

Company Registration No. 02765374 (England and Wales)

CELTIC RECYCLING LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 OCTOBER 2017

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	MHA Broomfield Alexander Ty Derw Lime Tree Court Cardiff Gate Business Park CARDIFF UK CF23 8AB

CELTIC RECYCLING LIMITED

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CELTIC RECYCLING LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 OCTOBER 2017

Fair review of the business

The results for the year ended 31 October 2017 and the preceding financial year are shown in the annexed financial statements. Turnover has risen from £11,230,680 in 2016 to £11,763,162. As a result of the increase in turnover the directors are pleased to report an operating profit of £1,306,605 (2016: £1,250,398). During the year the company has continued to improve its net assets position which has risen from £3,198,053 in 2016 to £3,891,276 in 2017.

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

2017	2016	2015	2014	2013
£1,720,114	£1,732,651	£993,592	£1,189,169	£1,255,619

The main risks affecting the business in 2017 remain similar to the ones in 2016. 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 2017

Key performance indicators

	2017	2016	Variance
Revenue	11,763,163	11,230,680	4.74%
Cost of Sales	8,037,514	7,672,230	4.76%
Gross Profit	3,725,649	3,558,450	4.70%
Gross Profit %	31.67%	31.69%	-0.02%
Administrative expenses	2,493,688	2,317,702	7.59%
Operating Profit	1,240,611	1,250,398	-0.78%
Operating Profit %	10.55%	11.13%	-0.59%

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. This has culminated in continued revenue growth in the year.

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

19 April 2018

CELTIC RECYCLING LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 OCTOBER 2017

The directors present their annual report and financial statements for the year ended 31 October 2017.

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 £204,000. 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
19 April 2018

CELTIC RECYCLING LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 31 OCTOBER 2017

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 2017 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 2017 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.

James Gates FCA (Senior Statutory Auditor)
for and on behalf of MHA Broomfield Alexander

23 April 2018

Chartered 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 2017

	Notes	2017 £	2016 £
Turnover	3	11,763,163	11,230,680
Cost of sales		(8,037,514)	(7,672,230)
Gross profit		3,725,649	3,558,450
Administrative expenses		(2,493,688)	(2,317,702)
Other operating income		8,650	9,650
Operating profit	4	1,240,611	1,250,398
Interest receivable and similar income	7	880	152
Interest payable and similar expenses	8	(110,580)	(133,923)
Profit before taxation		1,130,911	1,116,627
Tax on profit	9	(233,688)	(243,097)
Profit for the financial year		897,223	873,530

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 2017

	2017	2016
	£	£
Profit for the year	897,223	873,530
Other comprehensive income	-	-
Total comprehensive income for the year	<u>897,223</u>	<u>873,530</u>

CELTIC RECYCLING LIMITED

BALANCE SHEET

AS AT 31 OCTOBER 2017

	Notes	2017 £	£	2016 £	£
Fixed assets					
Tangible assets	11	4,767,516		5,103,117	
Current assets					
Stocks	13	1,278,949		508,643	
Debtors	14	2,246,571		2,258,618	
Cash at bank and in hand		642,861		73,431	
		<u>4,168,381</u>		<u>2,840,692</u>	
Creditors: amounts falling due within one year	15	<u>(3,725,148)</u>		<u>(3,359,344)</u>	
Net current assets/(liabilities)			443,233		(518,652)
Total assets less current liabilities			<u>5,210,749</u>		<u>4,584,465</u>
Creditors: amounts falling due after more than one year	16		(1,062,338)		(1,134,278)
Provisions for liabilities	19		<u>(257,135)</u>		<u>(252,134)</u>
Net assets			<u><u>3,891,276</u></u>		<u><u>3,198,053</u></u>
Capital and reserves					
Called up share capital	23		50,000		50,000
Profit and loss reserves			<u>3,841,276</u>		<u>3,148,053</u>
Total equity			<u><u>3,891,276</u></u>		<u><u>3,198,053</u></u>

The financial statements were approved by the board of directors and authorised for issue on 19 April 2018 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 2017**

		Share capital	Profit and loss reserves	Total
	Notes	£	£	£
Balance at 1 November 2015		50,000	2,456,523	2,506,523
Year ended 31 October 2016:				
Profit and total comprehensive income for the year		-	873,530	873,530
Dividends	10	-	(182,000)	(182,000)
Balance at 31 October 2016		50,000	3,148,053	3,198,053
Year ended 31 October 2017:				
Profit and total comprehensive income for the year		-	897,223	897,223
Dividends	10	-	(204,000)	(204,000)
Balance at 31 October 2017		50,000	3,841,276	3,891,276

CELTIC RECYCLING LIMITED

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 OCTOBER 2017

	Notes	2017 £	£	2016 £	£
Cash flows from operating activities					
Cash generated from operations	27	1,794,974		931,127	
Interest paid		(110,580)		(133,923)	
Income taxes paid		(207,367)		(75,856)	
Net cash inflow from operating activities		1,477,027		721,348	
Investing activities					
Purchase of tangible fixed assets		(159,679)		(114,295)	
Proceeds on disposal of tangible fixed assets		16,958		82,398	
Interest received		880		152	
Net cash used in investing activities		(141,841)		(31,745)	
Financing activities					
Repayment of borrowings		(126,824)		(124,789)	
Repayment of bank loans		(63,964)		(129,127)	
Payment of finance leases obligations		(370,968)		(522,815)	
Dividends paid		(204,000)		(182,000)	
Net cash used in financing activities		(765,756)		(958,731)	
Net increase/(decrease) in cash and cash equivalents		569,430		(269,128)	
Cash and cash equivalents at beginning of year		73,431		342,559	
Cash and cash equivalents at end of year		642,861		73,431	

CELTIC RECYCLING LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 OCTOBER 2017

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.

1.4 Research and development expenditure

Research expenditure is written off against profits in the year in which it is incurred.

1.5 Tangible fixed assets

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

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

Land and buildings Freehold	2% on cost
Plant and machinery	10 - 20% 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 2017

1 Accounting policies (Continued)

1.6 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.

1.7 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.

1.8 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.

1.9 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 2017

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.

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 2017

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.

1.10 Equity instruments

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

1.11 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.

1.12 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 2017

1 Accounting policies (Continued)

1.13 Retirement benefits

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

1.14 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 the profit and loss account so as to produce a constant periodic rate of interest on the remaining balance of the liability.

1.15 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.

1.16 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:

	2017 £	2016 £
Turnover analysed by class of business		
Principal activity	11,763,163	11,230,680
	<u> </u>	<u> </u>
	2017 £	2016 £
Other significant revenue		
Interest income	880	152
Grants received	8,650	9,650
	<u> </u>	<u> </u>

CELTIC RECYCLING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 OCTOBER 2017

3 Turnover and other revenue (Continued)

	2017 £	2016 £
Turnover analysed by geographical market		
United Kingdom	11,763,163	11,230,680

4 Operating profit

	2017 £	2016 £
Operating profit for the year is stated after charging/(crediting):		
Exchange gains	(18,706)	(73,949)
Research and development costs	-	11,048
Government grants	(8,650)	(9,650)
Fees payable to the company's auditor for the audit of the company's financial statements	10,500	10,500
Depreciation of owned tangible fixed assets	240,246	276,826
Depreciation of tangible fixed assets held under finance leases	239,257	205,427
Profit on disposal of tangible fixed assets	(1,181)	(14,811)
Cost of stocks recognised as an expense	3,549,658	3,229,676

Exchange differences recognised in profit or loss during the year, except for those arising on financial instruments measured at fair value through profit or loss, amounted to £18,706 (2016 - £73,949).

5 Employees

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

	2017 Number	2016 Number
Operatives	73	66
Administrative	14	14
Directors	4	4
	91	84

Their aggregate remuneration comprised:

	2017 £	2016 £
Wages and salaries	2,945,689	2,899,072
Social security costs	269,614	295,637
Pension costs	19,137	18,206
	3,234,440	3,212,915

CELTIC RECYCLING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 OCTOBER 2017

6 Directors' remuneration

	2017 £	2016 £
Remuneration for qualifying services	171,651	169,221

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 2 (2016 - 2).

7 Interest receivable and similar income

	2017 £	2016 £
Interest income		
Interest on bank deposits	880	152

Investment income includes the following:

Interest on financial assets not measured at fair value through profit or loss	880	152
--	-----	-----

8 Interest payable and similar expenses

	2017 £	2016 £
Interest on financial liabilities measured at amortised cost:		
Interest on bank overdrafts and loans	15,981	18,788
Interest on finance leases and hire purchase contracts	67,936	80,416
Other interest on financial liabilities	3,728	11,654
	87,645	110,858
Other finance costs:		
Other interest	22,935	23,065
	110,580	133,923

9 Taxation

	2017 £	2016 £
Current tax		
UK corporation tax on profits for the current period	233,426	207,367
Adjustments in respect of prior periods	(4,739)	-
Total current tax	228,687	207,367

CELTIC RECYCLING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 OCTOBER 2017

9 Taxation (Continued)

Deferred tax

Origination and reversal of timing differences	5,001	35,730
	<u> </u>	<u> </u>
Total tax charge	233,688	243,097
	<u> </u>	<u> </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:

	2017 £	2016 £
Profit before taxation	1,130,911	1,116,627
	<u> </u>	<u> </u>
Expected tax charge based on the standard rate of corporation tax in the UK of 20.00% (2016: 20.00%)	226,182	223,325
Tax effect of expenses that are not deductible in determining taxable profit	20,194	14,510
Tax effect of income not taxable in determining taxable profit	-	(3,058)
Adjustments in respect of prior years	(4,739)	-
Effect of change in corporation tax rate	(7,949)	-
Other timing differences	-	8,320
	<u> </u>	<u> </u>
Taxation charge for the year	233,688	243,097
	<u> </u>	<u> </u>

10 Dividends

	2017 £	2016 £
Interim paid	204,000	182,000
	<u> </u>	<u> </u>

CELTIC RECYCLING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 OCTOBER 2017

11 Tangible fixed assets

	Land and buildings Freehold	Plant and machinery	Fixtures, fittings & equipment	Motor vehicles	Total
	£	£	£	£	£
Cost					
At 1 November 2016	2,474,737	4,881,212	811,972	1,120,350	9,288,271
Additions	-	26,848	15,961	116,870	159,679
Disposals	-	(33,524)	-	(158,400)	(191,924)
At 31 October 2017	2,474,737	4,874,536	827,933	1,078,820	9,256,026
Depreciation and impairment					
At 1 November 2016	264,186	2,481,535	384,995	1,054,438	4,185,154
Depreciation charged in the year	49,495	316,764	27,441	85,803	479,503
Eliminated in respect of disposals	-	(33,147)	-	(143,000)	(176,147)
At 31 October 2017	313,681	2,765,152	412,436	997,241	4,488,510
Carrying amount					
At 31 October 2017	2,161,056	2,109,384	415,497	81,579	4,767,516
At 31 October 2016	2,210,551	2,399,677	426,977	65,912	5,103,117

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

	2017 £	2016 £
Plant and machinery	630,575	1,384,855
Motor vehicles	446,635	210,242
	1,077,210	1,595,097
Depreciation charge for the year in respect of leased assets	239,257	205,427

12 Financial instruments

	2017 £	2016 £
Carrying amount of financial assets		
Debt instruments measured at amortised cost	2,061,975	2,696,332
Carrying amount of financial liabilities		
Measured at amortised cost	3,951,361	3,796,388

CELTIC RECYCLING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 OCTOBER 2017

13 Stocks

	2017 £	2016 £
Raw materials and consumables	1,278,949	508,643

14 Debtors

	2017 £	2016 £
Amounts falling due within one year:		
Trade debtors	1,631,725	1,466,897
Gross amounts due from contract customers	384,828	572,217
Other debtors	45,422	70,891
Prepayments and accrued income	184,596	148,613
	<u>2,246,571</u>	<u>2,258,618</u>

15 Creditors: amounts falling due within one year

	Notes	2017 £	2016 £
Bank loans and overdrafts	17	53,222	234,887
Obligations under finance leases	18	290,563	489,189
Other borrowings	17	11,743	138,567
Trade creditors		611,233	835,238
Corporation tax		233,426	212,106
Other taxation and social security		250,101	123,880
Government grants	21	8,649	-
Other creditors		35,000	50,000
Accruals and deferred income		2,231,211	1,275,477
		<u>3,725,148</u>	<u>3,359,344</u>

16 Creditors: amounts falling due after more than one year

	Notes	2017 £	2016 £
Bank loans and overdrafts	17	419,320	331,619
Obligations under finance leases	18	269,069	441,411
Government grants	21	343,949	361,248
		<u>1,062,338</u>	<u>1,134,278</u>

CELTIC RECYCLING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 OCTOBER 2017

17 Loans and overdrafts

	2017 £	2016 £
Bank loans	502,542	566,506
Other loans	11,743	138,567
	<u>514,285</u>	<u>705,073</u>
Payable within one year	64,965	373,454
Payable after one year	<u>449,320</u>	<u>331,619</u>

The bank loans and overdrafts disclosed in notes 15 and 16 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.

The Company also has loans from Finance Wales Investment Limited and UK Steel Enterprise Limited. The loans are secured by a charge on the freehold properties at 57 Heol Mostyn, Pyle, Bridgend and land adjoining Unit 30 Queensway Meadows Industrial Park, Newport. They are also secured by a fixed charge over the goodwill of the business, a floating charge over all plant and machinery and a deed of subordination over the directors loan accounts.

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

18 Finance lease obligations

	2017 £	2016 £
Future minimum lease payments due under finance leases:		
Within one year	290,563	489,189
In two to five years	269,069	441,411
	<u>559,632</u>	<u>930,600</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	2017 £	2016 £
Deferred tax liabilities	20	<u>257,135</u>	<u>252,134</u>

CELTIC RECYCLING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 OCTOBER 2017

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 2017 £	Liabilities 2016 £
Balances:		
Accelerated capital allowances	324,569	321,163
Retirement benefit obligations	(440)	(392)
Unamortised government grants	(66,994)	(68,637)
	<u>257,135</u>	<u>252,134</u>
		2017
Movements in the year:		£
Liability at 1 November 2016		252,134
Charge to profit or loss		5,001
		<u>257,135</u>
Liability at 31 October 2017		<u>257,135</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:

	2017 £	2016 £
Current liabilities	8,649	-
Non-current liabilities	343,949	361,248
	<u>352,598</u>	<u>361,248</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 £8,649 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 £15,000 has been paid during the year. A further £35,000 is recognised within other short term creditors.

CELTIC RECYCLING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 OCTOBER 2017

22 Retirement benefit schemes

	2017	2016
	£	£
Defined contribution schemes		
Charge to profit or loss in respect of defined contribution schemes	19,137	18,206

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

	2017	2016
	£	£
Ordinary share capital		
Issued and fully paid		
50,000 Ordinary Shares of £1 each	50,000	50,000
	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:

	2017	2016
	£	£
Within one year	252,131	267,968
Between two and five years	1,941	9,703
	254,072	277,671

26 Related party transactions

Remuneration of key management personnel

The remuneration of key management personnel is as follows.

	2017	2016
	£	£
Aggregate compensation	118,449	108,984

CELTIC RECYCLING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 OCTOBER 2017

26 Related party transactions (Continued)

Transactions with related parties

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

	Sale of goods		Purchase of goods	
	2017	2016	2017	2016
	£	£	£	£
Other related parties	448,181	816,006	13,490	11,242

	Dividends	
	2017	2016
	£	£
Key management personnel	204,000	182,000

27 Cash generated from operations

	2017	2016
	£	£
Profit for the year after tax	897,223	873,530
Adjustments for:		
Taxation charged	233,688	243,097
Finance costs	110,580	133,923
Investment income	(880)	(152)
Gain on disposal of tangible fixed assets	(1,181)	(14,811)
Depreciation and impairment of tangible fixed assets	479,503	482,253
Movements in working capital:		
(Increase) in stocks	(770,306)	(119,399)
Decrease/(increase) in debtors	12,047	(774,828)
Increase in creditors	842,950	167,163
(Decrease) in deferred income	(8,650)	(59,649)
Cash generated from operations	1,794,974	931,127

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