Future Industrial Services Limited

Annual report and financial statements

Registered number 3734986

31 December 2018

Contents

Company Information

Directors	David Lusher Stephen Purkis
Registered office	Image Business Park Acornfield Road Kirkby Liverpool L33 7UF
Auditor	KPMG LLP 8 Princes Parade Liverpool L3 1QH
Bankers	Natwest Natwest Commercial Banking 1 Spinningfield Square Manchester M3 3AP
Solicitors	Gateley plc Ship Canal House 98 King Street Manchester M2 4WU

Strategic Report

Principal activities

Future Industrial Services Ltd (FIS) is a nationwide provider of specialist environmental and industrial services with a key focus on safety and regulatory compliant solutions to its customers. It operates a number of regulated sites which provide for the treatment and transfer of both solid and liquid waste streams, including specialist recovery facilities for oils and heavy metals. In addition, the company provides a wide range of value-added industrial services including the bulk transport of waste, both hazardous and non-hazardous, and specialist industrial cleaning services.

Business review

The directors present the strategic report and financial statements for the year ended 31 December 2018.

The board are pleased with the performance for year ended 31 December 2018, reflecting the growth and profit efficiency strategy implemented by the executive team to take advantage of the current market conditions the business operates within.

Turnover for the year under review was £32.2 million (2017: £26.5 million); this is an increase of 22% on the previous year. The increase in sales reflects increased volumes and the part year sales from the acquisition of Colt Ltd in Hull. There was a loss before taxation of £1.6 million for the year under review (2017: loss of £1.9 million) as the company incurred the integration costs of Colt Ltd., whilst still representing a 16% improvement on prior year. We ended the year with net assets of approximately £10.5m.

The 2019 outturn is expected to see a further increase on turnover and is forecast to outturn £34m, an increase of 6.25% on the 2018 year. The Company is also trading toward profit before taxation for 2019.

To continue supporting this growth profile, our operations have transitioned to a service and product structure with two divisions, Specialised Industrial Services and Environmental Services, each headed up by a member of the Senior Operational team. This has enabled efficiencies to be implemented in the administration of the business, with a focused approach to deliver specialist services nationally through a concentrated sales approach.

2019 has also seen the commencement of the implementation of a new integrated IT system, Enwis, an investment that will further platform the business for its ongoing growth. Concurrently, fleet telematics have been introduced which are enabling action on emissions and greater fleet visibility and control.

The Company has continued to deliver market-leading health, safety and environmental practices for the benefit of our colleagues, customers and wider stakeholders. In addition our year on year OPRA score has improved reflective of our strong environmental performance.

Year	2016	2017	2018	2019 YTD (end July)
Berwick (Main Permit)	B	B	A	A
Berwick (Mercury Permit)	B	A	A	A
Kirkby	E	B	B	A
Honiton	A	A	A	A
Syloc	B	A	A	A
Hull	N/A	N/A	B	A

The relationship with the company's Bank, NatWest, continues to be strong and has been demonstrated by the signing in April 2019 of enhanced banking facilities and their ongoing support of significant investment in fleet and fixed assets (totalling £5.349m of capex in 2018, and £1.319m in the YTD)

With the UK readying itself for the possible exit from the EU the Directors have reviewed the business risks considering Brexit. They have built a Brexit plan to minimise any business interruption and financial risk and believe the business is well positioned to support new and existing customers through any range of outcome of Brexit – due to the well-invested and unique waste processing and recovery facilities at FIS.

Strategic Report (continued)

Key performance indicators

The principal key performance indicators used by management to monitor performance are set out below.

Management have developed a suite of KPI reports in the year, which are the principle control measure used in the business.

Non-Financial Measures:
- Quality, Health, Safety and Environmental (QHSE) statistics, including near miss reporting and working hours
- Fleet KPIs – Including MOT pass rates, vehicle inspections and driver hours
- Various Human Resource statistics
- Asset utilisation

Financial Measures:
- Revenue, gross profit, net profit
- EBITDA
- Contracted v non-contracted performance
- Working capital

Principal risks and uncertainties

The directors consider that the following are the principal risk factors that could materially and adversely affect the Company's future operating profits or financial position:

- the Company is exposed to general economic risk, including changes in the economic outlook in its principal markets and government changes in industrial, fiscal, monetary or regulatory policies.
- the Company may be adversely affected by bad debts.
- the Company is subject to strict environmental and health and safety laws. Situations where enforcement is not consistently applied across the industry could lead to higher compliance costs borne by the Company than some competitors.

The loss of the Company for the year is set out in the statement of profit and loss account on page 11 and in the related notes.

Financial risk management objectives and policies

The main risks arising from the company's financial instruments are currency risk, liquidity risk, interest rate risk, and credit risk. The directors review and agree policies for managing each of these risks and they are summarised below. These policies have remained unchanged from previous years.

Net current assets are £1.3m in the current year compared to a position of £5.2m in the prior year as the Board invested in the integration of Colt Ltd and replaced ageing kit in the fleet through additional financing facilities – including the acquisition of £2.3million vehicles].

Currency and price risk

The company makes very little sales in currencies other than sterling. The company also makes very little purchases of stock in other currencies. The company's policy is to minimize the currency risk where possible.

Liquidity Risk

The company seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably. The company maintains short-term flexibility through the debtor finance facility and other loan facilities.

Strategic Report (continued)

Interest rate risk
The company finances its operations through a mixture of retained profits and borrowings. The company has borrowings and finance leases with fixed and floating interest rates. The company mitigates the interest rate risk through maintenance of leverage within the capital structure.

Credit risk
The company's principal assets include trade debtors. The credit risk associated with debtors is limited through debtor's insurance and credit granting policy. The company experiences very low losses in debtor collection.

Going concern
The company prepares financial projections which fully incorporate expected increases in trading, costs, and other working capital requirements. They also make due allowance for known and expected capital expenditure and other investing activities. The consequences of forecasted trading and investing activities are then tested against available credit lines and the conditions attaching to those lines. The principal source of working capital funding is from the ID facility provided by NatWest and cash generated via trading activities.

The directors therefore consider that in preparing the accounts they can properly adopt the going concern basis.

By order of the board

Stephen Purkis
Director

Date: 30 September 2019

Directors' report

The directors present their report and audited financial statements for the year ended 31 December 2018.

Results for the year

The results of the Company for the year are set out in the statement of profit and loss and other comprehensive income on pages 11 and in the related notes.

Research and development

The company had no research and development expenditure during the year under review (2017: £nil).

Directors, secretary and their interests

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

David Lusher
John Scott Dunning (resigned 30 January 2019)
Stephen Purkis (Appointed 15 May 2019)

Employees

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the Company continues and that appropriate training is arranged. It is the policy of the Company that the training, career development and promotion of disabled persons should, as far as possible, be identical with that of other employees.

The Company places considerable value on the involvement of its employees and has continued its previous practice of keeping them informed on matters affecting them as employees and on the various factors affecting the performance of the Company. This is achieved through formal and informal meetings, newspapers and bulletins. Employee representatives are consulted regularly.

Charitable contributions

The Company made no charitable contributions during the year *(2017: £nil)*

Political contributions

The Company made no political donations during the year *(2017: £nil).*

Dividend

The directors do not recommend the payment of a dividend *(2017: £nil).*

Policy and practice on payment creditors

Future Industrial Services Limited is committed to maintaining a sound commercial relationship with its suppliers. Consequently, it is the policy of Future Industrial Services Limited to negotiate and agree terms and conditions with its suppliers, which include the giving of an undertaking to pay suppliers within 30 to 60 days of receipt of a correctly prepared invoice submitted in accordance with the terms of the contract or such other period as may be agreed.

Post balance sheet events

The Company has refinanced its Mortgage with the NatWest and reset its financial covenants on the 18 April 2019. As at the 31 December 2018 the company had breached its mortgage covenants but this breach was known by the bank and following the breach was waived post year end.

Directors' report (continued)

Disclosure of information to auditor

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

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

By order of the board

DavidLusher

David Lusher
Director

Date: 30 September 2019

Statement of directors' responsibilities in respect of the strategic report, the directors' report and the financial statement

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

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

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss 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 judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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

KPMG LLP
8 Princes Parade
Liverpool
L3 1QH
United Kingdom

Independent auditor's report to the members of Future Industrial Services Limited

Opinion

We have audited the financial statements of Future Industrial Services Limited ("the company") for the year ended 31 December 2018 which comprise the Profit and Loss Account and Other Comprehensive Income, Balance Sheet, Statement of Changes in Equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its loss for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; 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 are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

The impact of uncertainties due to the UK exiting the European Union on our audit

Uncertainties related to the effects of Brexit are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by the directors, such as the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the company's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. We applied a standardised firm-wide approach in response to that uncertainty when assessing the company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease its operations, and as they have concluded that the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

Independent auditor's report to the members of Future Industrial Services Limited (continued)

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model, including the impact of Brexit, and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required 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.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 8, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; 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 they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Independent auditor's report to the members of Future Industrial Services Limited (continued)

Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

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.

M Jones

Hywel Jones (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
8 Princes Parade
Liverpool
L3 1QH

30 September 2019

Profit and Loss Account and Other Comprehensive Income
for the year ended 31 December 2018

	Note	2018 £000	2017 £000
Turnover	2	32,176	26,480
Cost of sales		(26,916)	(20,972)
Gross profit		5,260	5,508
Administrative expense		(6,765)	(5,236)
Other operating expenses		(19)	(6)
Operating profit/(loss) before restructuring costs, (loss)/gain on tangible fixed asset disposal and impairment loss		(1,524)	266
Restructuring costs		-	(673)
Gain/(loss) on tangible fixed asset disposal		117	(1,465)
Operating loss		(1,407)	(1,872)
Interest payable and similar expenses	7	(217)	(49)
Loss before taxation	3	(1,624)	(1,921)
Tax credit/ (charge) on loss on ordinary activities	8	229	(108)
Loss for the financial year		(1,395)	(2,029)
Other comprehensive income		-	-
Total comprehensive income for the year		(1,395)	(2,029)

Balance Sheet
As at 31 December 2018

	Note	2018 £000	2017 £000
Fixed assets			
Intangible assets	*10*	1,237	1,172
Tangible assets	*9*	13,669	10,332
Financial assets	*11*	-	-
		14,906	11,504
Current assets			
Stocks	*12*	567	171
Debtors	*13*	13,168	14,101
Cash at bank in hand	*14*	-	310
		13,735	14,582
Creditors: amount falling due within one year	*15*	(13,108)	(9,411)
Net current assets/(liabilities)		627	5,171
Total assets less current liabilities		15,533	16,675
Creditors: amounts falling due after more than one year	*16*	(4,684)	(4,217)
Provision for liabilities			
Deferred tax liability	*17*	(316)	(545)
Net assets		10,533	11,913
Capital and reserves			
Called up share capital	*18*	56	56
Share Premium		14,443	14,428
Revaluation Reserve		211	211
Profit and loss account		(4,177)	(2,782)
Shareholders' funds		10,533	11,913

These financial statements were approved by the board of directors on 30 September 2019 and were signed on its behalf by:

David Lusher
Director

Company registered number: 373498

Statement of Changes in Equity

	Called up share capital £000	Share Premium £000	Revaluation Reserve £000	Profit and loss account £000	Total £000
Balance at 1 January 2017	56	-		(753)	(697)
Total comprehensive income for the year					
Allotment of new shares in the year	-	14,428	-	-	14,428
Loss for the year	-	-	-	(2,029)	(2,029)
Revaluation in the year	-	-	211	-	211
Total comprehensive income for the year	-	14,428	211	(2,029)	12,610
Balance at 1 January 2018	56	14,428	211	(2,782)	11,913
Total comprehensive income for the year					
Allotment of new shares in the year	-	15	-	-	15
Loss for the year	-	-	-	(1,395)	(1,395)
Revaluation in the year	-	-		-	-
Total comprehensive income for the year	-	15	-	(1,395)	(1,380)
Balance at 31 December 2018	**56**	**14,443**	**211**	**(4,177)**	**10,533**

Notes
(forming part of the financial statements)

1 Accounting Policies

Future Industrial Services Limited (the "Company") is a private company incorporated, domiciled and registered in England in the UK. The registered number is 7374986 and the registered address is Image Business Park, Acornfield Road, Kirkby, Liverpool, L33 7UF.

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

These financial statements were prepared in accordance with Financial Reporting Standard 102 ("FRS 102"), the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland and the Companies Act 2006 ("FRS 102"). All amounts in the financial statements have been rounded to the nearest £1,000. The Company's financial statements for the year ended 31 December 2018 were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101"). The Company transitioned from FRS 101 to FRS 102 on 1 January 2016 ("transition date") as a result of the acquisition by Delorean Bidco Limited in order to align accounting policies.

The Company has taken advantage of the following disclosure exemptions in preparing these financial statements as permitted by FRS 102:

- The requirements of Section 7 Statement of Cash Flows;
- The requirements of Section 33 Related Party Disclosures paragraphs 33.1A and 33.7;

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

Notes *(continued)*

1 Accounting policies *(continued)*

1.1 Measurement convention

The financial statements are prepared on the historical cost basis except the Land and Building assets and liabilities are stated at their fair value.

1.2 Going concern

The financial statements have been prepared on a going concern basis. The directors note the company had net liabilities as at 31 December 2018 and recorded a loss in the current and prior years. The Company's business activities, together with the factors likely to affect its future development and position, are set out in the 'Business review' section of the Strategic report on page 2. The directors note that the Company was in breach of its bank loan covenants when tested at 31 December 2018. As a result, £736,000 of bank debt has been reclassified from creditors falling due after more than one year to creditors falling due within one year as at 31 December 2018. The Company continued to work closely with the bank and a covenant waiver was issued post year end in Febuary 2019. A new mortgage was also agreed and financial covenants were reset in April 19. The Company has a sound financial base and forecasts show profitability and sufficient cash flow and resources to meet the requirements of the business. As a consequence, the directors believe that the Company is well placed to manage its business risks successfully and to continue as a going concern for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

1.3 Basic financial instruments

Trade and other debtors

Trade and other debtors are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses. If payments received from customers exceed the income recognised, then the difference is presented as deferred income.

Trade and other creditors

Trade and other creditors are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

1.4 Turnover

Turnover from services rendered is recognised in profit or loss in proportion to the stage of completion of the transaction at the reporting date. The stage of completion is assessed by reference to stage of completion of the specific work completed.

1.5 Tangible fixed assets and deprecation

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Certain items of tangible fixed assets that had been revalued to fair value on or prior to the date of transition to FRS 102, being the revalued amount at the date of that revaluation and will continue to be held at the valuation model.

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

The charge for depreciation is calculated to write down the cost or valuation of tangible fixed assets to their estimated residual values by equal annual instalments over their expected useful lives which are as follows:

Leasehold buildings	-	5-20 years
Plant and machinery	-	7-24 years
Fixtures and fittings	-	4-12 years
Transportation assets	-	2-20 years

Land is not depreciated.

Depreciation methods, useful lives and residual values are reviewed at each balance sheet date.

1.6 Intangible fixed assets

Intangible assets, including customer relationships, acquired as part of a business combination and with finite useful lives, are capitalised at their acquisition date fair value where this can be measured reliably. They are amortised to the statement of profit and loss and other comprehensive income on a straight line basis over the period of their expected useful lives.

Other intangible assets purchased separately from a business are capitalised at their cost and amortised.

Notes *(continued)*

1 Accounting policies *(continued)*

Useful lives are as follows:

Customer relationships	-	10 years
Licenses and permits	-	over the life of the license/permit
Goodwill	-	10 years

As explained above in Note 1, the Company previously did not amortise goodwill and this is a change in accounting policy effective from the transition date. Certain goodwill that had been acquired on or prior to the date of transition to FRS 102, are measured on the basis of deemed cost, being the fair value at the transition date.

1.7 Business combinations

Business combinations are accounted for using the purchase method as at the acquisition date, which is the date on which control is transferred to the company.

At the acquisition date, the company recognises goodwill at the acquisition date as:

- the fair value of the consideration (excluding contingent consideration) transferred; plus
- estimated amount of contingent consideration (see below); plus
- the fair value of the equity instruments issued; plus
- directly attributable transaction costs; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities and contingent liabilities assumed.

When the excess is negative, this is recognised and separately disclosed on the face of the balance sheet as negative goodwill.

Consideration which is contingent on future events is recognised based on the estimated amount if the contingent consideration is probable and can be measured reliably. Any subsequent changes to the amount are treated as an adjustment to the cost of the acquisition.

FRS 102.35 grants certain exemptions from the full requirements of FRS 102 in the transition period. The Company elected not to restate business combinations that took place prior to transition date. In respect of acquisitions prior to transition date, goodwill is included on the basis of its deemed cost, which represents the amount recorded under Adopted IFRS. On transition, the Company reassessed goodwill which had an indefinite useful life to determine its useful lives under FRS 102 and amortise these assets over that period going forward.

1.8 Foreign currencies

Transactions in foreign currencies are translated to the Company's functional currencies at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined. Foreign exchange differences arising on translation are recognised in the profit and loss account.

1.9 Stocks

Stocks are stated at the lower of cost and net realisable value. Cost is based on the first-in first-out principle and includes expenditure incurred in acquiring the stocks, production or conversion costs and other costs in bringing them to their existing location and condition. In the case of manufactured stocks and work in progress, cost includes an appropriate share of overheads based on normal operating capacity.

Notes *(continued)*

1 Accounting policies *(continued)*

1.10 Financial assets (including trade and other debtors)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. For financial instruments measured at cost less impairment, impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the Company would receive for the asset if it were to be sold at the reporting date. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

1.11 Non-financial assets

The carrying amounts of the Company's non-financial assets, other than stocks and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units ("CGU"). Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment is tested reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

An impairment loss in respect of goodwill is reversed if and only if the reasons for the impairment have ceased to apply.

In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Notes *(continued)*

1 Accounting policies *(continued)*

1.12 Employee benefits

Defined contribution plans and other long term employee benefits

A defined contribution plan is a post-employment benefit plan under which the Company pays fixed contributions into a separate entity and has no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss account in the periods during which services are rendered by employees.

Short term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Termination benefits

Termination benefits are recognised as an expense when the Company is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if the Company has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting date, then they are discounted to their present value.

1.13 Provisions

A provision is recognised in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects risks specific to the liability.

1.14 Expenses

Operating lease

Payments (excluding costs for services and insurance) made under operating leases are recognised in the profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised in the profit or loss as an integral part of the total lease expense.

Finance lease

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

Interest receivable and Interest payable

Interest payable and similar charges include interest payable, finance charges on shares classified as liabilities and finance leases recognised in profit or loss using the effective interest method, unwinding of the discount on provisions, and net foreign exchange losses that are recognised in the profit or loss (see foreign currency accounting policy). Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that takes a substantial time to be prepared for use, are capitalised as part of the cost of that asset. Other interest receivable and similar income include interest receivable on funds invested and net foreign exchange gains.

Interest income and interest payable is recognised in profit or loss as it accrues, using the effective interest method. Dividend income is recognised in the profit and loss account on the date the entity's right to receive payments is established. Foreign currency gains and losses are reported on a net basis.

Notes *(continued)*

1 Accounting policies *(continued)*

1.15 Taxation

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

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

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries, associates and joint arrangements to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

1.16 Leased assets

Tangible fixed assets acquired under finance leases are included in the balance sheet at their equivalent capital value and are depreciated over the shorter of the lease term and their useful lives. The corresponding liabilities are recorded as a creditor and the interest element of the finance lease rentals is charged to the profit and loss account on an annuity basis.

Operating lease rentals are charged to the profit and loss account on a straight line basis over the lease term

2 Turnover

The table below sets out information for each of the Company's industry segments and geographical areas of operation.

	2018	2017
	£000	£000
By geographical market		
UK	**32,000**	26,480
Europe	**177**	-
Total turnover	**32,177**	26,480

3 Loss on ordinary activities before taxation

	2018	**2017**
	£000	**£000**
Loss on ordinary activities before taxation is stated after charging:		
Depreciation and amortisation of		
Tangible fixed assets	**2,010**	**1,631**
Intangible fixed assets	**135**	**190**
Auditor's remuneration		
Audit services	**64**	**36**
Tax advisory services	**17**	**6**
IT Audit Service	**-**	**5**

Notes *(continued)*

4 Directors' Remuneration

The table below sets out information for Directors' remuneration for the year.

	2018 £000	2017 £000
Emoluments	**315**	**260**
Pension	**25**	**18**
Total	**340**	**278**

5 Staff numbers and costs

The average number of persons employed by the Company during the year, analysed by category, was as follows:

	Number of employees	
	2018	2017
Management/administration	**88**	65
Operations/production	**246**	221
	334	286

The aggregate payroll costs of these persons were as follows:

	2018 £000	2017 £000
Wages and salaries	**11,852**	9,338
Social security costs	**1,262**	941
Pension cost	**227**	143
	13,341	10,422

These costs are recognised in the following line items in the statement of profit and loss account as follows:

	2018 £000	2017 £000
Cost of sales	**10,125**	7,878
Administrative expenses	**3,216**	2,544
	13,341	10,422

6 Pension scheme

The Company operates a defined contribution pension scheme. The pension cost charge for 2018 amounted to £227,048 *(2017: £142,954)*.

Contributions amounting to £49,921 were payable to the scheme at 31 December 2018 and are included in creditors *(2017: £18,158)*.

Notes *(continued)*

7 Other interest payable and similar expenses

	2018 £000	2017 £000
Finance charges payable in respect of finance leases and hire purchase contracts	**217**	49

8 Taxation

Analysis of tax charge in the year

The tax change on the loss on ordinary activities for the year was as follows:

	2018 £000	2017 £000
Current tax		
Current tax on income for the period	-	-
Adjustments in respect of prior periods	-	-
Total current tax (charge)/credit	-	-
Deferred tax (see note 16)		
Origination and reversal of timing differences	(219)	78
Adjustments in respect of prior periods	(10)	30
Effect of change in tax rate	-	-
Total deferred tax (credit)/charge	(229)	108
Tax (credit)/charge on loss on ordinary activities	(229)	108

Reconciliation of effective tax rate

	2018 £000	2017 £000
Loss on ordinary activities before tax	**(1,624)**	**(1,921)**
Loss on ordinary activities multiplied by the standard rate of corporation tax of 19 % *(2016: 19.25%).*	**(308)**	**(370)**
Effects of:		
Net income not taxable	-	-
Expenses not deductible for tax purposes	**38**	**417**
Adjustments to tax charge in respect of previous periods	**(10)**	**51**
Impact of change in tax rates	**26**	**(10)**
Group relief claimed		**20**
Other	**26**	-
Tax (credit)/charge for the year	**(229)**	**108**

Notes *(continued)*

9 Tangible fixed assets

	Land and buildings £000	Plant and Equipment £000	Office equipment £000	Motor vehicles £000	Total £000
Cost or Valuations					
At beginning of the year	2,756	15,292	365	1,548	19,961
Additions	221	2,018	128	2,982	5,349
Revaluation		-	-	-	
Disposals	-	(424)	(41)	(117)	(582)
Transfer		(2,451)	3	2,448	-
At end of the year	2,977	14,435	455	6,861	24,728
Depreciation					
At beginning of the year	1,073	8,065	232	259	9,629
Depreciation charge for the year	152	1,355	23	480	2,010
Charge on disposals	-	(422)	(41)	(117)	(580)
Transfer		(1,598)	120	1,478	-
At end of the year	1,225	7,400	334	2,100	11,059
Net book value					
At 31 December 2018	**1,752**	**7,035**	**121**	**4,761**	**13,669**
At 31 December 2017	**1,683**	**7,227**	**133**	**1,289**	**10,332**

On 22 June 2018 the company acquired the Trade and Assets of Colt Industrial Services for £951,000 with cash. There was no goodwill to recognise.

Notes *(continued)*

10 Intangible fixed assets

	Licences and permits £000	Customer relationships £000	Goodwill £000	Total £000
Cost/valuation				
At beginning of the year	369	350	1,047	1,766
Additions	198	-	-	198
At end of year	567	350	1,047	1,964
Amortisation				
At beginning of year	272	133	189	594
Amortisation charge in the year	54	8	71	135
At end of year	326	141	260	727
Carrying amount				
At 31 December 2018	**241**	**209**	**787**	**1,237**
At 31 December 2017	**97**	**217**	**858**	**1,172**

Customer relationships arose from the acquisition of the trade and assets of Bale Group Limited and Greenway Environmental Limited..

Purchased goodwill is tested annually for impairment and any such impairment identified is charged to the statement of profit and loss and other comprehensive income.

The determination of the useful economic life of purchased goodwill is based on a number of factors including; the nature of the business activity to which it relates, the stability of the business sectors to which it relates, the life spans of the products/services to which it relates, and market entry barriers that will continue to exist. The useful economic life of purchased goodwill will not exceed ten years.

The customer relationships are amortised over five years.

11 Financial fixed assets

	2018 £000	2017 £000
Investments in subsidiary undertaking		
At beginning of year	-	-
Additions in the year	-	-
Impairment	-	-
At end of year	-	-

Notes *(continued)*

11 Financial fixed assets *(continued)*

H. & T. Labour and Vacuumation Services Ltd is a subsidiary and is registered at Image Business Park Acornfield Road Kirkby Liverpool L33 7UF.

Name of Company	Country of Incorporation	Class of Shares	Holding	Nature of Business	Capital and Reserves £000	Profit and loss for the year £000
H. & T. Labour and Vacuumation Services Limited	UK	Ordinary shares	100%	Waste Management	769	-

12 Stocks

	2018 £000	2017 £000
Raw materials and consumables	567	171

13 Debtors: amounts falling due within one year

	2018 £000	2017 £000
Trade debtors	6,626	6,487
Prepayments	743	617
Other debtors	821	1,375
Amounts due from fellow group undertakings	4,978	5,622
	13,168	14,101

Amounts due from group undertakings are interest free, unsecured and payable on demand to Project DeLorean Bidco.Limited.

14 Cash and cash equivalents

	2018 £000	2017 £000
Cash at bank and in hand	-	310
Cash and cash equivalents	-	310

Notes *(continued)*

15 Creditors: amounts falling due within one year

	2018 £000	2017 £000
Bank Loans	4,735	3,572
Obligations under finance leases	1,355	513
Trade creditors	2,284	1,627
Other creditors including tax and social security(see below)	907	823
Accruals	3,058	2,107
Corporation tax	-	-
Amounts owed from fellow group undertakings	769	769
Amounts owed to group undertakings – trading	-	-
Amounts owed to group undertakings – funding	-	-
	13,108	9,411

Finance lease amounts falling due within one year amount to £1,355,766.

The Natwest bank loan is secured against properties in Berwick and Honiton and the maturity date is October 2022. Finance leases are secured against the assets to which they relate with varying maturity dates.

Amounts owed from group undertakings are interest free, unsecured and payable on demand to H. & T. Labour and Vacuumation Services Ltd.

Tax and social security included in other creditors

	2018 £000	2017 £000
PAYE/NI	317	286
VAT payable	590	537
	907	823

Notes *(continued)*

16 Creditors: amounts falling due after more than one year

	2018 £000	2017 £000
Bank Loans	-	472
Obligations under finance leases	3,462	2,215
Accruals	1,222	1,530
	4,684	4,217

Finance lease amounts falling due after one year but no more than five years amount to £3,462,665.

17 Deferred tax liabilities

	Deferred tax liabilities 2018 £000	2017 £000
Balance as at 1 January	545	737
(Credit) / Charge in year (note 8)	(229)	108
Acquired during the year	-	-
Balance as at 31 December	**316**	545

Deferred tax liabilities are attributable to the following:

	2018 £000	2017 £000
Tangible fixed assets	398	394
Intangible assets	184	151
Losses	(261)	-
Other short term timing differences	(5)	-

Movement in deferred tax in the year

	1 January 2018 £000	Recognised in income statement £000	Acquired during the year £000	31 December 2018 £000
Tangible fixed assets	394	4	-	398
Intangible fixed assets	151	33	-	184
Losses	-	(261)	-	(261)
Other short term timing differences	-	(5)	-	(5)
Total	**545**	**(229)**	-	**316**

Notes *(continued)*

18 Share Capital

	2018 £	2017 £
Allotted, issued and fully paid		
Ordinary shares of £1 each 55,999 (2017: 55,999)	**55,999**	55,999

19 Operating leases

Non-cancellable operating lease rentals are payable as follows:

	2018 £000	2017 £000
Less than one year	**661**	952
Between one and five years	**1,738**	1,913
More than five years	**1,434**	1,842
	3,833	4,707

During the year, £1,268,018 *(2017: £1,110,889)* was recognised in the statement of profit and loss and other comprehensive income account in respect of operating leases.

20 Commitments

Capital commitments

The following capital expenditure was contracted and authorised but not yet contracted at the end of the year:

	2018 £000	2017 £000
Authorised but not yet contracted	-	149
	-	149

21 Contingent liabilities

Other funding arrangements

Under legislative requirements, funding arrangements are required to be put in place for the movement of waste material between jurisdictions. As at 31 December 2018, the Company had such Trans Frontier Shipment bonds in place totalling £323,318 *(2017: £323,318)*.

Other

From time to time the Company is involved in other claims and legal actions which arise in the normal course of business. Based on information available to the Company and legal advice, the directors believe such litigation and claims will not, individually or in aggregate, have a material impact on the financial statements and that the Company is adequately positioned to deal with the outcome of such litigation or claim.

22 Post balance sheet events

The company refinanced its mortgage with the NatWest and reset its covenants on 18 April 2019. As at the 31 December the Company had breached its mortgage facility but this breach was formally waived by the NatWest post year end.

23 Parent and ultimate parent undertaking

The Company's ultimate parent undertaking is North Edge Capital LLP. The Company is a wholly owned subsidiary of Project Delorean Bidco Limited. Accounts can be found on company's house. North Edge Capital LLP registered address is 13th Floor Number One Spinningfields 1 Hardman Square Spinningfields Manchester M3 3EB.

The parent undertaking of the largest group for which consolidated accounts are prepared is Project Delorean Topco Limited. The parent undertaking of the smallest group for which consolidated accounts are prepared is Project Delorean Topco Limited. Registered address is Image Business Park Acornfield Road Kirkby Liverpool L33 7UF.