

Neales Waste Management Limited

Annual report and financial statements

Registered number 02646317

Year ended 31 December 2018

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Strategic Report

Principal activities

During the year the principal activity of the company changed following disposal of part of the business. Neales Waste Management Limited was a leading regional supplier of waste management services throughout the North West of England, providing waste collection, recycling and disposal services. The company no longer provides waste collection services.

Business review

On 30 March 2018, the group took the decision to sell the waste collection division of the business and continue a more focussed approach on the remaining activities. The waste collection business accounted for approximately 90% of the company's turnover. The directors believe the recycling and disposal services can return the company to profitability.

In the year ended 31 December 2018, continuing operations turnover was £1,824,807 (2017: £1,624,038). The Company made an operating loss on continuing operations of £926,873 (2017: £1,021,552). The Company has continued its focus on the profitability of its existing customer base whilst continuing to target new business in the remaining areas of the business. Included in discontinued operations is a profit of £938,754 on the disposal of the waste collection division.

Subsequent to the sale of the waste collection division the company sold its premises in Blackburn realising a profit of £479,575.

The Company has received a letter of financial support from Çimentoş İzmir Çimento Fabrikası Türk A.Ş. ("Çimentoş"), the parent company, stating that they will support the Company for a period of at least twelve months from the date of signing of these financial statements.

Principal risks and uncertainties

The Company operates in a highly regulated market that contains many risks and uncertainties, outlined below:

- **Legislation/Regulatory Changes:** We monitor current and impending legislative and other regulatory changes to ensure full compliance.
- **Health and Safety:** We continually consult with the appropriate authorities to ensure full compliance. All our employees are fully trained in accordance with the requirements of their job and detailed risk assessment, policies and procedures exist for all our operations and machinery. The directors receive regular reports on Health and Safety performance and employ a team dedicated to promote Health and Safety and safe working practises.
- **Environment:** Our operations are highly regulated under environmental legislation. The directors receive regular reports on environmental issues performance.
- **Competition:** We operate in a highly competitive market but try to minimise the risk by securing longer term partnerships and contracts, particularly with larger customers.
- **Litigation:** There is a risk that litigation will occur in the future, the cost and outcome of which is uncertain and the risk is managed through the advice of the company's solicitors.

Strategic Report *(continued)*

Future developments

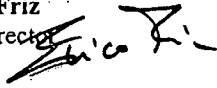
The directors are confident that the Company will continue to maintain and improve performance going forward.

Results

The loss for the year, after taxation, for continuing operations amounted to £971,124 (2017: £1,054,392) and profit for the year, after taxation, for discontinued operations amounts to £1,603,542 (2017: £706,888).

On behalf of the board

E Friz
Director



501 Green Place
Walton Summit Centre
Bamber Bridge
Preston
PR5 8AY

Date: 20 September 2019

Directors' Report

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

E Friz

H Stewart (resigned 11 January 2018)

W Montevécchi (resigned 15 January 2018)

M A Sala (resigned 9 November 2018)

P Regoli (appointed 22 November 2018)

A Costantini (appointed 1 February 2018 and resigned 5 December 2018)

Political and charitable contributions

During the year charitable donations of £nil (2017: £1,188) were made to registered charities. The Company made no political donations or incurred any political expenditure during the year.

Proposed dividend

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

Going concern

The directors have disclosed their considerations regarding going concern with accounting policies note 1.

The Company has received a letter of financial support from Çimentaş İzmir Çimento Fabrikası Türk A.Ş. ("Çimentaş"), the parent company, stating that they will support the Company for a period of at least twelve months from the date of signing of these financial statements.

Financial Risks

The company manages its cash and borrowing requirements in order to maximise interest income and minimise interest expense, whilst ensuring the company has sufficient liquid resources to meet the operating needs of the business.

The company is exposed to cash flow interest rate risk on bank overdrafts.

Investments of cash surpluses and borrowings are made through banks and companies which must fulfil credit rating criteria approved by the Board.

All customers who wish to trade on credit terms are subject to credit verification procedures. Trade debtors are monitored on an ongoing basis and provision is made for doubtful debts where necessary.

Disclosure of information to auditor

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

Statement of directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

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

Directors' Report *(continued)*

Statement of directors' responsibilities *(continued)*

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are 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.

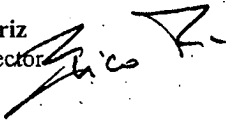
The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies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

Independent auditors

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

On behalf of the board

E Friz
Director



501 Green Place
Walton Summit Centre
Bamber Bridge
Preston
PR5 8AY

Date: 20 September 2019

Independent auditors' report to the members of Neales Waste Management Limited

Report on the audit of the financial statements

Opinion

In our opinion, Neales Waste Management Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the balance sheet as at 31 December 2018; the statement of comprehensive income, the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

ISAs (UK) require us to report to you when:

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

We have nothing to report in respect of the above matters.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the company's trade, customers, suppliers and the wider economy.

Independent auditors' report to the members of Neales Waste Management Limited (continued)

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance 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 an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of 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 based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' 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 auditors' 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 FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Independent auditors' report to the members of Neales Waste Management Limited (continued)

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

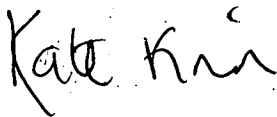
Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.



Kate Finn (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Manchester
20 September 2019

Statement of Comprehensive Income
for the year ended 31 December 2018

		2018 £			2017 £		
	Notes	Continuing operations	Discontinued operations	Total	Continuing operations	Discontinued operations	Total
Turnover	2	1,824,807	1,887,846	3,712,653	1,624,038	7,747,436	9,371,474
Cost of sales		(1,278,776)	(1,428,154)	(2,706,930)	(1,030,355)	(6,668,153)	(7,698,508)
Gross profit		546,031	459,692	1,005,723	593,683	1,079,283	1,672,966
Distribution costs		(277,414)	-	(277,414)	(360,348)	-	(360,348)
Administrative expenses		(1,195,490)	(316,897)	(1,512,387)	(1,254,887)	(438,465)	(1,693,352)
Profit on disposal of fixed assets		-	560,249	560,249	-	15,145	15,145
Profit on disposal of operations		-	938,754	938,754	-	-	-
Operating profit/(loss)	3	(926,873)	1,641,798	714,925	(1,021,552)	655,963	(365,589)
Interest payable and similar expenses	7	(44,251)	-	(44,251)	(32,840)	-	(32,840)
Profit/(loss) before taxation		(971,124)	1,641,798	670,674	(1,054,392)	655,963	(398,429)
Tax on profit/(loss)	8	-	(38,256)	(38,256)	-	50,925	50,925
Profit/(loss) for the financial year		(971,124)	1,603,542	632,418	(1,054,392)	706,888	(347,504)

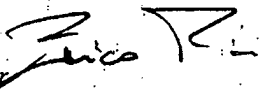
There are no items of other comprehensive income in the year (2017: none).

The notes on pages 11 to 22 form part of these financial statements.

Balance Sheet
as at 31 December 2018

	Notes	2018	2017
		£	£
Fixed assets			
Intangible assets	10	-	199,094
Tangible assets	11	94,126	836,544
		<u>94,126</u>	<u>1,035,633</u>
Current assets			
Stocks	12	-	8,960
Debtors	13	3,018,077	2,518,166
Cash at bank and in hand		26,501	10,785
		<u>3,044,578</u>	<u>2,537,911</u>
Creditors: amounts falling due within one year	14	<u>(1,936,414)</u>	<u>(2,979,190)</u>
Net current assets/(liabilities)		<u>1,108,164</u>	<u>(441,279)</u>
Total assets less current liabilities		<u>1,202,290</u>	<u>594,359</u>
Creditors: amounts falling due after more than one year	15	-	(24,487)
Net assets		<u>1,202,290</u>	<u>569,872</u>
Capital and reserves			
Called up share capital	17	100,000	100,000
Profit and loss account		1,102,290	469,872
Total equity		<u>1,202,290</u>	<u>569,872</u>

These financial statements on pages 8 to 22 were approved by the board of directors on 20 September 2019 and were signed on its behalf by:

E Friz
Director 

Company registered number: 02646317

The notes on pages 11 to 22 form part of these financial statements.

Statement of Changes in Equity
for the year ended 31 December 2018

	Share capital £	Profit and loss account £	Total equity £
Balance at 1 January 2017	100,000	817,376	917,376
Total comprehensive expense for the year			
Loss for the year	-	(347,504)	(347,504)
Total comprehensive expense for the year	-	(347,504)	(347,504)
Balance at 31 December 2017	100,000	469,872	569,872
Balance at 1 January 2018	100,000	469,872	569,872
Total comprehensive income for the year			
Profit for the year	-	632,418	632,418
Total comprehensive income for the year	-	632,418	632,418
Balance at 31 December 2018	100,000	1,102,290	1,202,290

Notes

(forming part of the financial statements)

1 Accounting policies

Neales Waste Management Limited is a company limited by shares and incorporated and domiciled in the UK.

These financial statements were prepared in accordance with Financial Reporting Standard 102 *The Financial Reporting Standard* applicable in the UK and Republic of Ireland ("*FRS 102*") as issued in August 2015. The presentational currency of these financial statements is sterling.

The Company's immediate parent undertaking, NWM Holdings Limited includes the Company in its consolidated financial statements. The consolidated financial statements of NWM Holdings Limited are available to the public and may be obtained from Companies House, Crown Way, Cardiff. In these financial statements, the company is considered to be a qualifying entity (for the purposes of this FRS) and has applied the exemptions available under FRS 102 in respect of the following disclosures:

- Cash flow statement and related notes
- Key management personnel compensation;
- Basic financial instruments and other financial instrument issues; and
- Related party transactions per section 33.7 of FRS 102

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

Measurement convention

The financial statements are prepared on the historical cost basis.

Going concern

The Company's business activities together with the factors likely to affect its future development, performance and position are set out in the Strategic Report on page 1 and 2.

The Company meets its day to day working capital requirements through a £2,300,000 (2017: £5,000,000) overdraft facility and intercompany loans.

The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. The Company has received a letter of financial support from Çimento Fabrikası Türk A.Ş. ("Çimento"), the parent company, stating that they will support the Company for a period of at least twelve months from the date of signing of these financial statements. Therefore, the directors continue to adopt the going concern basis in preparing the financial statements.

Basic financial instruments

Trade and other debtors / creditors

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument.

Interest bearing borrowings classified as basic financial instruments

Interest-bearing borrowings are recognised initially at the present value of future payments discounted at a market rate of interest. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

Notes (continued)

1 Accounting policies (continued)

Intangible assets

Intangible assets acquired separately from a business are recognised at cost and are subsequently measured at cost less accumulated amortisation and accumulated impairment losses.

Intangible assets acquired on business combinations are recognised separately from goodwill at the acquisition date where it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity and the cost or value of the asset can be measured reliably.

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Leases in which the Company assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. All other leases are classified as operating leases. Leased assets acquired by way of finance leases are stated on initial recognition at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, including any incremental costs directly attributable to negotiating and arranging the lease. At initial recognition a finance lease liability is recognised equal to the fair value of the leased asset, or, if lower, the present value of the minimum lease payments. The present value of the minimum lease payments is calculated using the interest rate implicit in the lease. Lease payments are accounted for as described below.

The Company assesses at each reporting date whether tangible fixed assets (including those leased under a finance lease) are impaired.

Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. Leased assets are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated. The estimated useful lives are as follows:

Land and buildings	-	20 years
Plant and equipment	-	5 years
Motor Vehicles	-	5 years
Fixtures, fittings & office equipment	-	4 years
Software cost	-	not yet in use

Depreciation methods, useful lives and residual values are reviewed if there is an indication of a significant change since last annual reporting date in the pattern by which the company expects to consume an asset's future economic benefits.

Stocks

Stocks are valued at the lower of cost and estimated selling price less costs to complete and sell. Cost is based on the first in first out weighting principle and includes expenditure incurred in acquiring the stocks.

Impairment excluding stocks and deferred tax assets

Financial assets (including trade and other debtors)

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

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

Notes (continued)

1 Accounting policies (continued)

Impairment excluding stocks and deferred tax assets (continued)

Non-financial assets

The carrying amounts of the Company's non-financial assets, other than stocks and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing is allocated to cash-generating units, or ("CGU") that are expected to benefit from the synergies of the combination. For the purpose of goodwill impairment testing, if goodwill cannot be allocated to individual CGUs or groups of CGUs on a non-arbitrary basis, the impairment of goodwill is determined using the recoverable amount of the acquired entity in its entirety, or if it has been integrated then the entire entity into which it has been integrated.

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

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

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

Employee benefits

Defined contribution plans and other long term employee benefits

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

Provisions

A provision is recognised in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are recognised at the best estimate of the amount required to settle the obligation at the reporting date.

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its group, the company treats the guarantee contract as a contingent liability until such time as it becomes probable that the Company will be required to make a payment under the guarantee.

Turnover

Turnover comprises revenue recognised by the Company in respect of goods and services supplied during the period, exclusive of Value Added Tax and trade discounts.

Notes (continued)

1 Accounting policies (continued)

Expenses

Operating lease

Payments (excluding costs for services and insurance) made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease unless the payments to the lessor are structured to increase in line with expected general inflation; in which case the payments related to the structured increases are recognised as incurred. Lease incentives received are recognised in profit and loss over the term of the lease as an integral part of the total lease expense.

Finance lease

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

Interest receivable and Interest payable

Interest payable and similar charges include interest payable and finance charges on finance leases recognised in profit or loss using the effective interest method.

Other interest receivable and similar income include interest receivable on funds invested.

Interest income and interest payable are recognised in profit or loss as they accrue, using the effective interest method.

Taxation

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

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

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. The following timing differences are not provided for: differences between accumulated depreciation and tax allowances for the cost of a fixed asset if and when all conditions for retaining the tax allowances have been met. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax balances are not discounted.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Critical judgements and estimates

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.

Notes (continued)

1 Accounting policies (continued)

Recoverability of trade debtors

In determining the recoverability of trade debtors, the management make an estimation of the expected future cash flows that will be received. Such estimates are based on the current knowledge and prior experience in relation to each customer along with the outcome of the Company credit assessment procedures. Despite this, unforeseen events could result in the ultimate outcome differing from the Company's assessment and could result in a material adjustment to the financial statements.

Impairment of assets

Management undertake an annual test for impairment to determine whether events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Impairment testing requires the use of estimates and assessment as to whether the carrying value of assets can be supported by the net present value of future cash flows derived from such assets using cash flow projections. Certain assumptions are required to be made in respect of highly uncertain matters including future growth rate and capital expenditure.

2 Turnover

All turnover arose within the United Kingdom and related to waste disposal services.

3 Operating profit/(loss)

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

	2018 £	2017 £
Depreciation of tangible fixed assets		
- Owned by the company	136,177	365,646
- Held under finance lease	6,734	26,936
Operating lease rentals:		
- Plant and machinery	127,147	351,410
- Other operating leases	74,511	216,473
Profit on disposal of fixed assets		
- Land and buildings	479,575	-
- Other assets	80,674	15,145
Profit on disposal of operations (see note 9)	938,754	-
Impairment of intangible fixed assets	199,094	-
	<u>1,932,662</u>	<u>719,160</u>

4 Auditors' remuneration

	2018 £	2017 £
Audit of the financial statements of the company	28,000	15,650
	<u>28,000</u>	<u>15,650</u>

Notes (continued)

5 Staff costs

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

	2018 £	2017 £
Wages and salaries	825,393	2,033,817
Social security costs	79,983	182,208
Other pension costs (see note 19)	10,507	17,136
	<u>915,883</u>	<u>2,233,161</u>

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

	2018 No	2017 No
Operational	27	55
Administration	6	30
	<u>33</u>	<u>85</u>

6 Directors' remuneration

	2018 £	2017 £
Emoluments	<u>23,703</u>	<u>181,734</u>

Company pension contributions to defined contribution pension scheme	<u>149</u>	<u>1,607</u>
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During the year retirement benefits were accruing to one director (2017: one) in respect of defined contribution pension schemes.

Included in the above are directors services, charged through a management recharge, to another group company, Quercia Limited. These services total £16,592 (2017: £127,516) for the year.

Notes (continued)

7 Interest payable and similar expenses

	2018 £	2017 £
On finance leases and hire purchase contracts	572	3,106
Bank interest	43,679	29,734
	<u>44,251</u>	<u>32,840</u>

8 Tax on profit/(loss)

	2018 £	2017 £
<i>Current tax</i>		
Current tax on income for the year	-	-
Total current tax	<u>-</u>	<u>-</u>
<i>Deferred tax</i>		
Origination and reversal of timing differences	-	(58,348)
Adjustment to prior period	38,256	144
Effect of change in tax rate	-	7,279
Total deferred tax (see note 16)	<u>38,256</u>	<u>(50,925)</u>
Tax on profit/(loss)	<u>38,256</u>	<u>(50,925)</u>

Reconciliation of effective tax rate

	2018 £	2017 £
Profit/(Loss) before taxation	670,674	(398,429)
Tax using the UK corporation tax rate of 19% (2017: 19.25%)	127,428	(76,698)
Non-deductible expenses	11,743	543
Fixed asset differences	(67,878)	10,083
Reduction in tax rate on deferred tax balances	10,190	14,989
Adjustment to prior period	38,256	158
Income not taxable for tax purposes	(269,482)	-
Chargeable gains/losses	101,385	-
Deferred tax not recognised	86,614	-
	<u>38,256</u>	<u>(50,925)</u>

Reductions in the UK corporation tax rate from 23% to 21% (effective from 1 April 2015) and 20% (effective from 1 April 2016) were substantively enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015. The further reduction to 17% (effective 1 April 2020, replacing the previously announced reduction to 18%) was substantively enacted on 16 March 2016. This will reduce the company's future current tax charge accordingly. The deferred tax asset at 31 December 2018 has been calculated based on these rates.

Notes (continued)

9 Discontinued operations

On the 30 March 2018 the company sold the waste collection segment of the business. This segment was not a discontinued operation or classified as held-for-sale at 31 December 2017, therefore the statement of comprehensive income has been restated to show the discontinued operation separately from the continuing operations.

The profit from the discontinued operation of £1,603,542 (2017: £706,888) is attributable entirely to the owners of the company.

The company received consideration of £1,500,000 on the sale of the waste collection segment. The net book value of assets disposed was £561,246 and the profit on disposal of the assets recognised in the statement of comprehensive income was £938,754.

10 Intangible assets

	Software in development £
Cost	
At 1 January 2018	199,094
Additions	-
Disposals	-
At 31 December 2018	199,094
Accumulated amortisation	
At 1 January 2018	-
Charge for the year ended	-
Impairment in the year	-
Disposals	(199,094)
At 31 December 2018	(199,094)
Net book value	
At 31 December 2018	-
At 31 December 2017	199,094

Notes (continued)

11 Tangible assets

	Land and buildings	Plant and equipment	Fixtures, fittings and office equipment	Motor vehicles	Total
	£	£	£	£	£
Cost					
At 1 January 2018	1,070,841	3,626,378	312,153	1,322,483	6,331,855
Additions	-	62,925	23,553	-	86,478
Disposals on sale of business	(727,849)	(2,684,404)	-	(1,255,338)	(4,667,591)
Disposals other	-	(693,748)	(1,303)	(67,145)	(762,196)
At 31 December 2018	342,992	311,151	334,403	-	988,546
Accumulated Depreciation					
At 1 January 2018	879,988	3,148,901	266,998	1,199,424	5,495,311
Charge for the year ended	52,132	48,143	18,042	24,594	142,911
Disposals on sale of business	(603,164)	(2,226,680)	-	(1,156,873)	(3,986,717)
Disposals other	-	(688,637)	(1,303)	(67,145)	(757,085)
At 31 December 2018	328,956	281,727	283,737	-	894,420
Net book value					
At 31 December 2018	14,036	29,424	50,666	-	94,126
At 31 December 2017	190,853	477,477	45,155	123,059	836,544

The net book value of assets held under finance leases or hire purchase contracts, included above, are as follows:

	2018 £	2017 £
Motor vehicles	-	49,383

12 Stocks

	2018 £	2017 £
Consumable parts	-	8,960

Notes (continued)

13 Debtors

	2018 £	2017 £
Trade debtors	355,527	1,531,251
Amounts owed by group undertakings	2,317,526	623,631
Deferred tax asset (see note 16)	143,825	182,081
Other Debtors	62,764	951
Prepayments and accrued income	138,435	180,252
	<u>3,018,077</u>	<u>2,518,166</u>

Amounts owed by group undertakings are interest-free and repayable on demand.

Trade debtors include a provision for impairment of £51,471 (2017: £18,070).

14 Creditors: Amounts falling due within one year

	2018 £	2017 £
Bank loans and overdrafts	1,070,558	552,817
Trade creditors	505,037	1,241,069
Taxation and social security	31,561	201,331
Other creditors	4,456	17,981
Net obligations under finance leases and hire purchase contracts	-	25,648
Accruals and deferred income	324,802	940,344
	<u>1,936,414</u>	<u>2,979,190</u>

The net obligations under finance leases and hire purchase contracts are secured upon the assets to which they relate.

Amounts owed to group undertakings are interest-free and repayable on demand.

15 Creditors: Amounts falling due after more than one year

	2018 £	2017 £
Net obligations under finance leases and hire purchase contracts	-	22,462
Government grants received	-	2,025
	<u>-</u>	<u>24,487</u>

Notes (continued)

Creditors: Amounts falling due after more than one year (Continued)

Obligations under finance leases and hire purchase contracts, included above, are payable as follows:

	2018 £	2017 £
In under one year	-	22,462
Between one and two years	-	-
	<u>-</u>	<u>22,462</u>

The obligations under finance leases and hire purchase arrangements are secured against the assets to which they relate.

16 Deferred taxation

	2018 £	2017 £
At beginning of year	182,081	131,156
(Charge)/credit to profit and loss account during year	(38,256)	50,925
	<u>-</u>	<u>-</u>
At end of year	143,825	182,081

The deferred tax asset is made up as follows:

	2018 £	2017 £
Fixed asset timing differences	103,691	100,329
Losses and other deductions	40,134	81,752
	<u>143,825</u>	<u>182,081</u>

At the year end the company has unrecognised tax losses amounting to £124,870 (2017: £38,256).

17 Called up share capital

	2018 £	2017 £
<i>Allotted, called up and fully paid</i>		
100,000 (2017: 100,000) Ordinary shares of £1 each	100,000	100,000

18 Contingent Liabilities

The Company has entered into a cross guarantee arrangement with other members of the group in favour of Barclays Bank Plc. At 31st December 2018 there were no amounts owing to Barclays Bank Plc by any of the companies who are party to the guarantee.

The Company has also provided a limited guarantee to Barclays Bank Plc in connection with a banking facility provided to the fellow subsidiary, Quercia Limited. The guarantee is limited to £1,250,000.

The Company has provided bonds, guarantees and indemnities in favour of Lancashire County Council for £10,000.

Notes (continued)

19 Pension commitments

The Company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The pension cost charge represents contributions payable by the Company to the fund and amounted to £10,507 (2017: £17,136). Contributions totalling £20,939 (2017: £5,447) were payable to the fund at the balance sheet date.

20 Operating lease commitments

As at 31 December, the Company has non-cancellable operating lease commitments payable as follows:

	Land and building		Other	
	2018	2017	2018	2017
	£	£	£	£
Within 1 year	86,056	81,602	49,410	89,746
Between 1 and 2 years	16,495	45,000	2,076	49,550
Between 2 and 5 years	9,440	22,500	-	7,134

During the year £201,658 (2017: £567,883) was recognised as an expense in the profit and loss account in respect of operating leases.

21 Related party transaction

The Company is a wholly-owned subsidiary of NWM Holdings Limited, and is consolidated within the group financial statements of its holding company. The directors have elected to take advantage of the exemption available under FRS 102, section 33.7 and have not disclosed transactions with entities within the NWM Holdings Limited group, on the grounds that the relevant details are consolidated in the group financial statements.

22 Ultimate parent company and parent company of larger group

The Company is a subsidiary undertaking of Cementir Holding SpA, a company incorporated in Italy.

The largest group in which the results of the Company are consolidated is that headed by Cementir Holding SpA, incorporated in Italy. The smallest group in which they are consolidated is that headed by NWM Holdings Limited, incorporated in England and Wales. The consolidated financial statements of these groups are available to the public and may be obtained from Companies House, Crown Way, Cardiff.