Company Registration No. 07405239 (England and Wales)

LEAFIELD ENVIRONMENTAL HOLDINGS LIMITED

REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2017

LEAFIELD ENVIRONMENTAL HOLDINGS LIMITED
COMPANY INFORMATION

Directors	J L D Crawford C T Edge
Company number	07405239
Registered office	Leafield Way Leafield Industrial Estate Corsham Wiltshire SN13 9UD
Auditor	RSM UK Audit LLP Chartered Accountants Hartwell House 55-61 Victoria Street Bristol BS1 6AD

LEAFIELD ENVIRONMENTAL HOLDINGS LIMITED
STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2017

The directors present the strategic report of Leafield Environmental Holdings Limited (the 'company') for the year ended 31 December 2017.

Business review and key performance indicators (KPIs)
We aim to present a balanced and comprehensive review of the development and performance of our business during the year and its position at the year end. Our review is consistent with the size and the non-complex nature of our business and is written in the context of the risks and uncertainties we face.

The main financial KPIs of the group that are constantly reviewed are as follows:

	2017 £'000	2016 £'000
Turnover	4,747	5,520
Gross profit	1,765	2,041
EBITDA (after exceptional items)	404	493

The group generated EBITDA of £404,000 (2016: £493,000) on sales revenues of £4,747,000 (2016: £5,520,000). Turnover for the business decreased overall with ongoing Brexit uncertainty resulting in reduced recycling project opportunities in the UK and significant transit packaging projects were delayed until 2018. Export sales continued to remain strong at 26% of total sales (2016: 27%), with sales outside Europe continuing to grow showing a year on year increase of 51% (2016: 88%). Gross profit was lower in absolute terms by £276,000 as a result of lower volumes as the return on sales was broadly similar for both years at 37%. For the year ended 31 December 2017 operating profit was £92,000 (2016: £162,000) with reduced overhead spending partially offsetting the reduction in gross profit.

Future outlook
The current year has started well and the group is performing in line with expectations. Whilst the trading environment remains very challenging, the directors remain confident in the future and in the group's ability to take advantage of business opportunities as they arise during the remainder of 2018.

Principal risks and uncertainties
As for many businesses of our size, the principal risk continues to be the general economic environment. However, this is somewhat compensated by the fact that the business operates in niche markets. With these risks and uncertainties in mind, we are aware that any plans for the future development of the business may be subject to unforeseen events outside of our control.

Financial risk management
The group's operations expose it to a variety of financial risks that include the effects of changes in price risk, credit risk, liquidity risk, foreign exchange risk and interest rate risk. The group has in place a risk management programme that seeks to limit the adverse effects on the financial performance of the group by monitoring levels of debt finance and the related finance costs. Given the size of the group, the directors have not delegated the responsibility of monitoring financial risk management to a sub-committee of the Board of Directors. The policies set by the Board are implemented by the group's finance department. Management does not consider the level of exposure to interest rate risk sufficient to warrant additional specified procedures.

Price risk:- The group is exposed to commodity price risk as a result of its operations. However, given the size of the group'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 group's operations change in size or nature. The group has no exposure to equity securities price risk as it holds no listed or other equity investments.

Credit risk:- The group has implemented policies that require appropriate credit checks on potential customers before sales are made.

Liquidity risk:- The group actively maintains short-term debt finance that is designed to ensure the group has sufficient available funds for operations and planned expansions.

Foreign exchange risk:- The group reviews its future exposure levels at board level and will, if felt necessary, enter into forward contracts to protect its position.

Financial risk management (continued)

Interest rate risk:- The group reviews its future exposure levels at board level and will, if felt necessary, enter into forward contracts to protect its position.

Tangible fixed assets:- Properties included within tangible fixed assets are used mainly for the purposes of the group's principal activities. The directors are not aware that any significant difference exists between the overall market value of these properties and their book amounts in relation to the total assets of the group.

On behalf of the board

J L D Crawford
Director

Date: 18.6.18

The directors present their annual report and the audited consolidated financial statements of Leafield Environmental Holdings Limited (the 'company') and its subsidiary (together, the 'group') for the year ended 31 December 2017.

Principal activities
The principal activity of the group during the year was the design, manufacturing and marketing of Environmental, Highways, Agricultural and Transit Packaging plastic rotationally moulded products.

Directors
The directors who held office during the year and up to the date of signature of the financial statements were as follows:

J L D Crawford
C T Edge

Results and dividends
The profit for the year, after taxation, amounted to £67,000 (2016: £73,000). The directors do not recommend the payment of a dividend (2016: £nil).

Future developments and financial risk management
These matters have been disclosed in the strategic report as permitted by Companies Act 2006 s414C(11).

Going concern
The directors have prepared detailed financial forecasts to the end of 31 December 2018. The directors have also received confirmation from the controlling party, via its related entity Chamonix Private Equity LLP, that it will waive the capital repayment (due 1 January 2018) and ongoing interest payments on the deep discounted bond (note 16) for a period not less than 12 months from the date of signing of these financial statements or until the debt profile of the subsidiary is restructured to facilitate payment. After due consideration, the directors have concluded that there is a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

Employees
The group is an equal opportunities employer. Policies and practices are established where considered necessary to ensure that, as far as possible, no job applicant or employee receives less favourable treatment on either racial grounds or on grounds of sex, age or material status, or is disadvantaged by unjustifiable conditions or requirements.

It is the policy of the group to provide equal opportunities in the appointment, training and career development of disabled persons, and training of employees who have become disabled while employed by the group, having regard to their particular aptitudes and abilities

It is the policy of the group to keep employees involved and informed about developments within, and the state of affairs of, the group as appropriate.

Political and charitable contributions
There were no political or charitable donations during the year (2016: £nil).

Qualifying third party indemnity provisions
Leafield Environmental Holdings Limited has indemnified, by means of directors' and officers' liability insurance, the group against liability in respect of proceedings brought by third parties, subject to the conditions set out in the Companies Act 2006. Such qualifying third party indemnity provision was in force during the year and is in force as at the date of approving the directors' report.

Auditor
PricewaterhouseCoopers LLP resigned as auditor during the year and RSM UK Audit LLP was appointed. There were no circumstances connected with the resignation of PricewaterhouseCoopers LLP requiring shareholder notification. RSM UK Audit LLP has indicated its willingness to continue in office and, under section 487(2) of the Companies Act 2006, will be deemed to have been reappointed 28 days after these financial statements were sent to members or 28 days after the latest date prescribed for filing the financial statements with the registrar, whichever is earlier.

Statement of disclosure to auditor

So far as the directors are aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, the directors have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

On behalf of the board

J L D Crawford
Director

Date: 18.6.18

DIRECTORS' RESPONSIBILITIES STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2017

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and company, and of the profit or loss of the group 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 accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group's and company's transactions and disclose with reasonable accuracy at any time the financial position of the group and company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the group and 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 LEAFIELD ENVIRONMENTAL HOLDINGS LIMITED

Opinion
We have audited the financial statements of Leafield Environmental Holdings Limited (the 'parent company') and its subsidiary (the 'group') for the year ended 31 December 2017 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated and Company Statement Of Financial Position, the Consolidated Statement of Changes in Equity, the Company Statement of Changes in Equity, the Consolidated Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 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 group's and of the parent company's affairs as at 31 December 2017 and of the group's 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 group and parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006
In our opinion, based on the work undertaken in the course of our 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 group and the parent company and their environment obtained in the course of the audit, we have not identified material misstatements in the strategic report and 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 by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company 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 set out on page 6 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 group's and the parent 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 group or the parent company or to cease operations, or have no realistic alternative but to do so.

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: http://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 as a body, for our audit work, for this report, or for the opinions we have formed.

RSM UK Audit LLP

Thomas R Morgan (Senior Statutory Auditor)
For and on behalf of RSM UK Audit LLP, Statutory Auditor
Chartered Accountants
Hartwell House
55-61 Victoria Street
Bristol
BS1 6AD

Date: 21 JUNE 2018

LEAFIELD ENVIRONMENTAL HOLDINGS LIMITED
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2017

	Notes	2017 £'000	2016 £'000
Turnover	3	4,747	5,520
Cost of sales		(2,982)	(3,479)
Gross profit		1,765	2,041
Administrative expenses		(1,679)	(1,885)
Other operating income	4	6	6
Operating profit	5	92	162
Interest payable and similar expenses	9	(70)	(87)
Profit before taxation		22	75
Taxation	10	45	(2)
Profit and total comprehensive income for the financial year		67	73

Profit and total comprehensive income for the financial year is all attributable to the owners of the parent company.

LEAFIELD ENVIRONMENTAL HOLDINGS LIMITED
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2017

	Notes	2017 £'000	2017 £'000	2016 £'000	2016 £'000
Fixed assets					
Tangible assets	11		2,239		2,407
Current assets					
Stocks	13	229		261	
Debtors	14	739		555	
Cash at bank and in hand		145		196	
		1,113		1,012	
Creditors: amounts falling due within one year	15	(831)		(846)	
Net current assets			282		166
Total assets less current liabilities			2,521		2,573
Creditors: amounts falling due after more than one year	16		(1,887)		(1,962)
Provisions for liabilities					
Deferred taxation	19		(26)		(70)
Net assets			608		541
Capital and reserves					
Called up share capital	20		1,365		1,365
Profit and loss reserves	21		(757)		(824)
Total equity			608		541

The financial statements were approved by the board of directors and authorised for issue on 18.6.18 and are signed on its behalf by:

J L D Crawford
Director

Company Registration No. 07405239

LEAFIELD ENVIRONMENTAL HOLDINGS LIMITED
COMPANY STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2017

	Notes	2017 £'000	2016 £'000
Fixed assets			
Investments	12	1,365	1,365
Total assets less current liabilities		1,365	1,365
Capital and reserves			
Called up share capital	20	1,365	1,365
Total equity		1,365	1,365

As permitted by s408 Companies Act 2006, the company has not presented its own profit and loss account and related notes. The company's result for the financial year was £nil (2016: £nil).

The financial statements were approved by the board of directors and authorised for issue on 18.6.18 and are signed on its behalf by:

J L D Crawford
Director

LEAFIELD ENVIRONMENTAL HOLDINGS LIMITED
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2017

	Called up share capital £'000	Profit and loss reserves £'000	Total £'000
Balance at 1 January 2016	1,365	(897)	468
Year ended 31 December 2016			
Profit and total comprehensive income for the year	-	73	73
Balance at 31 December 2016	1,365	(824)	541
Year ended 31 December 2017			
Profit and total comprehensive income for the year	-	67	67
Balance at 31 December 2017	1,365	(757)	608

LEAFIELD ENVIRONMENTAL HOLDINGS LIMITED
COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2017

	Called up share capital £'000	Total £'000
Balance at 1 January 2016	1,365	1,365
Year ended 31 December 2016		
Profit and total comprehensive income for the year	–	–
Balance at 31 December 2016	1,365	1,365
Year ended 31 December 2017		
Profit and total comprehensive income for the year	–	–
Balance at 31 December 2017	1365	1365

LEAFIELD ENVIRONMENTAL HOLDINGS LIMITED
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2017

	Notes	2017 £'000	2017 £'000	2016 £'000	2016 £'000
Net cash generated from operating activities	24		138		239
Cash flows from investing activities					
Purchase of tangible assets		(43)		(173)	
Net cash used in investing activities			(43)		(173)
Cash flows from financing activities					
Repayment of loans		(100)		(100)	
Interest paid		(46)		(53)	
Net cash used in financing activities			(146)		(153)
Net decrease in cash and cash equivalents			(51)		(87)
Cash and cash equivalents at beginning of year			196		283
Cash and cash equivalents at end of year			145		196

1 Accounting policies

Company information

Leafield Environmental Holdings Limited (the 'company') is a private company limited by shares and is registered, domiciled and incorporated in England and Wales. The registered office is Leafield Way, Leafield Industrial Estate, Corsham, Wiltshire SN13 9UD.

The group comprises Leafield Environmental Holdings Limited and its subsidiary, Leafield Environmental Limited. The principal activities are disclosed in the Directors' Report.

Accounting convention

These financial statements have been prepared in accordance with FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' ('FRS 102') and the requirements of the Companies Act 2006. The financial statements are prepared in sterling, which is the functional currency of the company. Amounts are rounded to the nearest £'000. The principal accounting policies adopted are set out below.

Reduced disclosures

For the purposes of its individual financial statements, the company is a qualifying entity under the FRS 102 Reduced Disclosure Framework and has taken advantage of the exemption from the following disclosure requirements:

- Section 7 'Statement of Cash Flows' – Presentation of a Statement of Cash Flows and related notes and disclosures.
- Section 33 'Related Party Disclosures' – Compensation for key management personnel.

Basis of consolidation

The consolidated financial statements present the results of the company and its subsidiary (the 'group') as if they formed a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

The consolidated financial statements incorporate the results of business combinations using the purchase method. In the Statement of Financial Position, the acquired identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the Consolidated Statement of Comprehensive Income from the date on which control is obtained. They are deconsolidated from the date control ceases.

Going concern

The directors have prepared detailed financial forecasts to the end of 31 December 2018. The directors have also received confirmation from the controlling party, via its related entity Chamonix Private Equity LLP, that it will waive the capital repayment (due 1 January 2018) and ongoing interest payments on the deep discounted bond (note 16) for a period not less than 12 months from the date of signing of these financial statements or until the debt profile of the subsidiary is restructured to facilitate payment. After due consideration, the directors have concluded that there is a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

Turnover

Turnover is recognised to the extent that it is probable that the economic benefits will flow to the group and the turnover can be reliably measured. Turnover is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before turnover is recognised:

Sale of goods

Turnover from the sale of goods is recognised when all of the following conditions are satisfied:

- the group has transferred the significant risks and rewards of ownership to the buyer;
- the group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of turnover can be measured reliably;
- it is probable that the group will receive the consideration due under the transaction;
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

1 Accounting policies (continued)

Tangible assets
Tangible assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The group adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred, if the replacement part is expected to provide incremental future benefits to the group. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to profit or loss during the period in which they are incurred.

Land is not depreciated. Depreciation on other assets is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

The estimated useful lives range as follows:

Freehold buildings	20 years
Plant and machinery	3-10 years

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'other operating income' in the Consolidated Statement of Comprehensive Income.

Operating leases
Rentals paid under operating leases are charged to the Consolidated Statement of Comprehensive Income on a straight-line basis over the period of the lease.

Valuation of investments
Investments in subsidiaries are measured at cost less accumulated impairment.

Stocks
Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first in, first out basis. Work in progress and finished goods include labour and attributable overheads.

At each reporting date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in the Consolidated Statement of Comprehensive Income.

Debtors
Short-term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

Cash at bank and in hand
Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value. In the Consolidated Statement of Cash Flows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the group's cash management.

1 Accounting policies (continued)

Financial instruments
The group only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other accounts receivable and payable, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other amounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade payables or receivables, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration, expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in case of an outright short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Consolidated Statement of Comprehensive Income.

Creditors
Short-term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are initially measured at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

Government grants
Grants are accounted for under the accruals model as permitted by FRS 102. Grants relating to expenditure on tangible fixed assets are credited to the Consolidated Statement of Comprehensive Income at the same rate as the depreciation on the assets to which the grant relates. The deferred element of grants is included in creditors as deferred income. Grants of a revenue nature are recognised in the Consolidated Statement of Comprehensive Income in the same period as the related expenditure.

Foreign currency translation
Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At period end, foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

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

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Consolidated Statement of Comprehensive Income. All other foreign exchange gains and losses are presented in the Consolidated Statement of Comprehensive Income within 'other operating income'.

Finance costs
Finance costs are charged to the Consolidated Statement of Comprehensive Income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

1 Accounting policies (continued)

Pensions
The group operates a defined contribution pension plan for its employees. A defined contribution plan is a pension plan under which the group pays fixed contributions into a separate entity. Once the contributions have been paid the group has no further payment obligations.

The contributions are recognised as an expense in the Consolidated Statement of Comprehensive Income when they fall due. Amounts not paid are shown in accruals as a liability in the Consolidated Statement of Financial Position. The assets of the plan are held separately from the group in independently-administered funds.

Interest income
Interest income is recognised in the Consolidated Statement of Comprehensive Income using the effective interest method.

Borrowing costs
All borrowing costs are recognised in the Consolidated Statement of Comprehensive Income in the year in which they are incurred.

Current and deferred taxation
The tax expense for the year comprises current and deferred tax. Tax is recognised in the Consolidated Statement of Comprehensive Income, except that a change attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the company and the group operate and generate income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the reporting date, except that:

- the recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits;
- any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met; and
- where they relate to timing differences in respect of interests in subsidiaries, associates, branches and joint ventures and the group can control the reversal of the timing differences and such reversal is not considered probable in the foreseeable future.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

2 Judgments and key sources of estimation uncertainty

In the application of the group's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are outlined below.

Useful economic lives of fixed assets

The annual depreciation charge for tangible fixed assets is sensitive to changes in the estimated useful economic lives of the assets. The useful economic lives are reassessed and amended when necessary to reflect the current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets.

Impairment of stocks

The company's products are subject to changing market demand. It is therefore necessary to consider on a periodic basis the recoverability of the cost of stocks and the associated impairment. Management calculates impairments by considering the nature and condition of the stocks and applies assumptions around anticipated saleability of finished goods and future usage of raw materials, overheads and labour.

Impairment of debtors

On a periodic basis management makes an estimation of the recoverability of debtors. Management makes such estimations based on credit rating of debtors, the ageing profile, and historical experience.

Turnover recognition

Management considers the detailed criteria for the recognition of turnover from the sale of goods and services set out in FRS 102, in particular whether the significant risks and rewards of ownership of the goods have transferred to the buyer.

3 Turnover

Analysis of turnover by country of destination:

	2017 £'000	2016 £'000
United Kingdom	3,513	4,032
Rest of Europe	975	1,317
Rest of the World	259	171
	4,747	5,520

The group's turnover arose from the principal activities of the manufacture and sale of rotationally moulded plastic products together with the sales of factored products.

4 Other operating income

	2017 £'000	2016 £'000
Government grants receivable	6	6
	6	6

5 Operating profit

Operating profit is stated after charging /(crediting) :

	2017 £'000	2016 £'000
Exchange differences on foreign currency transactions	(4)	1
Depreciation of tangible assets	211	230
Operating lease rentals	64	69
Stock recognised as an expense	1,277	1,591

6 Auditor's remuneration

	2017 £'000	2016 £'000
Fees payable to the group's auditor and associates:		
For audit services		
Audit of the financial statements of the group and company	3	6
Audit of the company's subsidiaries	17	16
	20	22
For other services		
Other services relating to taxation	5	10
All other services	2	4
	27	36

Audit fees in the year ended 31 December 2016 were payable to PricewaterhouseCoopers LLP. Audit fees in the year to 31 December 2017 were payable to RSM UK Audit LLP.

7 Employees

The average monthly number of persons (including directors) employed during the year was:

	Group 2017 Number	Group 2016 Number	Company 2017 Number	Company 2016 Number
Selling and administration	27	29	–	–
Production	28	29	–	–
	55	58	–	–

Their aggregate remuneration was:	Group 2017 £'000	Group 2016 £'000	Company 2017 £'000	Company 2016 £'000
Wages and salaries	1,612	1,736	–	–
Social security costs	164	156	–	–
Pension costs	65	68	–	–
	1,841	1,960	–	–

8 Directors' remuneration

The company did not pay any remuneration to the directors in respect of their services (2016:£nil) .

9 Interest payable and similar expenses

	2017 £'000	2016 £'000
Interest on financial liabilities measured at amortised cost:		
Bank interest payable	45	53
Amortisation of financing costs	25	34
	70	87

10 Taxation

	2017 £'000	2016 £'000
Current tax		
UK corporation tax on profits for the current period	–	–
Adjustments in respect of prior years	(1)	(29)
Total current tax	(1)	(29)
Deferred tax		
Origination and reversal of timing differences	(24)	(5)
Changes to tax rates	–	(8)
Adjustments in respect of prior years	(20)	44
Total deferred tax	(44)	31
Total tax charge	(45)	2

The total tax charge for the year included in the income statement can be reconciled to the profit before tax multiplied by the standard rate of tax as follows:

	2017 £'000	2016 £'000
Profit before taxation	22	75
Expected tax charge based on the standard rate of corporation tax in the UK of 19.0% (2016: 20.0%)	4	15
Effects of:		
Expenses not deductible for tax purposes	3	4
Adjustments in respect of prior years	(24)	15
Tax rate changes	3	(8)
R&D relief	(31)	(24)
Total current tax	(45)	2

Factors that may affect future tax charges
The main rate of corporation tax will be reduced to 17% from 1 April 2020.

11 Tangible assets

Group	Freehold land and buildings £'000	Plant and machinery £'000	Total £'000
Cost			
At 1 January 2017	2,081	2,117	4,198
Additions	–	43	43
At 31 December 2017	2,081	2,160	4,241
Depreciation and impairment			
At 1 January 2017	147	1,644	1,791
Depreciation charged in the year	14	197	211
At 31 December 2017	161	1,841	2,002
Net book value			
At 31 December 2017	1920	319	2,239
At 31 December 2016	1,934	473	2,407

The company had no tangible fixed assets in the current or previous year.

12 Investments

	Group 2017 £'000	Group 2016 £'000	Company 2017 £'000	Company 2016 £'000
Investments in subsidiaries	–	–	1,365	1,365

Investments in subsidiaries comprise the company's interest in the entire issued ordinary share capital of Leafield Environmental Limited, a company incorporated in the United Kingdom and registered in England and Wales. The registered office of Leafield Environmental Limited is Leafield Way, Leafield Industrial Estate, Corsham, Wiltshire, SN13 9UD. The principal activity of Leafield Environmental Limited is the design, manufacturing and marketing of Environmental, Highways, Agricultural and Transit Packaging plastic rotationally moulded products.

Movements in fixed asset investments	**Investments in subsidiary companies £'000**
Cost or valuation	
At 1 January 2017 and 31 December 2017	1,365
Carrying amount	
At 31 December 2017	1,365
At 31 December 2016	1,365

The directors believe that the carrying value of the investments is supported by expected future earnings of the operating company.

13 Stocks

	Group 2017 £'000	Group 2016 £'000	Company 2017 £'000	Company 2016 £'000
Raw Materials	174	216	–	–
Finished goods and goods for resale	55	45	–	–
	229	261	–	–

The difference between purchase price or production cost of stocks and their replacement cost is not material.

14 Debtors

	Group 2017 £'000	Group 2016 £'000	Company 2017 £'000	Company 2016 £'000
Trade debtors	651	420	–	–
Other debtors	36	79	–	–
Prepayments and accrued income	52	56	–	–
	739	555	–	–

Other debtors include £35,000 (2016: £79,000) relating to deposits against future drawdowns under the terms of an invoice discounting facility with the group's bank. This facility is secured by way of a floating charge and debenture over the trade debtor balances of the group.

15 Creditors: amounts falling due within one year

	Group 2017 £'000	Group 2016 £'000	Company 2017 £'000	Company 2016 £'000
Bank loans and overdrafts	100	100	–	–
Trade creditors	302	369	–	–
Corporation tax	–	–	–	–
Other taxation and social security	92	140	–	–
Other creditors	21	27	–	–
Accruals and deferred income	316	210	–	–
	831	846	–	–

16 Creditors: amounts falling due after more than one year

	Group 2017 £'000	Group 2016 £'000	Company 2017 £'000	Company 2016 £'000
Bank loans and overdrafts	1,080	1,155	–	–
Deep discounted bonds	807	807	–	–
	1,887	1,962	–	–

Secured loans

The bank loans are secured by fixed and floating charges over the assets of the group and repayable at £25,000 per quarter bearing an interest rate of 2.5% above LIBOR. The holder of the deep discounted bonds (Chamonix Private Equity LLP) has confirmed that it will waive any capital and accrued interest repayment requirements for the duration described in note 1 of these financial statements.

17 Borrowings

	Group 2017 £'000	Group 2016 £'000	Company 2017 £'000	Company 2016 £'000
Amounts falling due within one year				
Bank loans	100	100	–	–
Amounts falling due in 1-2 years				
Bank loans	100	100	–	–
Other loans	807	807	–	–
	907	907	–	–
Amounts falling due in 2-5 years				
Bank loans	980	1,055	–	–
	1,987	2,062	–	–

18 Financial instruments

	Group 2017 £'000	Group 2016 £'000	Company 2017 £'000	Company 2016 £'000
Carrying amount of financial assets				
Debt instruments measured at amortised cost	686	499	–	–
Carrying amount of financial liabilities				
Measured at amortised cost	2,626	2,668	–	–

Financial assets measured at amortised cost comprise trade debtors. Financial liabilities measured at amortised cost comprise bank loans, trade creditors, other creditors, accruals and deep discounted bonds.

19 Deferred taxation

Deferred tax assets and liabilities are offset where the group or company has a legally enforceable right to do so. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

Group	Liabilities 2017 £'000	Liabilities 2016 £'000
Accelerated capital allowances	46	71
Short-term timing differences	(1)	(1)
Losses and other deductions	(19)	-
	26	70

Movements in the year	Liabilities £'000
Liability at 1 January 2017	70
Charge to profit or loss	(44)
Liability at 31 December 2017	26

Of the deferred tax liabilities set out above relating to accelerated capital allowances, £881 is expected to reverse within the next twelve months as depreciation charged on the underlying assets exceeds tax allowances claimed in the period.

20 Share capital

	2017 £'000	2016 £'000
Ordinary share capital		
Issued and fully paid		
865,001 (2016: 865,001) Ordinary shares of £1 each	865	865
500,000 (2016: 500,000) Preferred shares of £1 each	500	500
	1,365	1,365

The preferred shares participate pari passu with ordinary shares in any dividend that is declared by the company except they have the right to receive their pro rata share in priority to ordinary shareholders. Preferred shareholders are entitled to receive notice and to attend any general meeting of the company but are not entitled to vote on any resolution in any general meeting, written or otherwise.

21 Reserves

Profit and loss reserves
The profit and loss reserves reflect cumulative profits and losses net of distributions to members.

22 Pension commitments

The group operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the group in an independently administered fund. The pension cost charge represents contributions payable by the group to the fund and amounted to £65,000 (2016: £68,000).

23 Operating lease commitments

Lessee
At the reporting end date the group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	Group 2017 £'000	Group 2016 £'000	Company 2017 £'000	Company 2016 £'000
Within one year	38	62	–	–
Between one and five years	48	28	–	–
	86	90	–	–

24 Cash generated from group operations

	2017 £'000	2016 £'000
Profit for the financial year after tax	67	73
Adjustments for:		
Depreciation of tangible assets	211	230
Government grants	(6)	(6)
Finance costs	70	87
Taxation charged	(45)	2
Movements in working capital:		
Increase in stocks	32	(42)
Decrease in debtors	(183)	132
Decrease in creditors	(8)	(237)
Cash generated from operations	138	239

25 Related party transactions

The group has taken advantage of the exemption under Section 33 of FRS 102 and has not disclosed details of transactions or balances between wholly-owned group companies. Details of transactions with other related parties are given below.

The directors J L D Crawford and C T Edge are partners of Chamonix Private Equity LLP, an entity affiliated to the immediate and ultimate controlling party Chamonix II LLP. During the year, Chamonix II LLP charged the group £100,000 (2016: £100,000) in respect of management charges and other expenses. At the end of the year, in relation to these charges, the group owed Chamonix II LLP £nil (2016: £nil).

Remuneration of key management personnel
The remuneration of key management personnel of the group is as follows:

	2017 £'000	2016 £'000
Aggregate compensation	236	236
Employers national insurance contributions	27	31
	263	267

26 Controlling party

The immediate and ultimate controlling party is considered to be Chamonix II LLP, which holds 100% of the ordinary share capital of the company.