Artech Reduction Technologies Limited

(Registration No. 04696842)
Report and Financial Statements
31 December 2015

Director
R Guice

Auditors
Ernst & Young LLP
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Manchester M2 3EY

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Registered No. 04696842

Director's report

The director presents his report and financial statements for the year ended 31 December 2015.

Results and dividends

The profit for the year after taxation amounted to £594,902 (2014 – loss of £501,584). The director does not recommend a final dividend (2014 – £nil).

Principal activity and review of the business

The principal activity of the company during the year was sales and assembly of industrial shredding equipment to inter-companies of Stericycle International Holdings.

Going concern

On the basis of his assessment of the company's financial position the director has a reasonable expectation that the company will be able to continue in operational existence for the foreseeable future. Thus he continues to adopt the going concern basis of accounting in preparing the annual financial statements.

Director

The director who served the company during the year was as follows:

J Rudyk resigned 4 December 2015
R Guice was appointed a director on 19 April 2016

Disclosure of information to the auditors

So far as the director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of company's auditor, the director has taken all the steps that he is obliged to take as a director in order to make himself aware of any relevant audit information and to establish that the auditor is aware of that information.

Auditors

A resolution to reappoint Ernst & Young LLP as auditors will be put to the members at the Annual General Meeting.

Small company exemptions

This report has been prepared in accordance with the special provisions applicable to companies subject to the small companies regime within Part 15 of the Companies Act 2006.

On behalf of the Board

Robert Guice
Director
3 April 2017

Statement of director's responsibilities

The director is responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the director to prepare financial statements for each financial year. Under that law the director has 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 director must not approve the financial statements unless he is 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 director is required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and

The director is responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable him to ensure that the financial statements comply with the Companies Act 2006. He is 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 Artech Reduction Technologies Limited

We have audited the financial statements of Artech Reduction Technologies Limited for the year ended 31 December 2015 which comprise the Statement of comprehensive income, Statement of changes in equity, Statement of financial position and the related notes on pages 8 to 16. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 (The Financial Reporting Standard applicable in the UK and Republic of Ireland).

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.

Respective responsibilities of director and auditor

As explained more fully in the Director's Responsibilities Statement set out on page 3, the director is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the director; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Report and Financial Statements to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2015 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including FRS 102 (The Financial Reporting Standard applicable in the UK and Republic of Ireland); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Director's Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Independent auditor's report

to the members of Artech Reduction Technologies Limited

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where 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 director's remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the director was not entitled to take advantage of the small companies' exemption in not preparing the Strategic Report.

Ernst & Young LLP

Martin Newsholme (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Manchester
Date

7 April 2017

Statement of comprehensive income

for the year ended 31 December 2015

	Notes	2015 £	2014 £
Turnover	3	3,132,566	1,792,862
Cost of sales		(2,488,975)	(1,194,629)
Gross profit		643,591	598,233
Administrative expenses		(509,050)	(579,405)
Operating profit		134,541	18,828
Interest receivable/(payable) and similar charges	7	155,990	(188,883)
Net profit/(loss) on foreign currency translation		268,775	(459,796)
Profit/(loss) on ordinary activities before taxation		559,306	(629,851)
Tax/(Recovery) on Ordinary Activities	8	(35,595)	128,267
Profit/(loss) for the financial year		594,902	(501,584)

All amounts relate to continuing activities.

There was no other comprehensive income or expense other than the profit for the financial year attributable to the shareholders of the company of £594,902 in the year ended 31 December 2015 (2014 – loss of £501,584).

Statement of changes in equity

for the year ended 31 December 2015

	Called up share capital £	Profit and loss account £	Total £
At 1 January 2014	1	1,790,088	1,790,089
Loss for the year	-	(501,584)	(501,584)
Share capital issued	2,805,500	-	2,805,500
At 31 December 2014	2,805,501	1,288,504	4,094,005
Profit for the year	-	594,902	594,902
Share capital issued	-	-	-
At 31 December 2015	2,805,501	1,883,406	4,688,907

Statement of financial position

at 31 December 2015

	Notes	2015 £	2014 £
Fixed assets			
Investments	9	6,037	6,037
Current assets			
Stocks	10	643,749	284,613
Debtors	11	26,424,080	23,562,690
Creditors: amounts falling due within one year	12	(496,528)	(228,736)
Net current assets		26,571,301	23,618,567
Total assets less current liabilities		26,577,338	23,624,604
Creditors: amounts falling due after more than one year	13	(21,888,432)	(19,530,599)
Net Assets		4,688,906	4,094,005
Capital and reserves			
Called up share capital	14	2,805,501	2,805,501
Profit and loss account	15	1,883,405	1,288,504
Shareholders' funds		4,688,906	4,094,005

These financial statements were approved and authorised for issue by the board and were signed on its behalf by:

Robert Guice

Director

3 April 2017

Notes to the financial statements

at 31 December 2015

1. Accounting policies

Basis of preparation

Artech Reduction Technologies Limited is a private limited company incorporated in England and Wales. The Registered Office is 177 Cross Street, Sale, Manchester, M33 7JQ.

The financial statements have been prepared under historical cost convention and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard Applicable in the United Kingdom and the Republic of Ireland, and the Companies Act 2006. The date of transition to FRS 102 was 1 January 2014. An explanation of how transition to FRS 102 has affected the reported financial position and financial performance is given in note 20.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the company's accounting policies (see note 2).

The presentational and functional currency is the British Pound Sterling (£).

The company meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions available to it in respect of its financial statements. Exemptions have been taken in relation to share-based payments, financial instruments, presentation of a cash flow statement, intra-group transactions and remuneration of key management personnel.

Transitional relief

On transition to FRS 102 from previous UK GAAP, the company has taken advantage of transitional relief as follows:

Business combinations

The company has elected not to apply Section 19 Business combinations and Goodwill to business combinations that were effected before the date of transition to FRS 102. No adjustment has been made to the carrying value of goodwill and intangible assets subsumed within goodwill have not been separately recognised in relation to business combinations that were effected prior to the date of transition to FRS 102.

Investment in subsidiaries

The company has elected to treat the carrying amount of investments in subsidiaries under previous UK GAAP at the date of transition as deemed cost on transition to FRS 102.

Lease incentives

The company have not applied paragraphs 20.15A or 20.25A to lease incentives where the lease commenced before the date of transition to FRS 102. It has continued to recognise any residual benefit or cost with these lease incentives on the same basis that applied prior to transition to FRS 102.

Going concern

The company is expected to generate positive cash flows for the foreseeable future. The parent undertaking has indicated it will not seek repayment of the amounts due to it for a period of at least 12 months from the date of approval of the financial statements. In addition, the parent undertaking will guarantee any amounts owed by fellow Group companies in the event they cannot pay themselves.

On the basis of his assessment of the company's financial position the director has a reasonable expectation that the company will be able to continue in operational existence for the foreseeable future. Thus continues to adopt the going concern basis of accounting in preparing the annual financial statements.

Statement of cash flows

The company is a wholly owned subsidiary of Stericycle Inc., and is included within the consolidated financial statements which are publicly available. Consequently, the company has taken advantage of the exemption from preparing a cash flow statement under the terms of FRS 102 paragraph 1.12(b).

Notes to the financial statements

at 31 December 2015

1. Accounting policies (continued)

Turnover

Turnover is recognised consistently with the right to receive consideration in exchange for the performance of supplying services.

Investments

Investments are recorded at cost less any provision for impairment.

Stocks

Stocks are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow-moving items.

Taxation

Current tax, including UK Corporation Tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted at the balance sheet date.

Deferred taxation

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or right to pay less or to receive more, tax, with the following exceptions:

- Provision is made for deferred taxation that would arise on remittance of the retained earnings of subsidiaries, associates and joint ventures only to the extent that, at the balance sheet date, dividends have been accrued as receivable.
- Where there are differences between amounts that can be deducted for tax for assets (other than goodwill) and liabilities compared with the amounts that are recognised for those assets and liabilities in a business combination a deferred tax liability/(asset) shall be recognised. The amount attributed to goodwill is adjusted by the amount of the deferred tax recognised; and
- Unrelieved tax losses and other deferred tax assets are recognised only to the extent that the directors consider that it probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. Exchange differences are taken to the statement of comprehensive income.

Financial instruments

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 entity after deducting all of its liabilities.

Where the contractual obligations of financial instruments (including share capital) are equivalent to a similar debt instrument, those financial instruments are classed as financial liabilities. Financial liabilities are presented as such in the balance sheet. Finance costs and gains or losses relating to financial liabilities are included in profit or loss. Finance costs are calculated so as to produce a constant rate of return on the outstanding liability.

Where the contractual terms of share capital do not have any terms meeting the definition of a financial liability then this is classed as an equity instrument. Dividends and distributions relating to equity instruments are debited direct to equity.

Notes to the financial statements

at 31 December 2015

1. Accounting policies (continued)

Short term debtors and creditors

Debtors and creditors with no stated interest rate and receivable or payable within one year are recorded at transaction price. Any losses arising from impairment are recognised in the statement of comprehensive income.

Interest-bearing loans and borrowings

All interest-bearing loans and borrowings which are basic financial instruments are initially recognised at the present value of cash payable to the bank (including interest). After initial recognition they are measured at amortised cost using the effective interest rate method, less impairment. The effective interest rate amortisation is included in finance revenue in the income statement.

2. Judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates. The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements.

No significant judgements were noted during the year.

Notes to the financial statements

at 31 December 2015

3. Turnover

An analysis of turnover by geographical market is given below:

	2015	*2014*
	£	*£*
United Kingdom	1,730,654	1,278,007
Germany	887,773	185,025
France	272,165	135,439
Other	241,974	194,391
	3,132,566	1,792,862

An analysis of turnover is given below:

	2015	*2014*
	£	*£*
Sale of goods	2,848,105	1,540,488
Rendering of services	284,461	252,374
	3,132,566	1,792,862

4. Operating profit

This is stated after charging/(crediting):

	2015	*2014*
	£	*£*
Auditors' remuneration - audit	15,000	15,000
Auditors' remuneration – tax services	-	6,350

5. Director's remuneration

No director received any remuneration from the company during the year. The directors of the company are remunerated by the immediate parent company and the details of their remuneration are disclosed within the financial statements of Stericycle International Holdings. The element of remuneration that is attributable to this company cannot be reliably estimated.

Notes to the financial statements

at 31 December 2015

6. Staff costs

	2015	*2014*
	£	*£*
Wages and salaries	244,187	213,329
Benefits	31,777	26,056
	275,964	239,385

The average monthly number of employees (including the director) during the year was made up as follows:

	2015 No.	*2014 No.*
Administrative	2	1
Technical	5	5
	7	6

7. Interest payable and similar charges

	2015	*2014*
	£	*£*
Interest payable to group undertakings	98,794	500,525
Interest receivable by group undertakings	(254,784)	(311,642)
Interest payable to group undertakings, net	(155,990)	188,883

Notes to the financial statements

at 31 December 2015

8. Tax

(a) Tax credit on profit/(loss) on ordinary activities

	2015	*2014*
	£	*£*
Current tax:		
UK corporation tax on the profit for the year	113,258	-
Adjustments in respect of prior years	(7,238)	(128,267)
Current tax/(recovery) on profit on ordinary activities	106,020	(128,267)
Deferred tax:		
Utilization of losses previously not benefitted	7,149	-
Adjustments in respect of prior years	(4,037)	-
Effect of future rate reductions	7,237	-
Release of valuation allowance	(151,964)	-
Tax expense/(recovery) on profit on ordinary activities	(35,595)	(128,267)

(b) Factors affecting current tax expense for the year

The tax assessed for the year differs from the standard rate of corporation tax in the UK of 20.25% (2014 – 21.5%). The differences are explained below:

	2015	*2014*
	£	*£*
Profit/(loss) on ordinary activities before tax	559,306	(629,851)
Profit/(loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 20.25% (2014 – 21.5%)	113,260	(135,418)
Effects of:		
Expenses not deductible for tax purposes	-	127,881
Adjustments in respect of prior years	3,109	(128,267)
Release of valuation allowance	(151,964)	-
Utilization of losses previously not benefitted	-	7,537
Total current tax (recovery) for the year	(35,595)	(128,267)

(c) Deferred tax

Deferred tax is as follows:

	2015	*2014*
	£	*£*
Losses carried forward (2014 – unprovided)	141,615	156,203

Notes to the financial statements

at 31 December 2015

9. Investments

	£
Cost:	
At 1 January 2015	6,037
Additions	-
At 31 December 2015	6,037
Amounts written off:	
At 1 January 2015 and 31 December 2015	-
Net book value:	
At 31 December 2015	6,037
At 1 January 2015	6,037

On 6 October, 2010, the Company invested in 2.5% of the shares of New Gerec SPRL located in Belgium.

On 6 October, 2010, the Company invested in 0.02% of the shares of Mobile Shredding Belux SA located in Belgium and a wholly-owned subsidiary Mobile Shredding Luxembourg SA located in Luxembourg. Subsequent to 31 December 2010 New Gerec SPRL merged with Mobile Shredding Belux SA and the name was changed to Shred-it Belgium SA.

10. Stocks

	2015	*2014*
	£	£
Finished goods	49,117	53,655
Parts and supplies	594,632	230,958
	643,749	284,613

11. Debtors

	2015	*2014*
	£	£
Amounts owed by group undertakings	25,452,091	23,055,469
VAT recoverable	962,487	492,669
Prepayments	9,502	14,552
	26,424,080	23,562,690

12. Creditors: amounts falling due within one year

	2015	*2014*
	£	£
Trade creditors	464,168	228,736
	464,168	228,736

Notes to the financial statements

at 31 December 2015

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

	2015	*2014*
	£	*£*
Amounts owed to group undertakings	21,888,432	19,530,599

14. Called up share capital

		2015		*2014*
Allotted, called up and fully paid	*No.*	*£*	*No.*	*£*
Ordinary shares of £1 each	2,805,501	2,805,501	2,805,501	2,805,501

15. Reserves

Profit and loss account

The profit and loss account includes all current and prior period retained profits and losses less dividends.

16. Related party transactions

The Company has taken advantage of the exemption under FRS 102 from disclosing transactions with key management personnel remuneration and other wholly owned entities, which are part of the group of which Stericycle Inc., is the parent undertaking.

There were no transactions in the year with non-wholly owned entities, which are part of the group of which Stericycle Inc., is the parent undertaking.

17. Other financial commitments

At 31 December 2015 the company had annual commitments under non-cancellable operating leases as set out below:

	2015	*2014*
	£	*£*
Operating leases which expire:		
Within one year	21,250	21,250
In two to five years	85,000	85,000
Over five years	21,250	42,500
	127,500	148,750

18. Financial instruments

The company does not engage in any interest rate swaps to manage interest rate risk volatility and forward foreign currency contracts to hedge currency exposure on company's future commitments. Financial assets that are debt instruments measured at amortised cost and financial liabilities measured at amortised cost have been disclosed throughout the notes to the financial statements.

Notes to the financial statements

at 31 December 2015

19. Ultimate parent undertaking and controlling party

The company's immediate parent undertaking is Shred-it Limited.

Stericycle Inc., a US incorporated company, is the ultimate parent undertaking and controlling party.

The largest and smallest group for which group financial statements have been drawn up is that headed by Stericycle Inc. Copies of these financial statements may be obtained from 28161 North Keith Drive, Lake Forest, IL 60045, USA.

20. Transition to FRS 102

The policies applied under the company's previous accounting framework are not materially different to FRS 102 and have not impacted on equity or profit or loss.

21. Subsequent event

On April 20, 2016, the company disposed of its shareholdings in Shred-it Belgium SA for a consideration of €35. The book value at the date of the disposal was £6,037.