Hillbridge Investments Limited

Annual report and consolidated financial statements

Registered number 03460361

30 September 2016

Contents

Company information

Directors	MR Hewitt AM Smith AM Elliott DR Ellison HM Robinson TCA Diggle
Secretary	AM Smith
Registered office	Treatment Centre Crompton Road Ilkeston Derbyshire DE7 4BG
Bankers	Barclays plc Snow Hill Queensway Birmingham B4 6GN
Auditors	KPMG LLP St Nicholas House Park Row Nottingham NG1 6FQ

Strategic report

Business review

Business volumes increased during the year as the Group continued to increase its presence in the Air Pollution Control Residue (APCr) market. Developments in the reuse and recycling of waste materials, together with further investment of £1,469,000 in assets during the financial year have enabled the Group to further strengthen its position in this growing market.

On 1 October 2016 the trade and assets of the construction division were transferred from Castle Waste Services Limited to a fellow subsidiary Castle Construction Products Limited. The Directors believe that this will allow the Waste Division, which trades as Castle Environmental, and also the Construction Division, which trades as Castle Construction Products, to develop in their own markets.

The Directors remain confident that the Group's assets will continue to deliver value and returns for all Stakeholders.

Principal risks, uncertainties and financial management objectives

The key performance indicators for the business are cash flow and profitability and hence the most significant risks to the business are those that directly impact on these, which are correlated with general economic activity.

The Group follows the following financial risk management policies:

Price risk

The business may be affected by rising costs of inputs, although purchasing policies and practices seek to mitigate, where practicable, such risks.

The business continues to offset the risk of competitive pressure through continual improvement in its customer-focussed activities, providing a good quality service at a market price.

Interest rate risk

The Group is exposed to movements in interest rates and seeks to mitigate such exposure by obtaining facilities on the most beneficial terms available.

Credit risk

Credit risk arises on assets such as trade debtors. Policies and procedures exist to ensure that the trade debtors have an appropriate credit history before credit is granted.

Liquidity risk

At the year end the Hillbridge Investments Limited Group has bank and cash balances of £1,231,000 (*2015: £515,000*) and also continues to have access to an unused short term borrowing facility.

The Directors are confident that this funding structure is appropriate to allow the Group to achieve its financial targets in the future.

By order of the board

AM Smith
Secretary

Crompton Road
Ilkeston
Derbyshire
DE7 4BG

Dated: 21 February 2017

Directors' report

The directors present their annual report and the audited consolidated financial statements for the year ended 30 September 2016.

Principal activities

The company acts as a holding company.

The principal activity of the Company's subsidiary undertakings are waste treatment, disposal and the development of waste recovery and recycling techniques specific to the waste industry.

Dividends and transfers to reserves

The results for the year are shown in the profit and loss account on page 6. The directors recommend that no dividend should be paid in respect of the year *(2015: £nil)*.

Directors

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

MR Hewitt
DR Ellison
AM Elliott
AM Smith
TCA Diggle
HM Robinson
PK Meister (resigned 31 December 2015)

Political contributions

The Company made no political donations or incurred any political expenditure during the year *(2015: £nil)*.

Disclosure of information to auditor

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

Other information

An indication of likely future developments in the business and particulars of significant events which have occurred since the end of the financial year have been included in the Strategic Report on page 2.

Auditor

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

By order of the board

AM Smith
Secretary

Crompton Road
Ilkeston
Derbyshire
DE7 4BG

Dated: 21 February 2017

Statement of directors' responsibilities in respect of the annual report, the strategic report and the financial statements

The directors are responsible for preparing the Strategic Report, the Directors' 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 they have elected to prepare the group and parent company financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

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 group and parent company and of their profit or loss for that period. In preparing each of the group and parent company financial statements, the directors are required to:

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

KPMG

Independent auditor's report to the members of Hillbridge Investments Limited

We have audited the financial statements of Hillbridge Investments Limited for the year ended 30 September 2016 set out on pages 6 to 31. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 30 September 2016 and of the group's profit for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion 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.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company 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.

Craig Parkin *(Senior Statutory Auditor)*

for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
St Nicholas House
Park Row
Nottingham
NG1 6FQ

Dated: 21 February 2017

Consolidated statement of income and retained earnings
for the year ended 30 September 2016

	Note	**2016** **£000**	2015 £000
Turnover	2	**18,194**	16,193
Cost of sales		**(14,518)**	(12,414)
Gross profit		**3,676**	3,779
Administrative expenses		**(3,430)**	(2,873)
Group operating profit		**246**	906
Gain on disposal of fixed asset		**11**	4
Other interest receivable and similar income		**-**	1
Interest payable and similar charges	6	**(8)**	(24)
Profit on ordinary activities before taxation		**249**	887
Tax on profit on ordinary activities	7	**221**	(281)
Profit for the financial year		**470**	606

In both the current and prior year, the Group made no material acquisitions and had no discontinued operations.

The notes on pages 12 to 31 form part of these financial statements.

Consolidated balance sheet
at 30 September 2016

	Note	2016		2015	
		£000	£000	£000	£000
Fixed assets					
Goodwill	8		233		462
Tangible assets	9		5,057		4,290
			5,290		4,752
Current assets					
Stocks	11	136		1	
Debtors (including £300,000 *(2015: £300,000)* due after more than one year)	12	3,959		4,315	
Cash at bank and in hand	13	1,231		515	
		5,326		4,831	
Creditors: amounts falling due within one year	14	(4,500)		(4,386)	
Net current assets			826		445
Total assets less current liabilities			6,116		5,197
Creditors: amounts falling due after more than one year	15		(439)		(119)
Provisions for liabilities					
Deferred tax liability	18		(260)		(258)
Net assets			5,417		4,820
Capital and reserves					
Called up share capital	20		11		11
Share premium account			392		392
Profit and loss account			5,014		4,417
Shareholders' funds			5,417		4,820

The notes on pages 12 to 31 form part of these financial statements.

These financial statements were approved by the board of directors on 21 February 2017 and were signed on its behalf by:

MR Hewitt
Director

AM Smith
Director

Company registered number: 03460361

Company balance sheet
at 30 September 2016

	Note	2016 £000	2016 £000	2015 £000	2015 £000
Fixed assets					
Investments	*10*		**3,740**		3,740
Current assets					
Debtors (including £31,000 *(2015: £414,000)* due after more than one year)	*12*	**438**		414	
Cash at bank and in hand		**4**		38	
		442		452	
Creditors: amounts falling due within one year	*14*	**-**		(13)	
Net current assets			**442**		439
Total assets less current liabilities			**4,182**		4,179
Net assets			**4,182**		4,179
Capital and reserves					
Called up share capital	*20*		**11**		11
Share premium account			**392**		392
Profit and loss account			**3,779**		3,776
Shareholders' funds			**4,182**		4,179

The notes on pages 12 to 31 form part of these financial statements.

These financial statements were approved by the board of directors on 21 February 2017 and were signed on its behalf by:

M R Hewitt
Director

AM Smith
Director

Company registered number: 03460361

Consolidated statement of changes in equity

	Called up share capital £000	Share premium account £000	Profit and loss account £000	Total equity £000
Balance at 1 October 2014	4	450	(2,146)	(1,692)
Profit or loss	-	-	606	606
	4	450	(1,540)	(1,086)
Reclassified type A shares (note 20)	-	343	-	343
Share issue	7	-	-	7
Debt for equity swap	-	5,506	-	5,506
Share premium reduction	-	(5,907)	5,907	-
Bonus issue	-	-	(2)	(2)
Equity-settled share based payment transactions (note 19)	-	-	52	52
Balance at 30 September 2015	**11**	**392**	**4,417**	**4,820**

	Called up share capital £000	Share premium account £000	Profit and loss account £000	Total equity £000
Balance at 1 October 2015	11	392	4,417	4,820
Profit or loss for the year	-	-	470	470
	11	392	4,887	5,290
Equity-settled share based payment transactions (note 19)	-	-	127	127
Balance at 30 September 2016	**11**	**392**	**5,014**	**5,417**

The notes on pages 12 to 31 form part of these financial statements.

Company statement of changes in equity

	Called up share capital £000	Share premium account £000	Profit and loss account £000	Total equity £000
Balance at 1 October 2014	4	450	(3,180)	(2,726)
Profit or loss for the year	-	-	999	999
	4	450	(2,181)	(1,727)
Reclassified type A shares (note 20)	-	343	-	343
Share issue	7	-	-	7
Debt for equity swap	-	5,506	-	5,506
Share premium reduction	-	(5,907)	5,907	-
Bonus issue	-	-	(2)	(2)
Equity-settled share based payment transactions (note 19)	-	-	52	52
Balance at 30 September 2015	**11**	**392**	**3,776**	**4,179**

	Called up share capital £000	Share premium account £000	Profit and loss account £000	Total equity £000
Balance at 1 October 2015	11	392	3,776	4,179
Profit or loss for the year	-	-	(124)	(124)
	11	392	3,652	4,055
Equity-settled share based payment transactions (note 19)	-	-	127	127
Share issue				
Balance at 30 September 2016	**11**	**392**	**3,779**	**4,182**

The notes on pages 12 to 31 form part of these financial statements.

Consolidated cash flow statement

for year ended 30 September 2016

	Note	2016 £000	2015 £000
Cash flows from operating activities			
Profit for the year		**470**	606
Adjustments for:			
Depreciation, amortisation and impairment	*8,9*	**924**	826
Interest receivable and similar income		**-**	1
Interest payable and similar charges	*6*	**8**	24
Gain on sale of tangible fixed assets		**(11)**	(4)
Equity settled share-based payment expenses	*19*	**127**	52
Taxation	*7*	**(221)**	281
		1,297	1,786
Decrease/(increase) in trade and other debtors	*12*	**356**	(335)
(Increase)/decrease in stocks	*11*	**(135)**	1
Increase in trade and other creditors	*14*	**241**	148
		1,759	1,600
Interest paid	*6*	**(8)**	(24)
Tax received/(paid)	*7*	**45**	(102)
Net cash from operating activities		**1,796**	1,474
Cash flows from investing activities			
Proceeds from sale of tangible fixed assets		**12**	2
Interest received		**-**	1
Acquisition of tangible fixed assets	*9*	**(1,469)**	(1,513)
Net cash from investing activities		**(1,457)**	(1,510)
Cash flows from financing activities			
Proceeds from new loan	*16,17*	**343**	-
Repayment of borrowings		**(2)**	(2,320)
Advance on/(repayment of) finance leases		**36**	(49)
Net cash from financing activities		**377**	(2,369)
Net increase/(decrease) in cash and cash equivalents		**716**	(2,405)
Cash and cash equivalents at 1 October		**515**	2,920
Cash and cash equivalents at 30 September	*13*	**1,231**	515

The notes on pages 12 to 31 form part of these financial statements.

Notes
(forming part of the financial statements)

1 Accounting policies

Hillbridge Investments Limited (the "Company") is a company limited by shares and incorporated and domiciled in the UK.

These Group and parent company financial statements were prepared in accordance with Financial Reporting Standard 102 *The Financial Reporting Standard* applicable in the UK and Republic of Ireland (*"FRS 102"*) as issued in August 2014. The amendments to FRS 102 issued in July 2015 and effective immediately have been applied. The presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £1,000.

In the transition to FRS 102 from old UK GAAP, the Group has made measurement and recognition adjustments as explained further in note 27.

The parent company is included in the consolidated financial statements, and is considered to be a qualifying entity under FRS 102 paragraphs 1.8 to 1.12. The following exemptions available under FRS 102 in respect of certain disclosures for the parent company financial statements have been applied:

- No separate parent company Cash Flow Statement with related notes is included; and
- Key Management Personnel compensation has not been included a second time; and
- The disclosures required by FRS 102.11 Basic Financial Instruments and FRS 102.12 Other Financial Instrument Issues in respect of financial instruments not falling within the fair value accounting rules of Paragraph 36(4) of Schedule 1.

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

Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 26.

1.1. Measurement convention

The financial statements are prepared on the historical cost basis.

1.2. Going concern

The Group has bank and cash balances at the year end totalling £1,231,000 *(2015: £515,000)* and net current assets of £826,000 *(2015: £445,000)*. The Group continues to have access to an unused short term borrowing facility.

The directors monitor cash flow against forecasts as a key performance indicator (KPI) and have assessed that the company will operate within its available facilities for the next twelve months and the foreseeable future. They have therefore prepared the accounts on a going concern basis.

1.3. Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiary undertakings made up to 30 September 2016. A subsidiary is an entity that is controlled by the parent. The results of subsidiary undertakings are included in the consolidated profit and loss account from the date that control commences until the date that control ceases. Control is established when the Company has the power to govern the operating and financial policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that are currently exercisable.

Under Section 408 of the Companies Act 2006 the Company is exempt from the requirement to present its own profit and loss account.

In the parent financial statements, investments in subsidiaries are carried at cost less impairment.

Notes *(continued)*

1 Accounting policies *(continued)*

1.4. Classification of financial instruments issued by the group

In accordance with FRS 102.22, financial instruments issued by the group are treated as equity only to the extent that they meet the following two conditions:

(a) they include no contractual obligations upon the group to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the group; and

(b) where the instrument will or may be settled in the entity's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the entity's own equity instruments or is a derivative that will be settled by the entity exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the entity's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

1.5. Basic financial instruments

Trade and other debtors / creditors

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

Interest-bearing borrowings classified as basic financial instruments

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

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

1.6. Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Where parts of an item of tangible fixed assets have different useful lives, they are accounted for as separate items of tangible fixed assets, for example land is treated separately from buildings.

Leases in which the entity assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. All other leases are classified as operating leases. Leased assets acquired by way of finance lease are stated on initial recognition at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, including any incremental costs directly attributable to negotiating and arranging the lease. At initial recognition a finance lease liability is recognised equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments. The present value of the minimum lease payments is calculated using the interest rate implicit in the lease. Lease payments are accounted for as described at 1.12 below.

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

Notes *(continued)*

1 Accounting policies *(continued)*

1.6. Tangible fixed assets (continued)

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

Freehold buildings	- 2% to 20% on cost
Plant and machinery	- 10% to 50% on net book value
Motor vehicles	- 10% to 25% on net book value
Fixtures and fittings	- 5% to 25% on net book value
Office equipment	- 25% on cost

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

1.7. Intangible assets and goodwill

Goodwill

Goodwill is stated at cost less any accumulated amortisation and accumulated impairment losses. Goodwill is allocated to cash-generating units or group of cash-generating units that are expected to benefit from the synergies of the business combination from which it arose.

Other Intangibles

Other intangible assets that are acquired by the Company are stated at cost less accumulated amortisation and less accumulated impairment losses.

Amortisation

Amortisation is charged to the profit or loss on a straight-line basis over the estimated useful lives of intangible assets. Intangible assets are amortised from the date they are available for use. The estimated useful lives are as follows:

- Licence 25% reducing balance

Other intangible assets are tested for impairment in accordance with Section 27 Impairment of assets when there is an indication that an intangible asset may be impaired.

1.8. Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost is based on the weighted average principle and includes expenditure incurred in acquiring the stocks, production or conversion costs and other costs in bringing them to their existing location and condition. In the case of manufactured stocks and work in progress, cost includes an appropriate share of overheads based on normal operating capacity.

1.9. Impairment excluding stocks and deferred tax assets

Financial assets (including trade and other debtors)

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

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

Notes *(continued)*

1 Accounting policies *(continued)*

1.9. Impairment excluding stocks and deferred tax assets (continued)

Non-financial assets

The carrying amounts of the entity's non-financial assets, other than stocks, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing is allocated to cash-generating units, or ("CGU") that are expected to benefit from the synergies of the combination. For the purpose of goodwill impairment testing, if goodwill cannot be allocated to individual CGUs or groups of CGUs on a non-arbitrary basis, the impairment of goodwill is determined using the recoverable amount of the acquired entity in its entirety, or if it has been integrated then the entire group of entities into which it has been integrated.

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

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

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

1.10. Employee benefits

Defined contribution plans and other long term employee benefits

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

Share-based payment transactions

Share-based payment arrangements in which the entity receives goods or services as consideration for its own equity instruments are accounted for as equity-settled share-based payment transactions, regardless of how the equity instruments are obtained by the entity.

The grant date fair value of share-based payments awards granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period in which the employees become unconditionally entitled to the awards. The fair value of the awards granted is measured based on company specific data, taking into account the terms and conditions upon which the awards were granted. The amount recognised as an expense is adjusted to reflect the actual number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that do meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

1.11. Turnover

Turnover represents the amounts (excluding value added tax) derived from the provision of goods and services to third party customers which fall within the group's ordinary activities, entirely within the United Kingdom. Revenue is recognised when the company has fulfilled its performance obligations in relation to waste processing.

Notes *(continued)*

1 Accounting policies *(continued)*

1.12. Expenses

Operating lease

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

Finance lease

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

Interest receivable and interest payable

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

Interest income and interest payable are recognised in profit or loss as they accrue, using the effective interest method. Dividend income is recognised in the profit and loss account on the date the Company's right to receive payments is established.

1.13. Taxation

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

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

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. The following timing differences are not provided for: differences between accumulated depreciation and tax allowances for the cost of a fixed asset if and when all conditions for retaining the tax allowances have been met; and differences relating to investments in subsidiaries to the extent that it is not probable that they will reverse in the foreseeable future and the reporting entity is able to control the reversal of the timing difference. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is provided in respect of the additional tax that will be paid or avoided on differences between the amount at which an asset (other than goodwill) or liability is recognised in a business combination and the corresponding amount that can be deducted or assessed for tax. Goodwill is adjusted by the amount of such deferred tax.

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

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

Notes *(continued)*

2 Turnover

	2016 £000	2015 £000
Sale of goods	**500**	72
Rendering of services	**17,694**	16,121
Total turnover	**18,194**	16,193

All turnover arises within the United Kingdom.

3 Expenses and auditor's remuneration

Auditor's remuneration:

	2016 £000	2015 £000
Audit of these financial statements	**6**	3
Amounts receivable by the company's auditor and its associates in respect of:		
Audit of financial statements of subsidiaries of the company	**23**	23
Audit-related assurance services	**3**	3
Taxation compliance services	**12**	11
Other tax advisory services	**4**	43

4 Staff numbers and costs

The average number of persons employed by the Group (including directors) during the year, analysed by category, was as follows:

	Number of employees 2016	2015
Operations and sales	**55**	43
Office and management	**14**	15
	69	58

The aggregate payroll costs of these persons were as follows:

	2016 £000	2015 £000
Wages and salaries	**2,832**	2,667
Social security costs	**372**	286
Contributions to defined contribution plans	**35**	38
	3,239	2,991

Notes *(continued)*

5 Directors' remuneration

	2016 £000	2015 £000
Directors' remuneration	**966**	556
Company contributions to money purchase pension plans	**5**	16

The aggregate of remuneration and amounts receivable under long term incentive schemes of the highest paid director was £492,000 *(2015: £273,000)*, and company pension contributions of £nil *(2015: £16,000)* were made to a personal pension scheme on his behalf.

	Number of directors 2016	2015
Retirement benefits are accruing to the following number of directors under:		
Personal pension purchase schemes	**6**	7

6 Interest payable and similar charges

	2016 £000	2015 £000
Secured bank loans	**1**	18
Finance charges payable in respect of finance leases and hire purchase contracts	**7**	6
Total other interest payable and similar charges	**8**	24

7 Taxation

Total tax expense recognised in the profit and loss account, other comprehensive income and equity

	2016 £000	2016 £000	2015 £000	2015 £000
Current tax				
Current tax on income for the period		**38**		220
Adjustments in respect of prior periods		**(261)**		1
Total current tax		**(223)**		221
Deferred tax (note 18)				
Origination and reversal of timing differences	**(1)**		61	
Adjustments in respect of prior periods	**50**		(1)	
Change in tax rate	**(47)**		-	
Total deferred tax		**2**		60
Total tax		**(221)**		281

Notes *(continued)*

7 Taxation *(continued)*

Reconciliation of effective tax rate

	2016 £000	2015 £000
Profit for the year	**470**	606
Total tax (credit)/expense	**(221)**	281
Profit excluding taxation	**249**	887
Tax using the UK corporation tax rate of 20 % *(2015:20.5 %)*	**50**	182
Fixed asset differences	**31**	25
Non-deductible expenses	**65**	75
Additional deduction for R&D expenditure	**(110)**	-
Adjustments in respect of prior periods	**(261)**	1
Adjustments in respect of prior periods – deferred tax	**49**	(1)
Adjust closing deferred tax to average rate of 20.00%	**(45)**	(7)
Adjust opening deferred tax to average rate of 20.00%	**-**	6
Total tax (credit)/expense included in profit or loss	**(221)**	281

Reductions in the UK corporation tax rate from 21% to 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015, and an additional reduction to 17% (effective 1 April 2020) was announced in the Budget on 16 March 2016 and was substantively enacted on 6 September 2016. This will reduce the company's future tax charge accordingly.

8 Intangible assets and goodwill

Group	Goodwill £000	Licences £000	Total £000
Cost			
Balance at 1 October 2015	4,544	117	4,661
Balance at 30 September 2016	4,544	117	4,661
Amortisation and impairment			
Balance at 1 October 2015	4,094	105	4,199
Amortisation for the year	227	2	229
Balance at 30 September 2016	4,321	107	4,428
Net book value			
At 30 September 2016	**223**	**10**	**233**
At 30 September 2015	450	12	462

The directors consider each acquisition separately for the purposes of determining the amortisation period of any goodwill that arises and follow a policy of amortisation over the period in which benefits are expected to accrue. The goodwill which arose in relation to Castle Environmental Limited including Castle Waste Services Limited and Castle Oils Limited is amortised over 20 years.

Notes *(continued)*

8 Intangible assets and goodwill *(continued)*

Amortisation and impairment charge

The amortisation, impairment charge and impairment reversals are recognised in the following line items in the profit and loss account:

	2016	2015
	£000	£000
Administrative expenses	**229**	229
	229	229

9 Tangible fixed assets

Group	Freehold land and buildings £000	Plant and machinery £000	Fixtures, fittings and office equipment £000	Total £000
Cost				
Balance at 1 October 2015	2,918	5,737	225	8,880
Additions	452	1,010	7	1,469
Disposals	(156)	(183)	(35)	(374)
Balance at 30 September 2016	3,214	6,564	197	9,975
Depreciation and impairment				
Balance at 1 October 2015	1,274	3,160	156	4,590
Depreciation charge for the year	156	518	21	695
Disposals	(156)	(176)	(35)	(367)
Balance at 30 September 2016	1,274	3,502	142	4,918
Net book value				
At 30 September 2016	**1,940**	**3,062**	**55**	**5,057**
At 30 September 2015	1,644	2,577	69	4,290

Included within freehold land and buildings is land with a value of £442,000 *(2015: £442,000)* which is not depreciated.

The net book value of plant and machinery includes £359,000 *(2015: £237,000)* in relation to assets held under finance leases and hire purchase contracts. Depreciation charged on these assets in the year was £46,000 *(2015: £36,000)*.

The Company does not own any tangible fixed assets.

Notes *(continued)*

10 Fixed asset investments

Company	**Shares in group undertakings £000**
Cost	
At beginning of year	5,817
At end of year	5,817
Provisions	
At beginning of year	2,077
At end of year	2,077
Net book value	
At 30 September 2016	**3,740**
At 30 September 2015	3,740

Subsidiary undertakings	**Country of incorporation**	**Principal activity**	**Class and percentage of shares held Group**	**Company**
Castle Environmental Limited	England and Wales	Dormant	**100%**	Ordinary Shares
Castle Waste Services Limited	England and Wales	Waste management and recycling	**100%**	Ordinary Shares
Castle Oils Limited	England and Wales	Waste management and recycling	**100%**	Ordinary Shares
M Plus Recycling Limited	England and Wales	Dormant	**100%**	Ordinary Shares
Castle Construction Products Limited	England and Wales	Manufacture of concrete products	**100%**	Ordinary Shares

All of the above subsidiaries have been included in the consolidated accounts.

11 Stocks

	Group		**Company**	
	2016 £000	2015 £000	**2016 £000**	2015 £000
Raw materials and consumables	**10**	1	-	-
Finished goods	**126**	-	-	-
	136	1	-	-

Raw materials, consumables and changes in finished goods and work in progress recognised as cost of sales in the year amounted to £172,000 *(2015: £nil)*.

The write-down of stocks to net realisable value amounted to £nil *(2015: £nil)*. The write-down is included within cost of sales.

Notes *(continued)*

12 Debtors

	Group		Company	
	2016	2015	**2016**	2015
	£000	£000	**£000**	£000
Trade debtors	**3,459**	3,858	**-**	-
Amounts owed by group undertakings	**-**	-	**407**	404
Other debtors	**300**	300	**-**	-
Prepayments and accrued income	**200**	157	**-**	-
Deferred tax asset (note 18)	**-**	-	**31**	10
	3,959	4,315	**438**	414
Due within one year	**3,659**	4,015	**407**	-
Due after more than one year	**300**	300	**31**	414
	3,959	4,315	**438**	414

All amounts due from group undertakings are repayable on demand.

13 Cash and cash equivalents

	2016	2015
	£000	£000
Cash at bank and in hand	**1,231**	515
Cash and cash equivalents per cash flow statements	**1,231**	515

14 Creditors: amounts falling due within one year

	Group		Company	
	2016	2015	**2016**	2015
	£000	£000	**£000**	£000
Secured bank loans (note 16)	**27**	-	**-**	-
Obligations under finance leases (note 16)	**82**	57	**-**	-
Trade creditors	**3,269**	2,990	**-**	8
Corporation tax due	**38**	221	**-**	5
Taxation and social security	**364**	242	**-**	-
Accruals and deferred income	**720**	876	**-**	-
	4,500	4,386	**-**	13

Notes *(continued)*

15 Creditors: amounts falling after more than one year

	Group		Company	
	2016	2015	**2016**	2015
	£000	£000	**£000**	£000
Secured bank loans and overdrafts (note 16)	**314**	-	-	-
Obligations under finance leases (note 16)	**125**	119	-	-
	439	119	-	-

16 Interest-bearing loans and borrowings

This note provides information about the contractual terms of the Group's and parent Company's interest-bearing loans and borrowings, which are measured at amortised cost.

	Group		Company	
	2016	2015	**2016**	2015
	£000	£000	**£000**	£000
Creditors falling due after more than one year				
Secured bank loans	**314**	-	-	-
Finance lease liabilities	**125**	119	-	-
	439	119	-	-
Creditors falling due within less than one year				
Secured bank loans	**27**	-	-	-
Finance lease liabilities	**82**	57	-	-
	109	57	-	-

Terms and debt repayment schedule

Group	Currency	Nominal interest rate	Year of maturity	Repayment schedule	2016 £000	2015 £000
Secured bank loan	**GBP**	**Base Rate + 1.75%**	**2021**	**Monthly**	**341**	-
Finance lease liabilities	**GBP**	**Various**	**Various**	**Various**	**207**	176
					548	176

Notes *(continued)*

17 Other interest-bearing loans and borrowings

Finance lease liabilities

Finance lease liabilities are payable as follows:

Group	Minimum lease payments 2016 £000	Minimum lease payments 2015 £000
Less than one year	**82**	57
Between one and five years	**125**	119
	207	176

Secured bank loans

Secured bank loans are payable as follows:

	Minimum lease payments 2016 £000	Minimum lease payments 2015 £000
Less than one year	**27**	-
Between one and five years	**314**	-
	341	-

Hire purchase liabilities are secured against the assets subject to the hire purchase arrangement. The secured bank loan incurs interest at Base Rate plus 1.75%, is secured against the freehold property of the Company to which the loan relates, and is repayable on a monthly basis with a final payment due at the end of the 5 year term.

The Company has no interest-bearing loans or borrowings.

18 Deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

Group	Assets 2016 £000	Assets 2015 £000	Liabilities 2016 £000	Liabilities 2015 £000	Net 2016 £000	Net 2015 £000
Accelerated capital allowances	**-**	-	**291**	271	**291**	271
Short term timing differences	**(31)**	(13)	**-**	-	**(31)**	(13)
Net tax (assets) / liabilities	**(31)**	(13)	**291**	271	**260**	258

The Group has no unrecognised tax losses. Deferred tax is recognised at 17% which is the rate at which the liability is expected to unwind.

Notes *(continued)*

19 Employee benefits

Defined contribution plans

Group

The Group operates a number of defined contribution pension plans. The total expense relating to these plans in the current year was £35,000 *(2015: £38,000)*.

Share based payments

In May 2015 the Company set up two enterprise management incentive option agreements for the benefit of senior employees. One of the agreements is exercisable if the business is sold within 10 years and certain performance criteria are met or exceeded. The other agreement is exercisable either upon the sale of the business or between 9 years and 10 months and 10 years of the date of the agreement.

The Company share based payments are on the same basis as that of group.

The number and weighted average exercise prices of share options are as follows:

	Weighted average exercise price 2016	**Number of options 2016**	Weighted average exercise price 2015	Number of options 2015
Outstanding at the beginning of the year	**0.01**	**395,000**	-	-
Granted during the year	**0.01**	**25,000**	0.01	395,000
Outstanding at the end of the year	**0.01**	**420,000**	0.01	395,000
Exercisable at the end of the year	-	-	-	-

The weighted average fair value of options granted was estimated using earnings for the current period and a price earnings ratio of 4 adjusted for minority discount. The resulting fair value per option was £3.17.

The total expenses recognised for the year arising from share-based payments are as follows:

	2016 £000	2015 £000
Total share based payment expense	**127**	52

Notes *(continued)*

20 Capital and reserves

	2016	2015
	£000	£000
Allotted, called up and fully paid		
50,000 Preferred ordinary shares of £0.01 each	500	500
510,000 'A' Ordinary shares of £0.01 each	5,100	5,100
40,000 'B' Ordinary shares of £0.01 each	400	400
450,000 'C' Ordinary shares of £0.01 each	4,500	4,500
	10,500	10,500

The rights attaching to each class of share in issue are summarised below:

The ordinary shares have attached to them full voting and dividend rights. On a return of the company's assets on a liquidation, capital reduction or otherwise, the assets of the company remaining after the payment of its liabilities shall be applied in the following order of priority:

First, in paying to the holders of the preferred ordinary shares, the first £50,000 of the company's assets; and

Secondly, in paying to the holders of the 'A' ordinary shares, the 'B' ordinary shares and the 'C' ordinary shares (pari passu as if the same constituted one class of share), the balance of such assets on a sale of the company, the proceeds of the sale shall be allocated in the order set out above as if the references to the assets remaining after the payment of its liabilities referred to the proceeds of sale. The preferred ordinary shares do not confer a right of redemption.

Profit and loss account - Company

	£000
At 1 October 2015	3,776
Loss for the year	(124)
Share based payment (note 19)	127
At 30 September 2016	**3,779**

21 Financial instruments

(a) Carrying amount of financial instruments

The carrying amounts of the financial assets and liabilities include:

	2016	2015
	£000	£000
Assets measured at amortised cost	4,690	4,373
Liabilities measured at amortised cost	3,817	3,166

(b) Financial instruments measured at fair value

There are no financial instruments measured at fair value.

Notes *(continued)*

22 Operating leases

Non-cancellable operating lease rentals are payable as follows:

	Land and buildings		Other	
	2016	2015	**2016**	2015
	£000	£000	**£000**	£000
Less than one year	**62**	62	**208**	125
Between one and five years	**288**	256	**200**	156
More than five years	**353**	447	**-**	-
	703	765	**408**	281

During the year £241,000 was recognised as an expense in the group profit and loss account in respect of operating leases *(2015: £170,000)*. The Company has no operating leases to disclose.

23 Commitments

Capital commitments

Contractual commitments to purchase tangible fixed assets at the year-end were £74,000 *(2015: £nil)*. The company had no capital commitments at either year end.

24 Related parties

Group

Transactions with key management personnel

Total compensation of key management personnel (including the directors) in the year amounted to £1,430,000 *(2015: £1,032,000)*.

25 Ultimate parent company and parent company of larger group

The ultimate controlling party is MR Hewitt.

26 Accounting estimates and judgements

Waste accrual

Revenue is recognised at the point at which the customer delivers the waste to the receiving site. This is the point at which the customer has discharged all responsibility for the waste. At the year end, a waste disposal cost accrual is recognised for the waste that is on site and yet to be processed. The waste accrual is calculated based on management's best estimate of the cost of processing the waste.

27 Explanation of transition to FRS 102 from old UK GAAP

As stated in note 1, these are the Group's and Company's first financial statements prepared in accordance with FRS 102.

The accounting policies set out in note 1 have been applied in preparing the financial statements for the year ended 30 September 2016 and the comparative information presented in these financial statements for the year ended 30 September 2015.

Notes *(continued)*

27 Explanation of transition to FRS 102 from old UK GAAP *(continued)*

Group

In preparing its FRS 102 balance sheet, the Group has adjusted amounts reported previously in financial statements prepared in accordance with its old basis of accounting UK GAAP. An explanation of how the transition from UK GAAP to FRS 102 has affected the Group's financial position and financial performance is set out in the following table and the notes that accompany the table.

Reconciliation of equity

Group		1 October 2014			30 September 2015		
		UK GAAP	Effect of transition to FRS 102	FRS 102	**UK GAAP**	**Effect of transition to FRS 102**	**FRS 102**
	Note	£000	£000	£000	**£000**	**£000**	**£000**
Fixed assets							
Intangible assets		691	-	691	**462**	-	**462**
Tangible fixed assets		3,147	-	3,147	**4,290**	-	**4,290**
		3,838	-	3,838	**4,752**	-	**4,752**
Current assets							
Stocks		2	-	2	**1**	-	**1**
Debtors		3,981	-	3,981	**4,315**	-	**4,315**
Cash at bank and in hand		2,920	-	2,920	**515**	-	**515**
		6,903	-	6,903	**4,831**	-	**4,831**
Creditors: amounts due within one year		(5,382)	-	(5,382)	**(4,386)**	-	**(4,386)**
Net current assets		1,521	-	1,521	**445**	-	**445**
Total assets less current liabilities		5,359	-	5,359	**5,197**	-	**5,197**
Creditors: amounts falling due after more than one year		6,853	-	6,853	**119**	-	**119**
Provisions for liabilities							
Deferred tax liability	*a*	198	-	198	**268**	**(10)**	**258**
Capital and reserves							
Called up share capital		4	-	4	**11**	-	**11**
Share premium		450	-	450	**392**	-	**392**
Profit and loss account	*a*	(2,146)	-	(2,146)	**4,407**	**10**	**4,417**
Shareholders' equity		(1,692)	-	(1,692)	**4,810**	**10**	**4,820**
		5,359	-	5,359	**5,197**	-	**5,197**

Notes to the reconciliation of equity

a) Recognition of deferred taxation asset on share based payments under FRS 102.

Notes *(continued)*

27 Explanation of transition to FRS 102 from old UK GAAP *(continued)*

Reconciliation of profit for 2015

	Note	UK GAAP £000	2015 Effect of transition to FRS 102 £000	FRS 102 £000
Turnover		**16,193**	**-**	**16,193**
Cost of sales		**(12,414)**	**-**	**(12,414)**
Gross profit		**3,779**	**-**	**3,779**
Administrative expenses		**(2,873)**	**-**	**(2,873)**
Group operating profit		**906**	**-**	**906**
Gain on disposal of fixed assets		**4**		**4**
Other interest receivable and similar income		**1**	**-**	**1**
Interest payable and similar charges		**(24)**	**-**	**(24)**
Profit on ordinary activities before taxation		**887**	**-**	**887**
Taxation	*a*	**(291)**	**10**	**(281)**
Profit for the year		**596**	**10**	**606**

Notes to the reconciliation of profit

a) Recognition of deferred taxation asset on share based payments under FRS 102.

Notes *(continued)*

27 Explanation of transition to FRS 102 from old UK GAAP *(continued)*

Company

In preparing their FRS 102 balance sheet, the Company has adjusted amounts reported previously in financial statements prepared in accordance with its old basis of accounting UK GAAP. An explanation of how the transition from UK GAAP to FRS 102 has affected the Company's financial position and financial performance is set out in the following table and the notes that accompany the table.

Reconciliation of equity

	Note	1 October 2014 UK GAAP £000	1 October 2014 Effect of transition to FRS 102 £000	1 October 2014 FRS 102 £000	**30 September 2015 UK GAAP £000**	**30 September 2015 Effect of transition to FRS 102 £000**	**30 September 2015 FRS 102 £000**
Fixed assets							
Investments		2,660	-	2,660	**3,740**	-	**3,740**
		2,660	-	2,660	**3,740**	-	**3,740**
Current assets							
Debtors (due with one year)	*a*	2,911	-	2,911	**404**	**10**	**414**
Cash at bank and in hand		30	-	30	**38**	-	**38**
		2,941	-	2,941	**442**	**10**	**452**
Creditors: amounts due within one year		(1,474)	-	(1,474)	**(13)**	-	**(13)**
Net current assets		1,467	-	1,467	**429**	**10**	**439**
Total assets less current liabilities		4,127	-	4,127	**4,169**	**10**	**4,179**
Creditors: amounts falling due after more than one year		6,853	-	6,853	**-**	**-**	**-**
Capital and reserves							
Called up share capital		4	-	4	**11**	-	**11**
Share premium account		450	-	450	**392**	-	**392**
Profit and loss account	*a*	(3,180)	-	(3,180)	**3,766**	**10**	**3,776**
Shareholders' equity		(2,726)	-	(2,726)	**4,169**	**10**	**4,179**
		4,127	-	4,127	**4,169**	**10**	**4,179**

Notes to the reconciliation of equity

a) Recognition of deferred taxation asset on share based payments under FRS 102.

Notes *(continued)*

27 Explanation of transition to FRS 102 from old UK GAAP *(continued)*

Reconciliation of profit for 2015

	Note	UK GAAP £000	2015 Effect of transition to FRS 102 £000	FRS 102 £000
Administrative expenses		(76)	-	(76)
Operating loss		(76)	-	(76)
Income from subsidiaries		1,089		1,089
Interest payable and similar charges		(19)	-	(19)
Profit on ordinary activities before taxation		994	-	994
Taxation	*a*	(5)	10	5
Profit for the year		989	10	999

Notes to the reconciliation of profit

a) Recognition of deferred taxation asset on share based payments under FRS 102.