). The financial statements are prepared on a going concern basis under the historical cost convention.

The specific accounting policies adopted which are consistently applied in preparing the financial statements are described below. The financial statements are presented in Pounds Sterling and all values are rounded to the nearest thousand (£000) unless otherwise indicated.

## 2. ACCOUNTING POLICIES

### 2.1 Basis of preparation

The financial statements have been prepared in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS 101) and in accordance with the Companies Act 2006.

FRS 101 sets out a reduced disclosure framework for a 'qualifying entity'. The company is a 'qualifying entity' as it is included in the consolidated financial statements of ASCO Group Limited. Note 18 gives details of the company's controlling entities. The company's shareholders have confirmed their agreement to the presentation of reduced disclosures.

The application of FRS 101 has enabled the company to take advantage of certain disclosure exemptions that would have been required had the company adopted International Financial Reporting Standards in full.

**2. ACCOUNTING POLICIES (CONTINUED)**

In particular, the Company has taken advantage of the following disclosure exemptions under FRS 101:

(a) the requirements of paragraphs 10(d), 10(f), 39(c) and 134-136 of IAS 1 Presentation of Financial Statements;
(b) the requirements of IAS 7 Statement of Cash Flows;
(c) the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;
(d) the requirements of paragraph 17 of IAS 24 Related Party Disclosures;
(e) the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member;
(f) the requirements of IFRS 7 Financial Instruments: Disclosures;

The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 31 December 2016.

2.2 Foreign currencies

The Company's financial statements are presented in Pounds Sterling, which is also the functional currency.

Assets, liabilities, revenues and costs denominated in foreign currencies are recorded at the rate ruling at the dates of the transaction. Monetary assets and liabilities at the balance sheet date are translated at year end rates of exchange. All exchange differences arising are reported as part of the results for the period.

2.3 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes.

Revenue derived from the supply of services is recognised upon provision of the services. Revenue is recognised on the basis of services provided to date and revenue is deferred in circumstances where it has not yet been earned. Revenue derived from the supply of goods is recognised upon despatch when the significant risks and rewards of ownership pass to the customer.

2.4 Exceptional items

Items that are material either because of their size or their nature, or that are non-recurring are considered as exceptional items and are presented within the line items to which they best relate.

## 2. ACCOUNTING POLICIES (CONTINUED)

### 2.5 Property, plant and equipment

Property, plant and equipment is stated at cost, net of accumulated depreciation and/or accumulated impairment losses, if any. The cost of fixed assets is their purchase cost together with any directly related costs of acquisition.

Depreciation is provided on all tangible fixed assets, other than freehold land, at annual rates calculated to write off the cost on a straight line basis over the expected useful economic lives of the assets. There is no depreciation charged on assets when construction is in progress. The rates of depreciation are as follows:

| | |
|---|---|
| Freehold property | 25 to 50 years |
| Leasehold property | over the life of the lease |
| Plant and equipment | 2-10 years |

### 2.6 Stocks

Stocks are stated at the lower of cost and net realisable value. Cost is determined using a weighted average cost of the most recent inventory purchased. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs to sell.

### 2.7 Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date. The arrangement is assessed for whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in the arrangement.

Assets held under finance leases that transfer to the Company substantially all the risks and rewards of ownership of the leased item, are capitalised at their fair values on the inception of the leases and depreciated over the shorter of lease term and their estimated useful lives. Lease payments are apportioned between finance charges and reduction in lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the income statement.

Rentals paid under operating leases are charged to the profit and loss account on a straight line basis over the length of the lease. Income in respect of operating leases is credited on a straight line basis over the length of the lease.

### 2.8 Taxation

The tax expense for the current period comprises current tax and deferred tax.

**2. ACCOUNTING POLICIES (CONTINUED)**

2.8a Current tax

Current income tax is based on the taxable result for the year and the company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date. Taxable income differs from loss as reported in the income statement because it excludes or includes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible.

The company is part of a group that obtains the benefits of tax losses from other group companies in the form of group relief. Group relief is provided for nil consideration between group companies.

2.8b Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date. Deferred tax liabilities are recognised for all taxable temporary differences.

Deferred tax assets are recognised only to the extent that it is probable that a taxable profit will be available against which the deductible temporary differences, carried forward tax credits or tax losses can be utilised. Deferred tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply when the asset is realised or the liability is settled, based on tax rates and tax laws enacted or substantively enacted at the balance sheet date.

Tax is charged or credited directly to equity if it relates to items that are credited or charged to equity. Otherwise, tax is recognised in the income statement.

2.9 Financial instruments

2.9a Financial assets

The company's financial assets are classified as trade and other receivables and cash. Management determines the identification of financial assets at initial recognition.

*Trade and other receivables*

Trade and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than twelve months after the Statement of Financial Position date.

Trade receivables are recognised at fair value less provision for impairment.

A provision for impairment of trade receivables is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, dispute, default or delinquency in payments are considered indicators that the receivable is impaired.

**2. ACCOUNTING POLICIES (CONTINUED)**

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement. When a trade receivable is uncollectable it is written off against the allowance account for trade receivables.

*Cash and cash equivalents*

Cash and cash equivalents include cash in hand, deposits held with banks, and other short-term highly liquid investments with original maturities of three months or less. Bank overdrafts are shown within borrowings in current liabilities in the Statement of Financial Position.

2.9b Financial liabilities

The company's financial liabilities are classified as trade and other payables, loans and borrowings. Management determines the identification of financial liabilities at initial recognition. The company's financial liabilities include trade and other payables, bank overdrafts, loans and borrowings, financial guarantee contracts, and derivative financial instruments.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, carried at amortised cost. This includes directly attributable transaction costs.

*Derecognition*

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

*Offsetting of financial instruments*

Financial assets and financial liabilities are offset with the net amount reported in the consolidated statement of financial position only if there is a current enforceable legal right to offset the recognised amounts and an intent to settle on a net basis, or to realise the asset and settle the liabilities simultaneously.

2.10 Provisions

Provisions are recognised when the company has a present obligation (legal or constructive) as a result of a past event, it is probable that the company will be required to settle that obligation, and a reliable estimate can be made of the amount of that obligation.

2.11 Pensions

The company participates in a group defined contribution scheme. The charge to the income statement is the amount of contributions payable to the scheme in the year.

## 3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the financial statements requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates. Significant judgements and estimates in these financial statements have been made with regard to depreciation on tangible fixed assets (note 10), recovery of trade receivables (note 12) and dilapidations provision (note 15). An explanation of key uncertainties or assumptions used by the management in accounting for these items is explained, where material, in the respective notes.

## 4. REVENUE

Revenue recognised in the income statement arises from continuing activities in the UK and is analysed as follows:

| | 2016 £'000 | 2015 £'000 |
|---|---|---|
| Provision of services | 110,878 | 116,438 |
| Supply of goods | 166,876 | 202,833 |
| | 277,754 | 319,271 |

## 5. EXCEPTIONAL ITEMS

| | 2016 £'000 | 2015 £'000 |
|---|---|---|
| Impairment of trade receivables | - | 4,000 |
| Transaction costs | 55 | - |
| | 55 | 4,000 |

The impairment of trade receivables in 2015 arose as a consequence of a customer entering administration.

Transaction costs in 2016 relate to an aborted acquisition.

## 6. OPERATING PROFIT

| Operating profit is stated after charging/(crediting) | 2016<br>£'000 | 2015<br>£'000 |
|---|---|---|
| Depreciation - owned assets | 2,327 | 2,338 |
| Depreciation - assets held under hire purchase contracts | 555 | 699 |
| Operating lease rentals | 9,909 | 12,216 |
| Gain on foreign exchange | (130) | (246) |
| Gain on disposal of fixed assets | (17) | (2) |

During the year, the company obtained the following services from the company's auditors and their associates:

| | 2016<br>£'000 | 2015<br>£'000 |
|---|---|---|
| Audit services | 54 | 68 |
| Tax services | - | 9 |
| | 54 | 77 |

## 7. EMPLOYEES AND DIRECTORS

**Employees**

Employee benefit expenses

| | 2016<br>£'000 | 2015<br>£'000 |
|---|---|---|
| Wages and salaries | 29,614 | 26,301 |
| Social security costs | 2,947 | 2,759 |
| Other pension costs | 1,189 | 1,862 |
| | 33,750 | 30,922 |

## 7. EMPLOYEES AND DIRECTORS (CONTINUED)

**Average monthly number of persons employed**

| (including executive directors)<br>By activity: | 2016<br>No. | 2015<br>No. |
|---|---|---|
| Administration | 168 | 166 |
| Operations | 506 | 486 |
| | 674 | 652 |

**Directors**

| | 2016<br>£'000 | 2015<br>£'000 |
|---|---|---|
| Executive directors' remuneration | 295 | 359 |
| Pension scheme contributions | 20 | 34 |
| | 315 | 393 |

| | 2016<br>£'000 | 2015<br>£'000 |
|---|---|---|
| **Highest paid director** | | |
| Aggregated emoluments, excluding pension contributions | 295 | 211 |
| Company contributions to pension scheme | 20 | 20 |
| | 315 | 231 |

Certain of the directors are employees of other group companies and it is not considered practical to determine the specific portion of their remuneration that related to the company.

The number of directors for whom retirement benefits are accruing under a defined contribution scheme amounted to 1 (2015: 2).

## 8. INTEREST PAYABLE AND SIMILAR CHARGES

| | 2016 | 2015 |
|---|---|---|
| | £'000 | £'000 |
| Interest payable on finance leases | 126 | 195 |
| Interest payable to group companies | 19 | - |
| | 145 | 195 |

## 9. TAX ON PROFIT ON ORDINARY ACTIVITIES

(a) Income tax expense / (credit)

| | 2016 | 2015 |
|---|---|---|
| | £'000 | £'000 |
| **Current tax** | | |
| UK Corporation tax on profits for the year | 1,189 | 25 |
| Foreign tax | - | 34 |
| Adjustments in respect of previous years | - | 161 |
| Group relief | 76 | - |
| | 1,265 | 220 |
| **Deferred tax** | | |
| Current year | 329 | (586) |
| Tax rate changes | 35 | (24) |
| Adjustment to taxes for prior years | - | 361 |
| | 364 | (249) |
| **Tax charge / (credit) on profit on ordinary activities** | 1,629 | (29) |

## 9. TAX ON PROFIT ON ORDINARY ACTIVITIES (CONTINUED)

(b) Reconciliation of current tax charge

The charge / (credit) for the year is lower (2015: lower) than that obtained by applying the standard rate of corporation tax in the UK of 20% (2015: 20.25%) to the profit on ordinary activities before taxation. The difference is explained below:

| | 2016 £'000 | 2015 £'000 |
|---|---|---|
| Profit on ordinary activities before taxation | 12,328 | 4,394 |
| UK Corporation tax at standard rate 20% (2015: 20.25%) | 2,466 | 890 |
| **Effects of:** | | |
| Expenses not deductible for tax purposes | 3 | 305 |
| Fixed asset differences | 114 | - |
| Tax rate changes | (23) | (24) |
| Effects of overseas tax rates | - | 33 |
| Adjustments in respect of previous years | - | 522 |
| Group relief not paid for/other | (931) | (1,755) |
| **Total tax charge / (credit) for the year** | 1,629 | (29) |

During the year, the UK corporation tax rate remained unchanged at 20%.

The analysis of deferred tax balances is as follows:

| | 2016 £'000 | 2015 £'000 |
|---|---|---|
| Deferred tax balances | | |
| - Deferred tax asset to be recovered within 12 months | (19) | - |
| - Deferred tax liability to be recovered after more than 12 months | 974 | 591 |
| Deferred tax liabilities (net) | 955 | 591 |

## 9. TAX ON PROFIT ON ORDINARY ACTIVITIES (CONTINUED)

(c) Deferred tax (continued)

The gross movement on deferred tax income tax account is as follows:

| | 2016<br>£'000 | 2015<br>£'000 |
|---|---|---|
| At 1 January | 591 | 840 |
| Income statement charge (note 9a) | 364 | (249) |
| **At 31 December** | 955 | 591 |

The deferred tax liabilities can be further analysed as follows:

| Deferred tax liabilities | Accelerated tax depreciation<br>£'000 | Other timing differences<br>£'000 | Total<br>£'000 |
|---|---|---|---|
| At 1 January 2015 (restated) | 896 | (56) | 840 |
| (Credited) / charged to the income statement | (269) | 20 | (249) |
| At 31 December 2015 | 627 | (36) | 591 |
| (Credited) / charged to the income statement | 347 | 17 | 364 |
| At 31 December 2016 | 974 | (19) | 955 |

During the year, the UK corporation tax rate remained unchanged at 20%.

## 10. PROPERTY, PLANT AND EQUIPMENT

| | Land & Buildings £'000 | Plant & Equipment £'000 | Total £'000 |
|---|---|---|---|
| **Cost** | | | |
| At 1 January 2016 (restated) | 12,232 | 30,666 | 42,898 |
| Additions | 684 | 2,826 | 3,510 |
| Disposals | (18) | (4,018) | (4,036) |
| **At 31 December 2016** | 12,898 | 29,474 | 42,372 |
| **Accumulated Depreciation** | | | |
| At 1 January 2016 (restated) | 3,878 | 14,217 | 18,095 |
| Charge for the year | 572 | 2,310 | 2,882 |
| On Disposals | (18) | (3,846) | (3,864) |
| **At 31 December 2016** | 4,432 | 12,681 | 17,113 |
| **Net book value** | | | |
| **At 31 December 2016** | 8,466 | 16,793 | 25,259 |
| **At 31 December 2015** | 8,354 | 16,449 | 24,803 |

Cost and accumulated depreciation as at 1 January 2016 have been restated by £2,319,000 and £1,156,000 respectively following reclassification of certain assets previously classed as plant & equipment to land & buildings.

During the year, assets with cost of £616,000 and accumulated depreciation of £462,000 were transferred from fellow group companies.

Land and buildings comprise:

| | 2016 £'000 | 2015 £'000 |
|---|---|---|
| Heritable (restated) | 1,635 | 1,728 |
| Long Leasehold | 6,666 | 6,419 |
| Short leasehold | 165 | 207 |
| | 8,466 | 8,354 |

## 10. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The net carrying value of tangible fixed assets includes the following in respect of held under finance leases or hire purchase contracts:

| | 2016 £'000 | 2015 £'000 |
|---|---|---|
| Plant and Equipment | 2,544 | 3,182 |
| Depreciation charge for the year in respect of lease assets | 555 | 699 |

## 11. STOCKS

| | 2016 £'000 | 2015 £'000 |
|---|---|---|
| Raw materials and consumables | 3,679 | 742 |
| | 3,679 | 742 |

The difference between the purchase price of stocks and their replacement cost is not material. The cost of inventories recognised as an expense and included in "cost of sales" amounted to £155,468,000 (2015: £193,292,000). There were no provisions for impairment of stocks in the current or prior financial year.

## 12. DEBTORS

| | 2016 £'000 | 2015 £'000 |
|---|---|---|
| Trade debtors | 19,455 | 17,382 |
| Amounts owed by group undertakings | 36,203 | 69,776 |
| Corporation tax recoverable | - | 74 |
| Other debtors | 308 | 724 |
| Prepayments and accrued income | 9,972 | 9,830 |
| | 65,938 | 97,786 |

The carrying value of trade and other receivables are approximate to fair value. There are no non-current receivables included in the above figures. Trade receivables are stated net of provisions for impairment. Amounts owed from group undertakings are unsecured, interest free, repayable on demand and have no fixed repayment date.

## 13. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

| | 2016 £'000 | 2015 £'000 |
|---|---|---|
| Bank loans and overdrafts | - | 14,901 |
| Trade creditors | 13,095 | 13,706 |
| Amounts owed to group undertakings | 8,033 | 8,653 |
| Corporation tax | 1,189 | - |
| Other taxation and social security | 993 | 1,167 |
| Other creditors | 1,303 | 2,505 |
| Finance lease creditor | 669 | 661 |
| Accruals and deferred income | 14,348 | 10,626 |
| | 39,630 | 52,219 |

The group bank loans and overdraft are secured by standard securities over certain properties of the group and bonds and floating charges over the assets of a number of group companies

Amounts owed to group undertakings are unsecured, interest free, repayable on demand and have no fixed repayment date.

## 14. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

| | 2016 £'000 | 2015 £'000 |
|---|---|---|
| Finance lease creditor (note 16) | 1,081 | 1,929 |
| **Split as follows:** | | |
| Repayable 1-5 years | 1,081 | 1,929 |
| Repayable over 5 years | - | - |
| | 1,081 | 1,929 |

**15. PROVISIONS FOR LIABILITIES**

| | Dilapidations 2016 £'000 | 2015 £'000 |
|---|---|---|
| At 1 January | 597 | 773 |
| Leasehold repairs charge | (60) | (176) |
| Charged to income statement | 150 | - |
| **At 31 December** | 687 | 597 |

Analysis of total provisions:

| | 2016 £'000 | 2015 £'000 |
|---|---|---|
| Non-current | 687 | 597 |
| Current | - | - |
| **Total** | 687 | 597 |

An undiscounted provision of £687,000 (2015: £597,000) has been recorded in respect of the estimated cost for dilapidations on certain leased properties, which the company is obliged to remediate prior to returning. During the year, £60,000 (2015: £176,000) was spent on leasehold repairs.

**16. COMMITMENTS AND CONTINGENCIES**

(i) Capital commitments

Capital expenditure contracted for at the end of the reporting year but not yet incurred is as follows:

| | 2016 £'000 | 2015 £'000 |
|---|---|---|
| Property, plant and equipment | - | 102 |

(ii) Operating lease commitments – company as lessee

The company leases various offices and warehouses under non-cancellable operating lease agreements. The lease terms are between 1 and 10 years, and the majority of lease agreements are renewable at the end of the lease period at market rates.

The company also leases various plant and machinery under cancellable operating lease commitments. The lease expenditure charged to the income statement during the year is disclosed in note 6.

**16. COMMITMENTS AND CONTINGENCIES (CONTINUED)**

At 31 December the company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

| | 2016 £'000 | 2015 £'000 |
|---|---|---|
| No later than one year | 4,926 | 4,880 |
| Later than one year and no later than five years | 13,943 | 14,822 |
| Later than five years | 25,624 | 27,374 |
| Total | 44,493 | 47,076 |

(iii) Finance lease and hire purchase contracts

The company has finance leases and hire purchase contracts for various items of plant and machinery. These leases have terms of renewal but no purchase options or escalation clauses. Future minimum lease payments under finance leases and hire purchase contracts together with the present value of net minimum lease payments are as follows:

| | 2016 £'000 | 2015 £'000 |
|---|---|---|
| Not later than one year | 744 | 985 |
| Later than one year and not later than five years | 1,253 | 1,980 |
| Total gross payments | 1,997 | 2,965 |
| Impact of finance charges | (247) | (375) |
| Carrying value of the liability | 1,750 | 2,590 |

The present value of minimum lease payments is analysed as follows:

| | 2016 £'000 | 2015 £'000 |
|---|---|---|
| Not later than one year | 669 | 661 |
| Later than one year and not later than five years | 1,081 | 1,929 |
| Carrying value of the liability | 1,750 | 2,590 |

## 16. COMMITMENTS AND CONTINGENCIES (CONTINUED)

(iv) Contingent liabilities

The group bank loans and overdraft are secured by standard securities over certain properties of the group and bonds and floating charges over the assets of a number of group companies. Cross guarantees also exist with other group companies. The contingent liability of the company under these arrangements at 31 December 2016 amounted to £145,062,000 (2015: £143,948,000).

(v) Pension commitments

The company participates in the group defined contribution scheme. The pension charge shown in note 7 represents contributions payable by the company to the defined contribution scheme and amounted to £1,189,000 (2015: £1,862,000). The amount outstanding at 31 December 2016 was £112,000 (2015: £123,000).

## 17. CALLED UP SHARE CAPITAL

Ordinary shares of £1 each

| | 2016 | 2015 |
|---|---|---|
| | £'000 | £'000 |
| **Authorised** | | |
| 1,500,000 (2015: 1,500,000) ordinary shares of £1 each | 1,500 | 1,500 |
| **Allotted, called up and fully paid** | | |
| 750,000 (2015: 750,000) ordinary shares of £1 each | 750 | 750 |

## 18. CONTROLLING PARTIES

The company is a subsidiary undertaking of ASCO Holdings Limited, a company registered in Scotland. Copies of its financial statements can be obtained from the Company Secretary at ASCO Group Headquarters, Unit A, 11 Harvest Avenue, D2 Business Park, Dyce, Aberdeen, AB21 0BQ.

The ultimate parent company is ASCO Group Holdings Limited, a company registered in Jersey. The financial statements of ASCO Group Limited, the ultimate UK holding company, which reflect the consolidation of the company, are available from the Company Secretary at ASCO Group Headquarters, Unit A, 11 Harvest Avenue, D2 Business Park, Dyce, Aberdeen, AB21 0BQ.

## 19. EVENTS AFTER THE REPORTING PERIOD

On 1 January 2017, the company acquired the trade and relevant assets and liabilities of fellow group company, Enviroco Limited, at their carrying value. The directors believe that the continued integration of waste services within the group quayside activities provides the best basis for future business development.