

ENVIROFUSION LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

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ENVIROFUSION LIMITED

COMPANY INFORMATION

Directors	M A Brooks (appointed 1 November 2016) N P Cremin A J S Morris (appointed 1 May 2016) P J J Mullen C M Rochford A W Reynolds (resigned 22 June 2016)
Company secretary	Peter Kirkham
Registered number	07513337
Registered office	Unit 7 Northedge Business Park Alfreton Road Derby DE21 4BN
Independent auditors	PKF Cooper Parry Group Limited Chartered Accountants & Statutory Auditor Sky View Argosy Road East Midlands Airport Castle Donington Derby DE74 2SA

ENVIROFUSION LIMITED

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ENVIROFUSION LIMITED
REGISTERED NUMBER: 07513337

BALANCE SHEET
AS AT 31 DECEMBER 2016

	Note	£	2016 £	£	Unaudited 2015 £
Fixed assets					
Intangible assets	3		3,574		24,085
Tangible assets	4		17,719		22,116
			<u>21,293</u>		<u>46,201</u>
Current assets					
Stocks	6	98,600		141,486	
Debtors: amounts falling due within one year	7	239,372		222,609	
Cash at bank and in hand		1,534		17,924	
		<u>339,506</u>		<u>382,019</u>	
Creditors: amounts falling due within one year	8	(4,747,715)		(3,936,727)	
Net current liabilities			<u>(4,408,209)</u>		<u>(3,554,708)</u>
Total assets less current liabilities			<u>(4,386,916)</u>		<u>(3,508,507)</u>
Net liabilities			<u><u>(4,386,916)</u></u>		<u><u>(3,508,507)</u></u>
Capital and reserves					
Called up share capital	9		215		111
Share premium account	10		779,980		349,999
Profit and loss account	10		(5,167,111)		(3,858,617)
			<u>(4,386,916)</u>		<u>(3,508,507)</u>

The directors of the company have taken advantage of the exemptions available under s444 of the Companies Act 2006 and have elected not to include a copy of the profit and loss account within the financial statements.

The company's financial statements have been delivered in accordance with the provisions applicable to companies subject to the small companies regime.

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


N P Cremin
 Director

Date: 9th March 2017

The notes on pages 2 to 9 form part of these financial statements.

ENVIROFUSION LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

1. Accounting policies

1.1 General information

Envirofusion Limited ("the company") is a limited liability company incorporated and domiciled in the United Kingdom. The address of its registered office is shown on the company information page.

The financial statements are prepared in Sterling. The financial statements are for a period of 52 weeks ended 31 December 2016 (2015: 52 weeks ended 31 December 2015).

1.2 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention and in accordance with Section 1A of Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The company transitioned from compliance with UK GAAP to FRS 102 as at 1 January 2015. The transition is not considered to have a material effect on the financial statements and no adjustments were necessary to restate the financial statements previously presented under UK GAAP, including the balance sheet as at 1 January 2015 and the financial statements as at and for the year ended 31 December 2015

1.3 Going concern

The financial statements have been prepared under the historical cost convention, in accordance with applicable accounting standards and on a going concern basis. The company incurred a net loss of £1,308,494 during the year ended 31 December 2016 and at that date it had net current liabilities of £4,408,209 and a deficit on shareholders funds of £4,386,916.

At 31 December 2016 a total of £4,654,794 was owed to the company's primary investor, who is also a director and shareholder. Since the year end the company has continued to make losses which continue to be funded by the primary investor. The company's ability to continue in operation, and hence the validity of the going concern basis of accounting, is dependent upon this support continuing. At the date of approval of the financial statements this support remains in place. Should it be withdrawn, without alternative funding being sourced, it is unlikely that the company would be able to continue.

The following principal accounting policies have been applied:

1.4 Revenue

Revenue is recognised to the extent that it is probable that economic benefits will flow to the company and that the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, Value Added Tax and other sales taxes. The following criteria must also be met before revenue is recognised:

Sale of goods

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

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

ENVIROFUSION LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

1. Accounting policies (continued)

1.5 Intangible assets

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

All intangible assets are considered to have a finite useful life, and we amortised over this period, which does not exceed 5 years.

1.6 Tangible fixed assets

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

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Leasehold improvements	-	33%
Plant and machinery	-	25%
Fixtures and fittings	-	25%
Other fixed assets	-	33%

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

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

1.7 Investments

Investments held as fixed assets are shown at cost less provision for impairment.

1.8 Stocks

Stocks are valued at the lower of cost and net realisable value after making due allowance for obsolete and slow-moving stocks. Cost includes all direct costs and an appropriate proportion of fixed and variable overheads.

1.9 Financial instruments

The company only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities such as trade and other debtors and creditors, loans from banks and other third parties, and loans from related parties shares.

ENVIROFUSION LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

1. Accounting policies (continued)

1.10 Pensions

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

The contributions are recognised as an expense in the Profit and Loss Account when they fall due. Amounts not paid are shown in accruals as a liability in the Balance Sheet. The assets of the plan are held separately from the company in independently administered funds.

1.11 Provisions for liabilities

Provisions are recognised when the company has a present obligation (legal or constructive) as a result of past event, it is probable that the company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Legal advice is sought where appropriate.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking in to account the risks and uncertainties surrounding the obligation.

1.12 Taxation

Tax is recognised in the Profit and Loss Account, except that a change attributable to an item of income and expense recognised as Other Comprehensive Income or to an item recognised directly in Equity is also recognised in Other Comprehensive Income or directly in Equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the company operates and generates income.

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

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining the associated tax allowances have been met.

1.13 Research and development

Development costs are capitalised within intangible assets where they can be identified with a specific product or project reasonably anticipated to produce future benefits, and are amortised on a straight line basis over the anticipated life of the benefits arising from the completed product or project. All other research costs are written off to the profit and loss account.

Development costs are reviewed annually, and where future benefits are deemed to have ceased or to be in doubt, the balance of any related research and development is written off to the profit and loss account.

2. Employees

The average monthly number of employees, including directors, during the year was 7 (2015: 8).

ENVIROFUSION LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

3. Intangible assets

	Intellectual property £
Cost	
At 1 January 2016	104,331
Additions	389
At 31 December 2016	<u>104,720</u>
Amortisation	
At 1 January 2016	80,246
Charge for the year	20,900
At 31 December 2016	<u>101,146</u>
Net book value	
At 31 December 2016	<u>3,574</u>
At 31 December 2015	<u>24,085</u>

The intellectual property relates to the acquisition costs of technology used by the company in its products and which are in their final stages of development. The directors continue to monitor its carrying value for impairment.

ENVIROFUSION LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

4. Tangible fixed assets

	Leasehold improvements £	Plant and machinery £	Office equipment £	Computer equipment £	Total £
Cost or valuation					
At 1 January 2016	36,847	14,770	28,703	9,688	90,008
Additions	1,550	-	5,883	4,612	12,045
At 31 December 2016	38,397	14,770	34,586	14,300	102,053
Depreciation					
At 1 January 2016	32,554	12,550	15,202	7,586	67,892
Charge for period on owned assets	4,635	2,220	7,900	1,687	16,442
At 31 December 2016	37,189	14,770	23,102	9,273	84,334
Net book value					
At 31 December 2016	1,208	-	11,484	5,027	17,719
At 31 December 2015	4,293	2,220	13,501	2,102	22,116

ENVIROFUSION LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

5. Fixed asset investments

	Unlisted investments £
Cost	
At 1 January 2016	61,085
Disposals	(61,085)
At 1 January 2016	61,085
Disposal	(61,085)
At 31 December 2016	-
At 31 December 2015	-

Unlisted investments relate to a 70% holding of the share capital of Environmental Value Solutions Limited. The company has been dormant since October 2013 and was dissolved on 26 April 2016. The initial investment is therefore fully impaired.

6. Stocks

	2016 £	Unaudited 2015 £
Work in progress	98,600	141,486
	98,600	141,486

7. Debtors

	2016 £	Unaudited 2015 £
Other debtors	239,372	222,609
	239,372	222,609

Included within other debtors is an amount totalling £151,701 (2015: £140,215) relating to corporation tax claims in relation to research and development expenditure.

ENVIROFUSION LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

8. Creditors: Amounts falling due within one year

	2016 £	Unaudited 2015 £
Trade creditors	55,330	63,050
Taxation and social security	15,239	13,132
Directors loan	4,654,794	3,857,224
Accruals and deferred income	22,352	3,321
	<u>4,747,715</u>	<u>3,936,727</u>

Directors loans are secured by a fixed and floating charge over the present and future assets and undertaking of the company. Interest charged on the various tranches of loan finance vary between 5% and 25%. The directors loan is considered repayable on demand.

9. Share capital

	2016 £	Unaudited 2015 £
Shares classified as equity		
Authorised, allotted, called up and fully paid		
2,150,300 (2015: 1,110,000) Ordinary shares of £0.0001 each	<u>215</u>	<u>111</u>

On 20 January 2016 the company issued 1,959 ordinary shares at par value of £0.10.

On 4 February 2016 the company issued 6,530 ordinary shares at par value of £0.10.

On 9 September 2016 the company issued 1,914 ordinary shares with a nominal value of £0.10 for £430,000.

On 12 September 2016 the company diluted the nominal share value to £0.0001.

10. Reserves

Share premium

The share premium represents excess amounts paid over the nominal value of the shares.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

11. Related party transactions

During the year, the company incurred fees of £59,663 (2015: £5,758) in relation to consultancy services from companies under common control of the individual directors.

During the year, the company incurred fees of £21,885 (2015: £51,809) in relation to subcontractor services from a family member of a director.

During the year, a director of the company, made secured loans of £416,000 (2015: £611,000) to the company.

At the balance sheet date, £4,654,794 (2015: £3,857,224) was due to a director of the company. Interest payable during the year amounted to £471,569 (2015: £369,177). During the year, the company repaid £91,572 (2015: £11,800). The security for the loan is covered by a fixed and floating charge over the present and future assets and undertaking of the company.

12. Controlling party

The company is controlled by the directors by virtue of their majority shareholding.

13. Audit report information

As the profit and loss account 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 audit report includes the following modifications:-

Emphasis of matter - going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosures made in note 1.3 to the financial statements concerning the company's ability to continue as a going concern. The company incurred a net loss of £1,308,494 during the year ended 31 December 2016 and at that date it had a deficit on shareholders funds of £4,386,916. This, along with the other matters explained in note 1.3 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the company was unable to continue as a going concern.

Other matter - unaudited comparatives

The figures included as comparatives for the year ended 31 December 2015 are unaudited.

The auditors report was unqualified.

The auditor was PKF Cooper Parry Group Limited

Peter Sterling signed the auditor's report as senior statutory auditor.