

Company registration number SC223342 (England and Wales)

CREDENTIAL ENVIRONMENTAL LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021
PAGES FOR FILING WITH REGISTRAR

CREDENTIAL ENVIRONMENTAL LIMITED

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CREDENTIAL ENVIRONMENTAL LIMITED

BALANCE SHEET

AS AT 31 DECEMBER 2021

		2021		2020	
	Notes	£	£	as restated	£
Fixed assets					
Intangible assets	5		557,955		729,633
Tangible assets	6		1,408,080		1,219,350
			<u>1,966,035</u>		<u>1,948,983</u>
Current assets					
Debtors	7	2,536,468		1,418,807	
Cash at bank and in hand		274,621		635,629	
		<u>2,811,089</u>		<u>2,054,436</u>	
Creditors: amounts falling due within one year	8	<u>(839,418)</u>		<u>(803,360)</u>	
Net current assets			<u>1,971,671</u>		<u>1,251,076</u>
Total assets less current liabilities			<u>3,937,706</u>		<u>3,200,059</u>
Creditors: amounts falling due after more than one year	9		<u>(156,268)</u>		<u>(203,704)</u>
Net assets			<u><u>3,781,438</u></u>		<u><u>2,996,355</u></u>
Capital and reserves					
Called up share capital			7,959,727		7,959,727
Profit and loss reserves			<u>(4,178,289)</u>		<u>(4,963,372)</u>
Total equity			<u><u>3,781,438</u></u>		<u><u>2,996,355</u></u>

The directors of the company have elected not to include a copy of the profit and loss account within the financial statements.

These financial statements have been prepared and delivered in accordance with the provisions applicable to companies subject to the small companies regime.

The financial statements were approved by the board of directors and authorised for issue on 21 December 2022 and are signed on its behalf by:

Mr M J Murfitt
Director

Company Registration No. SC223342

CREDENTIAL ENVIRONMENTAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

1 Accounting policies

Company information

Credential Environmental Limited is a private company limited by shares incorporated in England and Wales. The registered office is 216 East Main Street, Broxburn, West Lothian, EH52 5AS.

1.1 Reporting period

The company changed its Accounting Reporting Date to coincide with its new parent company last year. Therefore the comparative reported period is nine months from 1 April 2020 through to 31 December 2020. The current period is one year.

1.2 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 as applicable to companies subject to the small companies regime. The disclosure requirements of section 1A of FRS 102 have been applied other than where additional disclosure is required to show a true and fair view.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared under the historical cost convention, [modified to include the revaluation of freehold properties and to include investment properties and certain financial instruments at fair value]. The principal accounting policies adopted are set out below.

This company is a qualifying entity for the purposes of FRS 102, being a member of a group where the parent of that group prepares publicly available consolidated financial statements, including this company, which are intended to give a true and fair view of the assets, liabilities, financial position and profit or loss of the group. The company has therefore taken advantage of exemptions from the following disclosure requirements:

- Section 7 'Statement of Cash Flows': Presentation of a statement of cash flow and related notes and disclosures;
- Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instrument Issues: The disclosure requirements of paragraphs 11.42, 11.44, 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b), 11.48(c), 12.26, 12.27, 12.29(a), 12.29(b), and 12.29A;
- Section 33 'Related Party Disclosures': Compensation for key management personnel.

The financial statements of the company are consolidated in the financial statements of Itochu Corporation. These consolidated financial statements are available from their company's website www.itochu.co.jp

1.3 Turnover

Turnover represents amounts receivable from the collection of waste automotive tyres and sales of products manufactured from post consumer tyres.

Revenue is measured at the fair value of consideration received. Revenue from post consumer automotive tyre collection is recognised upon the collection of goods. Revenue from sales of recycled tyre products is recognised upon shipment of goods.

CREDENTIAL ENVIRONMENTAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

1 Accounting policies

(Continued)

1.4 Intangible fixed assets - goodwill

Goodwill represents the excess of the cost of acquisition of unincorporated businesses over the fair value of net assets acquired. It is initially recognised as an asset at cost and is subsequently measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is considered to have a finite useful life and is amortised on a systematic basis over its expected life, which is 10 years.

For the purposes of impairment testing, goodwill is allocated to the cash-generating units expected to benefit from the acquisition. Cash-generating units to which goodwill has been allocated are tested for impairment at least annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit.

1.5 Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Freehold land and buildings	Freehold property is carried at fair value
Plant and equipment	Straight line between 2 and 10 years
Fixtures and fittings	Straight line over 4 years

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to profit or loss.

Properties whose fair value can be measured reliably are held under the revaluation model and are carried at a revalued amount, being their fair value at the date of valuation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. The fair value of the land and buildings is usually considered to be their market value.

Revaluation gains and losses are recognised in other comprehensive income and accumulated in equity, except to the extent that a revaluation gain reverses a revaluation loss previously recognised in profit or loss or a revaluation loss exceeds the accumulated revaluation gains recognised in equity; such gains and losses are recognised in profit or loss.

1.6 Impairment of fixed assets

At each reporting period end date, the company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

CREDENTIAL ENVIRONMENTAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

1 Accounting policies

(Continued)

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

1.7 Cash and cash equivalents

Cash and cash equivalents are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

1.8 Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the company's balance sheet when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

Classification of financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

Basic financial liabilities

Basic financial liabilities, including creditors, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

1.9 Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of transaction costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

CREDENTIAL ENVIRONMENTAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

1 Accounting policies

(Continued)

1.10 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

Deferred tax

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

1.11 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

1.12 Retirement benefits

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

1.13 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessees. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets at the lower of the assets fair value at the date of inception and the present value of the minimum lease payments. The related liability is included in the balance sheet as a finance lease obligation. Lease payments are treated as consisting of capital and interest elements. The interest is charged to profit or loss so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Rentals payable under operating leases, including any lease incentives received, are charged to profit or loss on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the leases asset are consumed.

CREDENTIAL ENVIRONMENTAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

1 Accounting policies

(Continued)

1.14 Government grants

Government grants are recognised at the fair value of the asset received or receivable when there is reasonable assurance that the grant conditions will be met and the grants will be received.

A grant that specifies performance conditions is recognised in income when the performance conditions are met. Where a grant does not specify performance conditions it is recognised in income when the proceeds are received or receivable. A grant received before the recognition criteria are satisfied is recognised as a liability.

1.15 Foreign exchange

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation in the period are included in profit or loss.

2 Change in accounting policy

As a result of change in accounting policy of the company on measurement of freehold land and buildings, prior year financial statements had to be restated. The impact on brought forward retained earnings due to change in the company is explained in note (12).

3 Judgements and key sources of estimation uncertainty

In the application of the company'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.

4 Employees

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

	2021 Number	2020 Number
Total	46	42

CREDENTIAL ENVIRONMENTAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

5 Intangible fixed assets

	Goodwill £
Cost	
At 1 January 2021 and 31 December 2021	1,716,782
Amortisation and impairment	
At 1 January 2021	987,149
Amortisation charged for the year	171,678
At 31 December 2021	1,158,827
Carrying amount	
At 31 December 2021	557,955
At 31 December 2020	729,633

6 Tangible fixed assets

	Freehold land and buildings £	Plant and equipment £	Fixtures and fittings £	Total £
Cost or valuation				
At 1 January 2021 as restated	900,000	725,748	40,824	1,666,572
Additions	-	285,135	15,947	301,082
At 31 December 2021	900,000	1,010,883	56,771	1,967,654
Depreciation and impairment				
At 1 January 2021 as restated	-	408,903	38,319	447,222
Depreciation charged in the year	-	108,851	3,501	112,352
At 31 December 2021	-	517,754	41,820	559,574
Carrying amount				
At 31 December 2021	900,000	493,129	14,951	1,408,080
At 31 December 2020 as restated	900,000	316,845	2,505	1,219,350

Included in the total net book value of tangible fixed assets held at 31 December 2021 was £219,902 (2020 - £253,152) in respect of assets held under hire purchase contracts.

Land and buildings with a carrying amount of £900,000 were revalued at 20 November 2020 by Eddisons Taylors, independent valuers not connected with the company on the basis of market value. The valuation conforms to International Valuation Standards and was based on recent market transactions on arm's length terms for similar properties.

The following assets are carried at valuation. If the assets were measured using the cost model, the carrying amounts would be as follows:

CREDENTIAL ENVIRONMENTAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

6 Tangible fixed assets (Continued)

Freehold land and buildings

2021	2020
£	£

Cost	1,345,775	1,345,775
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7 Debtors

2021 2020 as restated

Amounts falling due within one year: £ £

Trade debtors	567,018	514,259
Amounts owed by group undertakings	1,532,660	376,932
Other debtors	77,406	66,752
Prepayments and accrued income	179,174	75,026

	2,356,258	1,032,969
Deferred tax asset	180,210	385,838

	2,536,468	1,418,807
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8 Creditors: amounts falling due within one year

2021 2020 £ £

Obligations under finance leases	31,894	20,538
Trade creditors	428,694	298,022
Taxation and social security	197,918	278,279
Other creditors	19,202	13,525
Accruals and deferred income	161,710	192,996

	839,418	803,360
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Liabilities under finance leases are secured on the related assets.

9 Creditors: amounts falling due after more than one year

Notes 2021 2020 £ £

Obligations under finance leases	156,268	203,704
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Liabilities under finance leases are secured on the related assets.

CREDENTIAL ENVIRONMENTAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

10 Audit report information

As the income statement has been omitted from the filing copy of the financial statements, the following information in relation to the audit report on the statutory financial statements is provided in accordance with s444(5B) of the Companies Act 2006:

The auditor's report was unqualified.

Senior Statutory Auditor:	Jayson Lawson
Statutory Auditor:	Ensors Accountants LLP

11 Prior period adjustment

Reconciliation of changes in equity

	1 April 2020 £	31 December 2020 £
Adjustments to prior year		
Reversal of b/fwd depreciation	822,592	862,965
Fair value adjustment to freehold land and buildings	-	(445,775)
Deferred tax asset on fair value adjustment	-	84,697
Total adjustments	822,592	501,887
Equity as previously reported	1,331,943	2,494,468
Equity as adjusted	2,154,535	2,996,355

Reconciliation of changes in profit for the previous financial period

	2020 £
Adjustments to prior year	
Reversal of b/fwd depreciation	40,373
Fair value adjustment to freehold land and buildings	(445,775)
Deferred tax asset on fair value adjustment	84,697
Total adjustments	(320,705)
Profit as previously reported	1,162,525
Profit as adjusted	841,820

Notes to reconciliation

A prior year adjustment has been identified to correct an error in relation to depreciation being charged on freehold land in prior years. An adjustment of £862,965 being the total depreciation charged has been made to increase opening equity. The impact on opening retained earnings of the prior period was an increase of £822,592 and an increase in reported results of the prior period of £40,373.

A further prior period adjustment has been identified in relation to the carrying value of the freehold land and buildings. A valuation was undertaken in the comparative period resulting in an impairment loss of £445,775 has been recorded as a prior period adjustment which resulted in a £361,078 after deferred tax decrease in the prior years reported equity.

CREDENTIAL ENVIRONMENTAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

12 Financial commitments, guarantees and contingent liabilities

Credential Environmental Limited, CE Holdings Limited, Murfitts Industries Limited, Murfitts Group Limited and Tyre Recovery Systems Limited have together provided unlimited multilateral guarantee to their bankers for bank borrowings with these group of companies.

13 Operating lease commitments

Lessee

At the reporting end date the company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, as follows:

2021	2020
£	£
470,299	628,785
<u>470,299</u>	<u>628,785</u>

14 Parent company

The immediate parent company of Credential Environmental Limited is CE Holdings Limited, a company registered in England & Wales.

The company's ultimate holding and controlling parent company is Itochu Corporation, which is incorporated in Japan, its registered office address is 5-1, 2 Chome, Kita Aoyama, Minato-ku, Tokyo, Japan.

The largest and smallest group into which the activities of the company are consolidated is that headed by Itochu Corporation.

This document was delivered using electronic communications and authenticated in accordance with the registrar's rules relating to electronic form, authentication and manner of delivery under section 1072 of the Companies Act 2006.