

Company Registration No. 02765374 (England and Wales)

CELTIC RECYCLING LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 OCTOBER 2019

CELTIC RECYCLING LIMITED

COMPANY INFORMATION

Directors	Mr S Bishop Mr K M James Ms L Pitman Mr P Owen
Secretary	Mr S Bishop
Company number	02765374
Registered office	Unit 37 Village Farm Industrial Estate Pyle BRIDGEND UK CF33 6BZ
Auditor	Baldwins Audit Services Ty Derw Lime Tree Court Cardiff Gate Business Park Cardiff UK CF23 8AB

CELTIC RECYCLING LIMITED

CONTENTS

	Page
Strategic report	1 - 2
Directors' report	3
Directors' responsibilities statement	4
Independent auditor's report	5 - 6
Statement of comprehensive income	7
Balance sheet	9
Statement of changes in equity	10
Statement of cash flows	11
Notes to the financial statements	12 - 25

CELTIC RECYCLING LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 OCTOBER 2019

Fair review of the business

The results for the year ended 31 October 2019 and the preceding financial year are shown in the annexed financial statements. Turnover has fallen from £14,149,594 in 2018 to £11,286,678. As a result of the decrease in turnover, operating profit has subsequently fallen to £831,898 (2018: £1,612,915). During the year the company has continued to improve its net assets position which has risen from £4,884,648 in 2018 to £4,865,430 in 2019.

The EBITDA for the company continues to be strong and the five year summary is as follows:

2019	2018	2017	2016	2015
£1,276,095	£2,072,093	£1,720,114	£1,732,651	£993,592

The main risks affecting the business in 2020 remain similar to the ones in 2019. Cost reduction from our customers remains a key factor along with raw material price variances. This is an area that is closely monitored by the directors.

Principal risks and uncertainties

The management of the business and the execution of strategy are subject to a number of risks. Key business risks principally relate to the market competition both from a local and national perspective, the retention of suitably qualified employees and compliance with applicable legislation. Business risks are reviewed regularly by the directors and appropriate processes are put in place to monitor and mitigate their impact.

Financial risk management

The Company's operations expose it to a variety of financial risks that include the effects of price risk, credit risk, liquidity risk, interest rate risk and interest rate cash flow risk. The Company has in place an informal risk management programme that seeks to limit the adverse effects on the financial performance of the Company. Given the size of the Company, the directors have not delegated the responsibility for monitoring financial risk management to a sub committee of the board. The policies set by the board of directors are implemented by the Company's finance department.

Price risk

The Company is exposed to commodity price risk as a result of its operations. However, given the size of the Company's operations, the costs of managing the exposure to commodity price risk exceed any potential benefits. The directors will revisit the appropriateness of this policy should the Company's operations change in size or nature. The Company has no exposure to equity securities price risk as it holds no listed or other equity instruments.

Credit risk

The Company has implemented policies that require appropriate credit checks on potential customers before sales are made. The amount of exposure to any individual counter party is continually monitored in line with the Company's credit control procedures. Credit risk insurance has been evaluated by directors and has not been deemed cost effective in the current business climate. The directors will revisit the appropriateness of this policy should the Company's operations change in size or nature and the availability of credit insurance on the customer base.

Liquidity and interest rate risk

The Company has cash reserves to fund its operations and utilises short term finance as required.

Interest rate cash flow risk

The Company has interest bearing assets. Interest bearing assets include only cash balances, all of which earn interest at variance rates.

CELTIC RECYCLING LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 OCTOBER 2019

Key performance indicators

	2019	2018	Variance
Revenue	11,286,678	14,149,594	-20.23%
Cost of Sales	7,624,286	9,452,951	-19.34%
Gross Profit	3,662,392	4,696,643	-22.02%
Gross Profit %	32.45%	33.19%	-2.24%
Administrative expenses	2,839,144	3,092,378	-8.18%
Operating Profit	831,898	1,612,915	-48.42%
Operating Profit %	7.37%	11.40%	-27.10%

The company focuses on ensuring service levels are kept to a high standard to ensure that existing relationships are maintained as well as ensuring that any new relationships are satisfied with the service provided.

The company continually review its processes and overheads to see where improvements to efficiency can be made and costs saved.

On behalf of the board

Mr S Bishop

Director

25 February 2020

CELTIC RECYCLING LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 OCTOBER 2019

The directors present their annual report and financial statements for the year ended 31 October 2019.

Principal activities

The principal activity of the company in the year under review continued to be that of provision of waste management services, metal recycling and electrical equipment recovery and dismantling.

Directors

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

Mr S Bishop
Mr K M James
Ms L Pitman
Mr P Owen

Results and dividends

The results for the year are set out on page 7.

Ordinary dividends were paid amounting to £632,000. The directors do not recommend payment of a final dividend.

Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

On behalf of the board

Mr S Bishop
Director
25 February 2020

CELTIC RECYCLING LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 31 OCTOBER 2019

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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. They 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.

CELTIC RECYCLING LIMITED

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF CELTIC RECYCLING LIMITED

Opinion

We have audited the financial statements of Celtic Recycling Limited (the 'company') for the year ended 31 October 2019 which comprise the statement of comprehensive income, the balance sheet, the statement of changes in equity, the statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 October 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

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

Other information

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of our audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

CELTIC RECYCLING LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED) TO THE MEMBERS OF CELTIC RECYCLING LIMITED

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report and the directors' report.

We have nothing to report in respect of the following matters 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 directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

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

In preparing the financial statements, the directors are responsible for assessing the 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.

Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <http://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

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.

Laura Farrow MSc BSc FCA (Senior Statutory Auditor)
for and on behalf of Baldwins Audit Services

25 February 2020

Accountants
Statutory Auditor

Ty Derw
Lime Tree Court
Cardiff Gate Business Park
Cardiff
UK
CF23 8AB

CELTIC RECYCLING LIMITED

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 OCTOBER 2019

	Notes	2019 £	2018 £
Turnover	3	11,286,678	14,149,594
Cost of sales		(7,624,286)	(9,452,951)
Gross profit		<u>3,662,392</u>	<u>4,696,643</u>
Administrative expenses		(2,839,144)	(3,092,378)
Other operating income		8,650	8,650
Operating profit	4	<u>831,898</u>	<u>1,612,915</u>
Interest receivable and similar income	7	4,803	4,215
Interest payable and similar expenses	8	(64,908)	(90,340)
Profit before taxation		<u>771,793</u>	<u>1,526,790</u>
Tax on profit	9	(159,011)	(261,418)
Profit for the financial year		<u><u>612,782</u></u>	<u><u>1,265,372</u></u>

The profit and loss account has been prepared on the basis that all operations are continuing operations.

CELTIC RECYCLING LIMITED

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 OCTOBER 2019

	2019	2018
	£	£
Profit for the year	612,782	1,265,372
Other comprehensive income	-	-
Total comprehensive income for the year	<u>612,782</u>	<u>1,265,372</u>

CELTIC RECYCLING LIMITED

BALANCE SHEET

AS AT 31 OCTOBER 2019

	Notes	2019 £	£	2018 £	£
Fixed assets					
Tangible assets	11	4,456,082		4,596,792	
Current assets					
Stocks	13	1,329,902		613,075	
Debtors	14	2,263,660		2,669,023	
Cash at bank and in hand		515,498		1,332,998	
		<u>4,109,060</u>		<u>4,615,096</u>	
Creditors: amounts falling due within one year	15	<u>(2,618,295)</u>		<u>(3,141,547)</u>	
Net current assets			1,490,765		1,473,549
Total assets less current liabilities			<u>5,946,847</u>		<u>6,070,341</u>
Creditors: amounts falling due after more than one year	16		(817,164)		(943,666)
Provisions for liabilities	19		<u>(264,253)</u>		<u>(242,027)</u>
Net assets			<u>4,865,430</u>		<u>4,884,648</u>
Capital and reserves					
Called up share capital	23		50,000		50,000
Profit and loss reserves			<u>4,815,430</u>		<u>4,834,648</u>
Total equity			<u>4,865,430</u>		<u>4,884,648</u>

The financial statements were approved by the board of directors and authorised for issue on 25 February 2020 and are signed on its behalf by:

Mr S Bishop
Director

Mr K M James
Director

Company Registration No. 02765374

CELTIC RECYCLING LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 OCTOBER 2019

		Share capital	Profit and loss reserves	Total
	Notes	£	£	£
Balance at 1 November 2017		50,000	3,841,276	3,891,276
Year ended 31 October 2018:				
Profit and total comprehensive income for the year		-	1,265,372	1,265,372
Dividends	10	-	(272,000)	(272,000)
Balance at 31 October 2018		50,000	4,834,648	4,884,648
Year ended 31 October 2019:				
Profit and total comprehensive income for the year		-	612,782	612,782
Dividends	10	-	(632,000)	(632,000)
Balance at 31 October 2019		50,000	4,815,430	4,865,430

CELTIC RECYCLING LIMITED

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 OCTOBER 2019

	Notes	2019 £	£	2018 £	£
Cash flows from operating activities					
Cash generated from operations	27	628,740		1,761,602	
Interest paid		(64,908)		(90,340)	
Income taxes paid		(350,007)		(232,843)	
Net cash inflow from operating activities		213,825		1,438,419	
Investing activities					
Purchase of tangible fixed assets		(303,489)		(304,340)	
Proceeds on disposal of tangible fixed assets		14,440		28,356	
Interest received		4,803		4,215	
Net cash used in investing activities		(284,246)		(271,769)	
Financing activities					
Repayment of borrowings		-		(11,743)	
Repayment of bank loans		(53,936)		(52,568)	
Payment of finance leases obligations		(61,143)		(140,202)	
Dividends paid		(632,000)		(272,000)	
Net cash used in financing activities		(747,079)		(476,513)	
Net (decrease)/increase in cash and cash equivalents		(817,500)		690,137	
Cash and cash equivalents at beginning of year		1,332,998		642,861	
Cash and cash equivalents at end of year		515,498		1,332,998	

CELTIC RECYCLING LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 OCTOBER 2019

1 Accounting policies

Company information

Celtic Recycling Limited is a private company limited by shares incorporated in England and Wales. The registered office is Unit 37, Village Farm Industrial Estate, Pyle, BRIDGEND, UK, CF33 6BZ.

1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

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

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

1.2 Going concern

At the time of approving the financial statements, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

1.3 Turnover

Turnover represents amounts receivable for goods and services net of VAT and trade discounts. Turnover is recognised when the service is provided.

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer (usually on dispatch of the goods), the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue from contracts for the provision of professional services is recognised by reference to the stage of completion when the stage of completion, costs incurred and costs to complete can be estimated reliably. The stage of completion is calculated by comparing costs incurred, mainly in relation to contractual hourly staff rates and materials, as a proportion of total costs. Where the outcome cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that it is probable will be recovered.

1.4 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:

Land and buildings Freehold	2% on cost
Plant and machinery	10 - 33% on cost
Fixtures, fittings & equipment	5 - 10% on cost
Motor vehicles	10 - 33% on cost

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.

CELTIC RECYCLING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 OCTOBER 2019

1 Accounting policies (Continued)

1.5 Impairment of fixed assets

At each reporting period end date, the company reviews the carrying amounts of its tangible 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.

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.

1.6 Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the stocks to their present location and condition.

At each reporting date, an assessment is made for impairment. Any excess of the carrying amount of stocks over its estimated selling price less costs to complete and sell is recognised as an impairment loss in profit or loss. Reversals of impairment losses are also recognised in profit or loss.

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, 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.

CELTIC RECYCLING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 OCTOBER 2019

1 Accounting policies (Continued)

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.

Other financial assets

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

Impairment of financial assets

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the company transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

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 and bank loans, 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 receipts 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.

CELTIC RECYCLING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 OCTOBER 2019

1 Accounting policies (Continued)

Other financial liabilities

Derivatives, including forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or finance income as appropriate, unless hedge accounting is applied and the hedge is a cash flow hedge.

Debt instruments that do not meet the conditions in FRS 102 paragraph 11.9 are subsequently measured at fair value through profit or loss. Debt instruments may be designated as being measured at fair value through profit or loss to eliminate or reduce an accounting mismatch or if the instruments are measured and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

Derecognition of financial liabilities

Financial liabilities are derecognised when the company's contractual obligations expire or are discharged or cancelled.

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.

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.

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.

CELTIC RECYCLING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 OCTOBER 2019

1 Accounting policies (Continued)

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.

1.14 Government grants

Grants are credited to deferred revenue. Grants towards capital expenditure are released to the profit and loss account over the expected useful life of the assets. Grants towards revenue expenditure are released to the profit and loss account as the related expenditure is incurred.

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 are included in the profit and loss account for the period.

2 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.

3 Turnover and other revenue

An analysis of the company's turnover is as follows:

	2019 £	2018 £
Turnover analysed by class of business		
Principal activity	11,286,678	14,149,594
	<u> </u>	<u> </u>
	2019 £	2018 £
Other significant revenue		
Interest income	4,803	4,215
Grants received	8,650	8,650
	<u> </u>	<u> </u>

CELTIC RECYCLING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 OCTOBER 2019

3 Turnover and other revenue (Continued)

	2019 £	2018 £
Turnover analysed by geographical market		
United Kingdom	8,863,499	10,417,160
Rest of the World	2,423,179	3,732,434
	<u>11,286,678</u>	<u>14,149,594</u>

4 Operating profit

	2019 £	2018 £
Operating profit for the year is stated after charging/(crediting):		
Exchange losses	5,910	21,839
Government grants	(8,650)	(8,650)
Fees payable to the company's auditor for the audit of the company's financial statements	12,000	10,500
Depreciation of owned tangible fixed assets	336,712	317,438
Depreciation of tangible fixed assets held under finance leases	107,487	141,740
Profit on disposal of tangible fixed assets	(14,440)	(12,435)
Cost of stocks recognised as an expense	1,851,208	4,122,365
	<u>1,851,208</u>	<u>4,122,365</u>

5 Employees

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

	2019 Number	2018 Number
Operatives	79	80
Administrative	19	15
Directors	4	4
	<u>102</u>	<u>99</u>

Their aggregate remuneration comprised:

	2019 £	2018 £
Wages and salaries	3,589,359	3,883,402
Social security costs	407,685	332,819
Pension costs	77,434	55,967
	<u>4,074,478</u>	<u>4,272,188</u>

CELTIC RECYCLING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 OCTOBER 2019

6 Directors' remuneration

	2019 £	2018 £
Remuneration for qualifying services	186,781	181,580

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 2 (2018 - 2).

7 Interest receivable and similar income

	2019 £	2018 £
Interest income		
Interest on bank deposits	4,803	4,215

Investment income includes the following:

Interest on financial assets not measured at fair value through profit or loss	4,803	4,215
--	-------	-------

8 Interest payable and similar expenses

	2019 £	2018 £
Interest on financial liabilities measured at amortised cost:		
Interest on bank overdrafts and loans	14,424	14,570
Other interest on financial liabilities	-	42
	14,424	14,612
Other finance costs:		
Interest on finance leases and hire purchase contracts	29,535	52,788
Other interest	20,949	22,940
	64,908	90,340

9 Taxation

	2019 £	2018 £
Current tax		
UK corporation tax on profits for the current period	132,726	379,726
Adjustments in respect of prior periods	4,059	(103,200)
Total current tax	136,785	276,526

CELTIC RECYCLING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 OCTOBER 2019

9 Taxation

	2019 £	2018 £ (Continued)
Deferred tax		
Origination and reversal of timing differences	22,226	(15,108)
	<u>22,226</u>	<u>(15,108)</u>
 Total tax charge	 159,011	 261,418
	<u>159,011</u>	<u>261,418</u>

The actual charge for the year can be reconciled to the expected charge for the year based on the profit or loss and the standard rate of tax as follows:

	2019 £	2018 £
Profit before taxation	771,793	1,526,790
	<u>771,793</u>	<u>1,526,790</u>
 Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2018: 19.00%)	146,641	290,090
Tax effect of expenses that are not deductible in determining taxable profit	4,547	14,025
Tax effect of income not taxable in determining taxable profit	(2,744)	(2,363)
Adjustments in respect of prior years	4,059	(24,920)
Effect of change in corporation tax rate	-	(4,160)
Depreciation on assets not qualifying for tax allowances	10,145	(7,261)
Other timing differences	(3,637)	(3,993)
	<u>159,011</u>	<u>261,418</u>
 Taxation charge for the year	 159,011	 261,418
	<u>159,011</u>	<u>261,418</u>

10 Dividends

	2019 £	2018 £
Interim paid	632,000	272,000
	<u>632,000</u>	<u>272,000</u>

CELTIC RECYCLING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 OCTOBER 2019

11 Tangible fixed assets

	Land and buildings Freehold	Plant and machinery	Fixtures, fittings & equipment	Motor vehicles	Total
	£	£	£	£	£
Cost					
At 1 November 2018	2,474,737	5,133,594	839,216	967,820	9,415,367
Additions	-	286,635	16,854	-	303,489
Disposals	-	(150,000)	-	(62,719)	(212,719)
At 31 October 2019	2,474,737	5,270,229	856,070	905,101	9,506,137
Depreciation and impairment					
At 1 November 2018	363,176	3,049,620	440,610	965,169	4,818,575
Depreciation charged in the year	49,495	364,399	27,654	2,651	444,199
Eliminated in respect of disposals	-	(150,000)	-	(62,719)	(212,719)
At 31 October 2019	412,671	3,264,019	468,264	905,101	5,050,055
Carrying amount					
At 31 October 2019	2,062,066	2,006,210	387,806	-	4,456,082
At 31 October 2018	2,111,561	2,083,974	398,606	2,651	4,596,792

The net carrying value of tangible fixed assets includes the following in respect of assets held under finance leases or hire purchase contracts.

	2019 £	2018 £
Plant and machinery	516,531	682,067
Motor vehicles	85,705	97,392
	602,236	779,459

12 Financial instruments

	2019 £	2018 £
Carrying amount of financial assets		
Debt instruments measured at amortised cost	2,121,212	2,621,874
Carrying amount of financial liabilities		
Measured at amortised cost	2,741,614	3,161,446

CELTIC RECYCLING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 OCTOBER 2019

13 Stocks

	2019 £	2018 £
Raw materials and consumables	1,329,902	613,075

14 Debtors

	2019 £	2018 £
Amounts falling due within one year:		
Trade debtors	1,652,854	2,034,546
Gross amounts owed by contract customers	286,744	332,453
Corporation tax recoverable	68,804	-
Other debtors	83,530	15,111
Prepayments and accrued income	171,728	183,713
	<u>2,263,660</u>	<u>2,565,823</u>

	2019 £	2018 £
Amounts falling due after more than one year:		
Corporation tax recoverable	-	103,200
	<u>-</u>	<u>103,200</u>

Total debtors	<u>2,263,660</u>	<u>2,669,023</u>
----------------------	------------------	------------------

15 Creditors: amounts falling due within one year

	Notes	2019 £	2018 £
Bank loans	17	56,453	54,009
Obligations under finance leases	18	207,857	207,028
Trade creditors		480,074	708,148
Corporation tax		132,726	380,344
Other taxation and social security		225,820	199,474
Government grants	21	8,150	8,650
Other creditors		-	5,000
Accruals and deferred income		1,507,215	1,578,891
		<u>2,618,295</u>	<u>3,141,547</u>

CELTIC RECYCLING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 OCTOBER 2019

16 Creditors: amounts falling due after more than one year

	Notes	2019 £	2018 £
Bank loans and overdrafts	17	339,585	395,965
Obligations under finance leases	18	150,430	212,402
Government grants	21	327,149	335,299
		<u>817,164</u>	<u>943,666</u>

17 Loans and overdrafts

	2019 £	2018 £
Bank loans	396,038	449,974
	<u>396,038</u>	<u>449,974</u>
Payable within one year	56,453	54,009
Payable after one year	339,585	395,965
	<u>396,038</u>	<u>449,974</u>

The bank loans and overdrafts disclosed in the notes above are secured by a fixed and floating charge on the assets of the company and a life policy on each of the directors and the freehold properties at 57 Heol Mostyn, Pyle, Bridgend and Unit 31 Queensway Meadows Industrial Park, Newport.

Obligations under finance leases and hire purchase contracts are secured on the assets to which they relate.

18 Finance lease obligations

	2019 £	2018 £
Future minimum lease payments due under finance leases:		
Within one year	207,857	207,028
In two to five years	150,430	212,402
	<u>358,287</u>	<u>419,430</u>

Finance lease payments represent rentals payable by the company for certain items of plant and machinery. Leases include purchase options at the end of the lease period, and no restrictions are placed on the use of the assets. The average lease term is 3 years. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

19 Provisions for liabilities

	Notes	2019 £	2018 £
Deferred tax liabilities	20	264,253	242,027
		<u>264,253</u>	<u>242,027</u>

CELTIC RECYCLING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 OCTOBER 2019

20 Deferred taxation

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

	Liabilities 2019 £	Liabilities 2018 £
Balances:		
Accelerated capital allowances	321,543	301,140
Retirement benefit obligations	(289)	(642)
Unamortised government grants	(57,001)	(58,471)
	<u>264,253</u>	<u>242,027</u>
		2019
Movements in the year:		£
Liability at 1 November 2018		242,027
Charge to profit or loss		22,226
		<u>264,253</u>
Liability at 31 October 2019		<u>264,253</u>

The deferred tax liability set out above is expected to reverse in line with useful lives of the associated assets and relates to accelerated capital allowances that are expected to mature within the same period.

21 Government grants

Deferred income is included in the financial statements as follows:

	2019 £	2018 £
Current liabilities	8,150	8,650
Non-current liabilities	327,149	335,299
	<u>335,299</u>	<u>343,949</u>

The Company received local government grants totalling £460,000 in previous accounting periods. The balance was deferred on the balance sheet and is being released over the estimated useful life of the related assets.

An amount of £8,650 was credited to the profit and loss account in the period.

The grant was provided under the Repayable Business Finance Funding scheme and as such the Company was required to repay an element of the funding if turnover levels exceeded a certain target over a three period. An amount of £50,000 was repayable of which the entire balance has now been repaid.

CELTIC RECYCLING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 OCTOBER 2019

22 Retirement benefit schemes

	2019	2018
	£	£
Defined contribution schemes		
Charge to profit or loss in respect of defined contribution schemes	77,434	55,967

The company operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the company in an independently administered fund.

23 Share capital

	2019	2018
	£	£
Ordinary share capital		
Issued and fully paid		
50,000 Ordinary Shares of £1 each	50,000	50,000

24 Financial commitments, guarantees and contingent liabilities

Transerv Europe Limited is a related party by virtue of common ownership and directors.

During the year Celtic Recycling Limited provided a cross guarantee and debenture over the debts and liabilities of Transerv Europe Limited. This charge remains outstanding at the year end.

25 Operating lease commitments

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

	2019	2018
	£	£
Within one year	283,204	286,371
Between two and five years	40,894	17,676
	324,098	304,047

26 Related party transactions

Remuneration of key management personnel

The remuneration of key management personnel is as follows.

	2019	2018
	£	£
Aggregate compensation	186,782	180,580

CELTIC RECYCLING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 OCTOBER 2019

26 Related party transactions (Continued)

Transactions with related parties

During the year the company entered into the following transactions with related parties:

	Sales		Purchases	
	2019	2018	2019	2018
	£	£	£	£
Other related parties	326,441	205,610	-	56,717
	<u>326,441</u>	<u>205,610</u>	<u>-</u>	<u>56,717</u>
	Dividends		Rent	
	2019	2018	2019	2018
	£	£	£	£
Key management personnel	632,000	272,000	-	-
Other related parties	-	-	220,500	220,500
	<u>-</u>	<u>-</u>	<u>220,500</u>	<u>220,500</u>

The following amounts were outstanding at the reporting end date:

	2019	2018
	£	£
Amounts due from related parties		
Other related parties	68,860	14,871
	<u>68,860</u>	<u>14,871</u>

27 Cash generated from operations

	2019	2018
	£	£
Profit for the year after tax	612,782	1,265,372
Adjustments for:		
Taxation charged	159,011	261,418
Finance costs	64,908	90,340
Investment income	(4,803)	(4,215)
Gain on disposal of tangible fixed assets	(14,440)	(12,435)
Depreciation and impairment of tangible fixed assets	444,199	459,178
Movements in working capital:		
(Increase)/decrease in stocks	(716,827)	665,874
Decrease/(increase) in debtors	370,967	(319,252)
Decrease in creditors	(278,407)	(636,029)
Decrease in deferred income	(8,650)	(8,649)
Cash generated from operations	<u>628,740</u>	<u>1,761,602</u>

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.