

Registered number: 04772229

Cyclife UK Limited

Annual report

31 December 2019



Cyclife UK Limited

Company information

Directors	K Dodd H Loupes S Parsons J Robinson M E Hashim (appointed 23 January 2020) E M Desroches (appointed 20 April 2020)
Company secretary	K Dodd
Registered number	04772229
Registered office	Unit 1 Joseph Noble Road Lillyhall Workington Cumbria CA14 4JX
Independent auditor	UNW LLP Chartered Accountants Citygate St James' Boulevard Newcastle Upon Tyne NE1 4JE
Bankers	Svenska Handelsbanken AB Earl Grey House 75/85 Grey Street Newcastle Upon Tyne NE1 6EF
Solicitors	Muckle LLP Time Central 32 Gallowgate Newcastle Upon Tyne NE1 4BF

Cyclife UK Limited

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Cyclife UK Limited

Strategic report Year ended 31 December 2019

The directors present their strategic report on the company for the year ended 31 December 2019.

The principal activities of the company during the year were the provision of waste management services to the nuclear and other highly regulated industries.

Business review and results

During 2019 the company grew its operations to meet market demands, increasing its workforce and moving to 7 day working at its production facility. This change enabled the company to continue to meet customer demand and further grow its operations. Both consultancy and site projects operations continued to develop and delivered a range of projects across multiple customer sites. This approach ensured the company can continue to deliver an integrated service to its customers and will ensure future sustainable growth can be maintained. The outlook for 2020 and beyond is good with a substantial secured order book.

During 2019 the company reassessed the site decommissioning cost provision of £3,000,000 it made in 2010 and considered it to be a realistic assessment of the current cost of remediation. The directors have assessed that no adjustment was necessary for the 2019 accounts.

Results and dividends

The company's profit for the financial year was £346,075 (2018: £52,943). The net assets of the company as at 31 December 2019 were £6,292,330 (2018: £5,946,255).

Financial key performance indicators

The company's financial key performance indicators (KPI's) include turnover, profitability and net assets, which are discussed above. Beyond this, the company is part of the EDF Group which manages its operations on a group basis. The performance of the group, which includes Cyclife UK Limited, is discussed in the group's annual report which does not form part of this report.

Principal risks and uncertainties

Cyclife UK Limited operates exclusively in the nuclear sector and as such faces and manages a number of key business risks. These are further discussed below. The directors' place the management of these risks at the forefront of their responsibilities based on a long established company safety culture and on a tradition of clear routines for quality assurance and regulatory conformance.

Regulatory obligations

As far as the management and Board of Directors can judge, Cyclife UK Limited fulfils the requirements imposed upon it by such obligations. The company is subject to regular statutory inspections and review, and fully and willingly participates in such activities to ensure best practice is always maintained.

Market

Demand for the company's services in the long term is principally dependent upon the nuclear industry and the factors influencing that industry, in particular the progress of nuclear decommissioning. This is underpinned by Government- funded programmes managed by organisations such as the Nuclear Decommissioning Authority and the Ministry of Defence, as well as an increasing demand from private sector organisations in coming years.

Operation of company facilities

Cyclife UK Limited owns and operates a metal treatment facility (the MRF) which processes low level waste. Unplanned operational disruption to this facility may have an adverse effect on income and give rise to additional costs. The company operates a range of quality monitoring systems, as well as staff competence development processes, intended to minimise the risk of unplanned disruptions.

Cyclife UK Limited

Strategic report (continued) Year ended 31 December 2019

Dependence on employees

The company has a highly skilled and specialised workforce and as such provides a range of benefits and training designed to encourage and retain staff. Retention of staff is a key issue and objective for the company in a competitive and limited general resource pool

Insurance

The company has the relevant and required insurance policies in place covering public liability, nuclear liability, property and product liability. The possibility exists that internationally regulated insurance amounts will be increased and that as a result the cost of insurance will rise.

Post balance sheet events

Covid-19 pandemic

The directors consider the business will continue with its principal activities for the foreseeable future and that the company is in a healthy position to take advantage of any opportunities which may arise.

The sector in which the company operates has resistance to recessions and business cycle volatility. The company paused trade at its production facility throughout the lockdown however has begun trading profitably since. This is seen as extremely encouraging in the current climate.

No employees were furloughed during the pandemic and no redundancies have been made, however the company has taken advantage of other sector specific funding available. The company is now trading at 100% of its pre-Covid activity levels. The company continued to follow government guidelines throughout the lockdown period, increased hygiene standards early and provided additional PPE while enforcing physical distancing measures. Employees were proactive and adaptable in changing working practices to facilitate these measures. All employees able to work remotely were encouraged to do so by the directors, with the company's IT infrastructure enabling this change with minimal disruption.

The company has the continued support from the EDF group and is in a very strong cash position at the date of signing following recovery of a significant proportion of amounts recoverable on contracts in respect of secondary waste disposal.

This report was approved by the board on 9 September 2020 and signed on its behalf by:



J Robinson
Director

Cyclife UK Limited

Directors' report Year ended 31 December 2019

The directors present their report and the financial statements for the year ended 31 December 2019.

Results and dividends

The profit for the year, after taxation, amounted to £346,075 (2018 - £52,943).

The directors do not recommend a final dividend in respect of the year.

Directors

The directors who served during the year were:

G Benoit (resigned 20 April 2020)
J Culerier (resigned 17 April 2020)
K Dodd
H Loupes
B Martelet (resigned 1 February 2020)
S Parsons
J Robinson

Matters covered in the strategic report

Post balance sheet events and future developments, which would otherwise be disclosed in the directors' report, is instead disclosed in the strategic report as permitted by s414C(11) of the Companies Act 2006.

Research and development

Since acquisition by the EDF Group, the company operates as part of the Cyclife business platform comprising a network of three waste treatment facilities in France (Cyclife France), Sweden (Cyclife Sweden) and the MRF. This is further supported by EDF Group's wider capabilities in decommissioning and waste management.

The business will continue to focus on efficient operations and gaining market share in its waste treatment business, but able to support customers in a wider range of decommissioning and waste management activities.

Financial risk management

The company's operations expose it to a variety of financial risks that include the effects of changes in credit risk, liquidity risk and interest rate risk. The company has in place a risk management programme that seeks to limit the adverse effects on the financial performance of the company by monitoring levels of debt finance and the related finance costs.

The company does not use derivative financial instruments to manage interest rate costs or foreign exchange rate risks and, as such, no hedge accounting is applied.

Price risk

The company is exposed to commodity price risk as a result of its operations. However, given the size of the company's operations, the costs of managing exposure to commodity price risk exceed any potential benefits. The directors will revisit the appropriateness of this policy should the company's operations change in size or nature. The company has no exposure to equity securities price risk as it holds no listed or other equity investments.

Cyclife UK Limited

Directors' report (continued) Year ended 31 December 2019

Credit risk

The company has implemented policies that require appropriate credit checks on potential customers before sales are made. The amount of exposure to any individual counterparty is subject to a limit, which is reassessed annually by the board of directors.

Liquidity risk

The EDF Group actively maintains a mixture of long-term and short-term debt finance on behalf of the company that is designed to ensure the company has sufficient available funds for operations and planned expansions.

Interest rate cash flow risk

The company has both interest bearing assets and interest bearing liabilities. Interest bearing assets include only cash balances, all of which earn interest at a variable rate. The company has a policy of also maintaining debt at a variable rate. The directors will revisit the appropriateness of this policy should the company's operations change in size or nature.

Disclosure of information to auditor

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

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

Auditor

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

This report was approved by the board on 9 September 2020 and signed on its behalf by:



J Robinson
Director

Cyclife UK Limited

Directors' responsibilities statement Year ended 31 December 2019

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

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

In preparing these financial statements, the directors are required to:

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

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



Independent auditor's report to the members of Cyclife UK Limited

Opinion

We have audited the financial statements of Cyclife UK Limited (the 'company') for the year ended 31 December 2019, which comprise the statement of comprehensive income, the balance sheet, the statement of changes in equity and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ('ISAs (UK)') and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material



Independent auditor's report to the members of Cyclife UK Limited (continued)

misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matters prescribed by the Companies Act 2006

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

- the information given in the 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.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

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

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement 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, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.



Independent auditor's report to the members of Cyclife UK Limited (continued)

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Use of our report

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

A handwritten signature in black ink, appearing to read 'David Redhead'.

David Redhead (Senior Statutory Auditor)
for and on behalf of UNW LLP, Statutory Auditor
Chartered Accountants
Newcastle Upon Tyne

9 September 2020

Cyclife UK Limited

Statement of comprehensive income Year ended 31 December 2019

	Note	2019 £	2018 £
Profit and loss account			
Turnover	5	9,020,008	10,463,863
Cost of sales		(7,166,163)	(8,680,208)
Gross profit		1,853,845	1,783,655
Administrative expenses		(1,712,805)	(1,703,702)
Operating profit	6	141,040	79,953
Interest payable and similar charges	9	(78,770)	(2,010)
Profit on ordinary activities before taxation		62,270	77,943
Tax on profit on ordinary activities	10	283,805	(25,000)
Profit for the financial year		346,075	52,943

There was no other comprehensive income for 2019 (2018: £nil).

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

Cyclife UK Limited

Balance sheet At 31 December 2019

	Note	2019 £	2018 £
Fixed assets			
Tangible assets	11	10,042,816	9,881,222
		<u>10,042,816</u>	<u>9,881,222</u>
Current assets			
Debtors	12	4,502,479	4,774,313
Cash at bank and in hand		402,198	566,059
		<u>4,904,677</u>	<u>5,340,372</u>
Creditors: amounts falling due within one year	13	(4,131,895)	(3,974,549)
Net current assets		<u>772,782</u>	<u>1,365,823</u>
Total assets less current liabilities		<u>10,815,598</u>	<u>11,247,045</u>
Creditors: amounts falling due after more than one year	14	(981,867)	(2,020,790)
Provisions for liabilities	15	(3,541,401)	(3,280,000)
Net assets		<u><u>6,292,330</u></u>	<u><u>5,946,255</u></u>
Capital and reserves			
Called up share capital	16	1,022,500	1,022,500
Share premium account	16	12,500	12,500
Other reserves	16	15,500,000	15,500,000
Profit and loss account	16	(10,242,670)	(10,588,745)
Total equity		<u><u>6,292,330</u></u>	<u><u>5,946,255</u></u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 9 September 2020.



J Robinson
Director

Company registered number: 04772229

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

Cyclife UK Limited

Statement of changes in equity Year ended 31 December 2019

	Called up share capital £	Share premium account £	Other reserves £	Profit and loss account £	Total equity £
At 1 January 2018	1,022,500	12,500	15,500,000	(10,641,688)	5,893,312
Profit for the year	-	-	-	52,943	52,943
At 1 January 2019	1,022,500	12,500	15,500,000	(10,588,745)	5,946,255
Profit for the year	-	-	-	346,075	346,075
At 31 December 2019	<u>1,022,500</u>	<u>12,500</u>	<u>15,500,000</u>	<u>(10,242,670)</u>	<u>6,292,330</u>

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

Cyclife UK Limited

Notes to the financial statements Year ended 31 December 2019

1. General information

Cyclife UK Limited ("the company") is a business specialising in the provision of decommissioning and waste management solutions to the nuclear and other highly regulated industries. It also provides technical consultancy services, professional training and program and project management within the sector.

The company is a private company limited by shares, incorporated and domiciled in the United Kingdom. The address of the registered office is given in the company information page of this report.

2. Statement of compliance

The financial statements have been prepared in accordance with United Kingdom Accounting Standards, including Financial Reporting Standard 102 *"The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland"* ('FRS 102') and the Companies Act 2006.

3. Accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

3.1 Basis of preparation of financial statements

The financial statements are prepared on a going concern basis and under the historical cost convention. They are presented in pounds sterling and rounded to the nearest £.

The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in the process of applying the company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 4.

3.2 Reduced disclosures

FRS 102 allows a qualifying entity certain disclosure exemptions. The company meets the definition of a qualifying entity and has taken advantage of the exemptions relating to the disclosure of remuneration for key management personnel and the preparation of a cash flow statement. The consolidated financial statements of Cyclife Holding SAS include a consolidated cash flow statement and the equivalent financial instruments and key management personnel disclosures.

Cyclife UK Limited

Notes to the financial statements Year ended 31 December 2019

3. Accounting policies (continued)

3.3 Going concern

The company meets its working capital requirements through its operating cash flows, supported by group loans repayment of which has been extended to December 2021 and further details of which are provided in the notes to these financial statements.

Considering recent global events, which persist at the date of approval of these financial statements, the directors have taken measures to counter the potential impact of COVID-19 on the company's operations and the resultant impact on financial headroom. Contingency plans have been implemented to mitigate the risk of employee absence and supply chain failure through working practices designed to protect employees' welfare and through advance planning of the company's key supply requirements for the coming months. In line with government restrictions, treatment stopped on 23 March 2020. The metal treatment facility is now back up and running and directors are encouraged by activity and the level of planned treatments which exceeds the amounts included in the forecasts. The company secured financial support during the lockdown to recover standstill costs and was also able to recover a significant proportion of amounts recoverable on contracts in respect of secondary waste disposal.

The directors have prepared financial forecasts which indicate that the company will maintain sufficient financial headroom and cash reserves to enable it to continue meeting its liabilities as they fall due in the normal course of business, for at least the next twelve months following approval of these financial statements. In addition, the directors consider that group support would be provided to the company if it was required.

After making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to prepare the financial statements on a going concern basis.

3.4 Revenue recognition

Turnover is measured at the fair value of the consideration received or receivable and represents the amount receivable for services rendered, excluding discounts and value added tax.

In respect of long term contracts and contracts for on-going services, turnover represents the value of work done in the year, including estimates of amounts not invoiced. Turnover in respect of long-term contracts and contracts for on-going services is recognised by reference to the stage of completion.

When it is probable that contract costs will exceed the total contract turnover, the expected loss is recognised as an expense immediately.

Revenue recognised in excess of amounts invoiced to customers is included in debtors, as amounts recoverable on contracts. Payments received and invoices issued in excess of revenue recognised on individual contracts are included in creditors, as payments on account.

Cyclife UK Limited

Notes to the financial statements Year ended 31 December 2019

3. Accounting policies (continued)

3.5 Tangible fixed assets depreciation

Tangible fixed assets are stated at cost, less accumulated depreciation and accumulated impairment losses. Cost includes the purchase price plus any further costs directly attributable to making the asset operate as intended.

Depreciation is not charged on freehold land. Depreciation is provided on all other tangible fixed assets, at rates calculated to write off the cost less estimated residual value of each asset over its estimated useful life as follows:

Freehold land and buildings	-	2% straight line
Plant and machinery	-	5% - 20% straight line
Fixtures and fittings	-	20% straight line
Motor vehicles	-	25% straight line
Computer equipment	-	33% straight line
Decommissioning costs	-	2% straight line

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the profit and loss account.

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to get ready for their intended use or sale are added to the cost of those assets, until such time as the assets are substantially ready for their intended use.

3.6 Financial instruments

The company only enters into financial instruments transactions that result in the recognition of financial assets and liabilities that are basic debt instruments, such as trade and other accounts receivable and payable, cash and bank balances, loans and other amounts due to or from related parties, including fellow group companies. Debt instruments due within one year are measured, initially and subsequently, at the transaction price. Debt instruments due after one year are measured initially at the transaction price and subsequently at amortised cost using the effective interest method.

At the end of each reporting period, debt financial assets are assessed for impairment and their carrying value reduced if necessary. Any impairment charge is recognised in the profit and loss account.

Cyclife UK Limited

Notes to the financial statements Year ended 31 December 2019

3. Accounting policies (continued)

3.7 Provisions for liabilities

Provisions are made where an event has taken place that gives the company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the profit and loss account in the year that the company becomes aware of the obligation and are remeasured at each balance sheet date at the best estimates of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the balance sheet.

Decommissioning costs

Provision has been made in accordance with FRS 102 for site decommissioning costs likely to be incurred in the future on decommissioning a nuclear facility. Full provision is made for the costs, discounted at an appropriate cost of capital.

3.8 Impairment of non-financial assets

At each balance sheet date non-financial assets not carried at fair value are assessed to determine whether there is an indication that the asset (or asset's cash generating unit) may be impaired. If there is such an indication the recoverable amount of the asset (or asset's cash generating unit) is compared to the carrying value amount of the asset (or asset's cash generating unit).

The recoverable amount of the asset (or asset's cash generating unit) is the higher of the fair value less costs to sell and value in use. Value in use is defined as the present value of the future cash flows before interest and tax obtainable as a result of the asset's (or asset's cash generating unit) continued use. These cash flows are discounted using a pre-tax discount rate that represents the current market risk-free rate and the risks inherent in the asset.

If the recoverable amount of the asset (or asset's cash generating unit) is estimated to be lower than the carrying amount, the carrying amount is reduced to its recoverable amount. An impairment loss is recognised in the profit and loss account unless the asset has been revalued when the amount is recognised in other comprehensive income to the extent of any previously recognised valuation. Thereafter any excess is recognised in the profit and loss account.

If an impairment loss is subsequently reversed, the carrying amount of the asset (or asset's cash generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the revised carrying amount does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised in prior periods. A reversal of an impairment loss is recognised in the profit and loss account.

3.9 Foreign currency translation

Transactions in foreign currencies are translated into sterling using the spot exchange rate at the dates of the transactions. At each balance sheet date, foreign currency monetary assets and liabilities are translated using the spot rate at that date. Foreign exchange gains and losses are recognised in the profit and loss account.

Cyclife UK Limited

Notes to the financial statements Year ended 31 December 2019

3. Accounting policies (continued)

3.10 Leases

Leases that do not confer the rights and obligations approximating to ownership are classified as operating leases. Rental payments under operating leases are charged to the profit and loss account on a straight line basis over the lease term, even if payments are not made on such a basis.

3.11 Research and development

Research and development expenditure is written off to the profit and loss account in the period in which it is incurred.

3.12 Employee benefits

Short-term benefits

Short-term benefits, including holiday pay and other similar non-monetary benefits are recognised as an expense in the period in which the employee's entitlement to the benefit accrues.

Defined contribution pension plan

The company operates a defined contribution pension plan for its employees. Contributions are recognised as an expense when they fall due. Amounts due but not yet paid are included within creditors on the balance sheet. The assets of the plan are held separately from the company in independently administered funds.

3.13 Taxation

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

Current tax is the amount of income tax payable in respect of the taxable profit for the current or past reporting periods. It is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax represents the future tax consequences of transactions and events recognised in the financial statements of current and previous periods, and arises from 'timing differences' (where transactions or events are included in the financial statements in periods different from those in which they are assessed for tax). Deferred tax is recognised in respect of all timing differences, except that unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date that are expected to apply to the reversal of the timing differences.

Cyclife UK Limited

Notes to the financial statements Year ended 31 December 2019

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

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including the expectations of future events that are believed to be reasonable under the circumstances.

Significant judgments in applying the entity's accounting policies

No significant judgments were required in the process of applying the company's accounting policies for these financial statements.

Key sources of estimation uncertainty

Revenue recognition - long term contract accounting - the amount of revenue and profit recognised in relation to contracts which are part complete at the balance sheet date is dependent on estimates of the future costs that will be required to complete the contract and hence the stage of completion and overall profitability of the contract. Estimates of further costs (and potential revenue variations) are continually evaluated and updated based on managements detailed knowledge of project status and contractual requirements. See note 12 for amounts recoverable on contracts, being the cumulative amount of revenue recognised in excess of amounts invoiced to customers at the balance sheet date, and note 13 for the balance of payments received and invoices raised in advance of revenue being recognised by the year end.

Useful lives of fixed assets - the annual depreciation and amortisation charges for tangible fixed assets is sensitive to changes in the estimated useful lives and the residual values of the assets, which are re-assessed annually and amended to reflect current estimates. There have been no changes in the estimation bases during the current reporting period. See note 11 for the carrying amount of tangible fixed assets and note 3.5 for the estimated useful lives of each class of asset.

Decommissioning provision - the provision recognised in respect of the decommissioning of the Workington site requires estimates to be made of costs which will be incurred in the future. These future cash flows require assumptions and estimates to be made. The provision is discounted to present value using a discount rate; the selection of an appropriate discount rate also requires judgment. See note 15 for more details of the provision in respect of decommissioning costs.

GDS provision - the provision recognised in these financial statements is for remedial works associated with waste collected from scrap yards which do not meet the criteria at the LLW Repository as currently packaged. The provision is an estimate made by management as to the cost of retrieving the waste and re-treating until such time as a definitive alternative resolution to this matter can be agreed. See note 15 for more details in relation to the GDS provision.

Other sources of estimation uncertainty

Other estimates included within these financial statements include asset impairments, such as provisions against debtors, and other provisions in respect of ongoing contracts. None of the other estimates made in the preparation of these financial statements are considered to carry significant estimation uncertainty, nor to bear significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Cyclife UK Limited

Notes to the financial statements Year ended 31 December 2019

5. Turnover

An analysis of turnover by class of business is as follows:

	2019 £	2018 £
Waste treatment	6,236,275	3,978,545
Consultancy	810,999	582,281
Site services	1,972,734	5,903,037
	<u>9,020,008</u>	<u>10,463,863</u>

All turnover arose within the United Kingdom.

6. Operating profit

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

	2019 £	2018 £
Foreign exchange differences	46,563	(197,056)
Depreciation of tangible fixed assets	353,037	332,846
Operating lease rentals	84,033	74,450
Audit fees payable to the company's auditor	<u>18,500</u>	<u>18,000</u>

Cyclife UK Limited

Notes to the financial statements Year ended 31 December 2019

7. Employees

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

	2019 £	2018 £
Wages and salaries	3,455,151	2,753,606
Social security costs	376,632	294,341
Other pension costs (note 17)	206,754	173,968
	<u>4,038,537</u>	<u>3,221,915</u>

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

	2019 No.	2018 No.
Production	53	42
Selling and distribution	3	3
Administration	7	6
Consultancy	11	5
	<u>74</u>	<u>56</u>

8. Directors' remuneration

	2019 £	2018 £
Directors' emoluments	200,644	189,573
Company contributions to defined contribution pension schemes	58,125	54,693
	<u>258,769</u>	<u>244,266</u>

During the year retirement benefits were accruing to 2 directors (2018 - 2) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £115,014 (2018 - £105,813).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £35,176 (2018 - £35,336).

Cyclife UK Limited

Notes to the financial statements Year ended 31 December 2019

9. Interest payable and similar expenses

	2019 £	2018 £
Loans from group undertakings	<u>78,770</u>	<u>2,010</u>

10. Taxation

	2019 £	2018 £
Corporation tax		
UK corporation tax on profits for the year	18,500	25,000
Adjustments in respect of previous periods	(131,915)	-
Group relief		
Adjustments in respect of previous periods	(170,390)	-
Total current tax	<u>(283,805)</u>	<u>25,000</u>
Taxation on profit on ordinary activities	<u>(283,805)</u>	<u>25,000</u>

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2018 - higher than) the standard rate of corporation tax in the UK of 19% (2018 - 19%). The differences are explained below:

	2019 £	2018 £
Profit on ordinary activities before tax	<u>62,270</u>	<u>77,943</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2018 - 19%)	11,831	14,809
Effects of:		
Expenses not deductible for tax purposes	24,824	29,532
Movement in deferred tax not recognised	(18,155)	(19,341)
Adjustments to tax charge in respect of prior periods	(302,305)	-
Total tax charge for the year	<u>(283,805)</u>	<u>25,000</u>

Cyclife UK Limited

Notes to the financial statements Year ended 31 December 2019

10. Taxation (continued)

Factors that may affect future tax charges

At the balance sheet date the company had unutilised trading losses of approximately £7,508,000 (2018: £8,552,000) available to carry forward against future taxable profits. There exists unrecognised deferred tax assets of £1,862,428 (2018: £2,041,894), principally in respect of these losses, which the directors have not recognised until such time as their recovery can be assessed with reasonable certainty.

The rate of corporation tax throughout the year was 19%. A reduction to 17%, due to come into effect from 1 April 2020, was substantively enacted on 6 September 2016. Deferred taxes at the balance sheet date have been measured using the enacted tax rate and reflected in these financial statements. However, the current government announced that this reduction would be put on hold and this was confirmed in the recent Budget on 11 March 2020 and the rate will remain at 19% past 1 April 2020. Future deferred tax balances will be measured at 19% once the rate has been substantively enacted.

11. Tangible fixed assets

	Land and freehold property £	Plant and machinery £	Fixtures and fittings £	Computer equipment £	Decommis- sioning costs £	Total £
Cost						
At 1 January 2019	7,391,845	2,380,242	88,272	291,161	3,000,000	13,151,520
Additions	2,342	490,956	-	21,333	-	514,631
At 31 December 2019	<u>7,394,187</u>	<u>2,871,198</u>	<u>88,272</u>	<u>312,494</u>	<u>3,000,000</u>	<u>13,666,151</u>
Depreciation						
At 1 January 2019	638,873	1,778,752	87,157	225,516	540,000	3,270,298
Charge for the year	53,656	212,784	968	25,629	60,000	353,037
At 31 December 2019	<u>692,529</u>	<u>1,991,536</u>	<u>88,125</u>	<u>251,145</u>	<u>600,000</u>	<u>3,623,335</u>
Net book value						
At 31 December 2019	<u>6,701,658</u>	<u>879,662</u>	<u>147</u>	<u>61,349</u>	<u>2,400,000</u>	<u>10,042,816</u>
At 31 December 2018	<u>6,752,972</u>	<u>601,490</u>	<u>1,115</u>	<u>65,645</u>	<u>2,460,000</u>	<u>9,881,222</u>

Included within land and freehold property is land which is not depreciated costing £3,790,275 (2018 £3,790,275).

Cyclife UK Limited

Notes to the financial statements Year ended 31 December 2019

12. Debtors

	2019 £	2018 £
Trade debtors	357,118	678,305
Amounts owed by group undertakings	897,408	334,199
Prepayments and accrued income	108,999	222,457
Amounts recoverable on long term contracts	3,025,539	3,539,352
Corporation tax	113,415	-
	<u>4,502,479</u>	<u>4,774,313</u>

Trade debtors are stated after provisions for impairment of £nil (2018: £nil).

13. Creditors: amounts falling due within one year

	2019 £	2018 £
Payments received on account	1,284,592	1,510,353
Trade creditors	666,277	673,493
Amounts owed to group undertakings	1,157,685	379,710
Corporation tax	-	25,000
Other taxation and social security	269,884	320,839
Other creditors	10,796	4,000
Accruals and deferred income	742,661	1,061,154
	<u>4,131,895</u>	<u>3,974,549</u>

Amounts owed to group undertakings include £973,133 (2018: £nil) in respect of unsecured loans which were due to be repaid on 31 December 2020. Since the year end the company's parent undertaking has indicated that these loans will be extended by a further year and then reviewed on an annual basis having regard for the company's cash position and future funding requirements.

14. Creditors: amounts falling due after more than one year

	2019 £	2018 £
Loans from group undertakings	<u>981,867</u>	<u>2,020,790</u>

Loans from group undertakings are unsecured, repayable on 31 December 2021 and accrue interest at a rate of 1.47% per annum.

Cyclife UK Limited

Notes to the financial statements Year ended 31 December 2019

15. Provisions

	GDS provision £	Decommissioning provision £	Pond skip provision £	Total £
At 1 January 2019	280,000	3,000,000	-	3,280,000
Charged to the profit and loss account	-	-	261,401	261,401
At 31 December 2019	280,000	3,000,000	261,401	3,541,401

The company has made a provision for remedial works associated with waste collected from scrap yards in England which do not meet the criteria at the LLW Repository as currently packaged. A value of up to £314,000 was provided during 2017 for the costs of retrieving and repacking the waste from existing containers, one container was delivered back to Cyclife UK during 2019. The provision represents management's best estimate of the works required based on information currently available until such time as a definitive alternative solution to the matter can be agreed. During the year £nil (2018: £34,000) of the provision has been utilised.

Provision has been made for site decommissioning costs likely to be incurred in the future on the decommissioning of a nuclear facility. No reimbursement asset has been recognised relating to this provision.

The company has also made provision for a loss making contract ('Pond skips') during the year. The amount provided, of £261,401, represents managements' best estimate of the loss to be incurred in completing the contract over the course of the 2020 and 2021 financial years and has been charged to cost of sales in the current year.

Cyclife UK Limited

Notes to the financial statements Year ended 31 December 2019

16. Share capital

	2019 £	2018 £
Allotted, called up and fully paid		
1,000,000 (2018 - 1,000,000) Ordinary shares of £1.00 each	1,000,000	1,000,000
15,000 (2018 - 15,000) Ordinary A shares of £1.00 each	15,000	15,000
7,500 (2018 - 7,500) Ordinary B shares of £1.00 each	7,500	7,500
	<u>1,022,500</u>	<u>1,022,500</u>

The Ordinary, A Ordinary and B Ordinary shares rank pari passu in all respects.

Profit and loss account

The profit and loss reserve represents cumulative profits and losses, net of cumulative dividends and other adjustments.

Share premium account

The share premium account represents the premium arising on the issue of shares, net of issue costs.

Other reserves

Other reserves comprise cumulative shareholder contributions to the company.

17. Pension commitments

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund and amounted to £206,754 (2018: £173,968). Contributions totalling £26,662 (2018: £18,067) were payable to the fund at the balance sheet date and are included within creditors.

18. Commitments under operating leases

At 31 December 2019 the company had future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2019 £	2018 £
Not later than 1 year	65,859	81,363
Later than 1 year and not later than 5 years	82,090	123,403
	<u>147,949</u>	<u>204,766</u>

Cyclife UK Limited

Notes to the financial statements Year ended 31 December 2019

19. Related party transactions

Cyclife UK Limited is wholly owned by Cyclife Holding SAS, whose financial statements are publicly available. The company has taken advantage of the exemptions available under FRS 102 and has not disclosed transactions with companies that are wholly owned subsidiaries of Cyclife Holding SAS group of companies.

20. Controlling parties

The immediate parent undertaking is Cyclife Sweden Holding AB, a company incorporated in Sweden.

Electricite de France SA is the parent undertaking of the largest group of undertakings to consolidate these financial statements. The consolidated financial statements of Electricite de France SA can be obtained from:

Electricite de France SA
22 Avenue de Wagram
Paris
75008
France