Knights Lowe

Chartered Accountants • Business Advisers

Strategic Report, Directors' Report and

Financial Statements for the Year Ended 31 December 2016

for

Property Recycling Group plc

WEDNESDAY

A63P3U2P

A24 05/04/2017 #145

COMPANIES HOUSE

Eldo House, Kempson Way, Suffolk Business Park, Bury St Edmunds, Suffolk, IP32 7AR

Telephone: 01 284 701 300 Fax: 01 284 752 800

Contents of the Financial Statements for the Year Ended 31 December 2016

Property Recycling Group plc

Company Information
for the Year Ended 31 December 2016

DIRECTORS:	P A Rackham P A Rackham Jnr S R Stuteley
REGISTERED OFFICE:	Manor Farm Bridgham Norwich Norfolk NR16 2RX
REGISTERED NUMBER:	05409619
INDEPENDENT AUDITORS:	Knights Lowe Limited Chartered Accountants and Statutory Auditors Eldo House, Kempson Way Suffolk Business Park Bury St Edmunds Suffolk IP32 7AR
BANKERS:	Lloyds Banking Group Plc 35 King Street Thetford Norfolk IP24 2AX
SOLICITORS:	Ashtons Legal Trafalgar House Meridian Way Norwich Norfolk NR7 0TA

Chairman's Report
for the Year Ended 31 December 2016

INTRODUCTION

Demand for brown field sites remains subdued and we expect this situation to continue for the foreseeable future

FINANCIAL RESULTS

In the year ended 31 December 2016 the Company achieved revenue of £3.14 million(2015: £2.27 million) comprising income from trading assets of £0.98 million (2015: £0.77 million) and income from investment property of £0.36 million (2015: £0.35 million). There was one property sale during the year which generated income of £1.80m (2015: two properties and income of £1.15 million). Cost of sales of £0.69 million (2015: £0.54 million) comprise the value of opening stocks plus purchases less closing stocks. Administrative costs were £0.88 million (2015: £1.35 million).

Profit before tax was £1.49 million (2015: £1.33 million). The profit in 2015 included a surplus on revaluation of investment property of £1.04 million, there was no uplift or impairment in 2016. At 31 December 2016 the Company had net assets of £14.04 million (2015: £13.18 million).

PROPERTY PORTFOLIO

The property portfolio was reduced during the year by the sale of our Welford site.

PROSPECTS

We see little sign of more active interest in brown field sites from developers.

Shareholders wishing to sell their shares should contact the acting Company Secretary, Stephen Stuteley.

....

P A Rackham
Executive Chairman

Date 31. 3. 2017

Strategic Report for the Year Ended 31 December 2016

The directors present their strategic report for the year ended 31 December 2016.

PRINCIPAL ACTIVITIES AND REVIEW OF BUSINESS

ACTIVITIES

The principal activities of the company continue to be to identify and acquire previously developed land where there is an opportunity to improve the valuation significantly through remediation and planning gain. Once improved, such land is sold to developers or end users.

A review of the Company's financial performance is shown under the heading Financial Results in the Executive Chairman's Report. A review of the Company's position as at the year end is given in the Property Portfolio section of the Executive Chairman's Report. The Directors confirm that progress on planning matters and site remediation within the portfolio is reviewed on a monthly basis and will be reflected in future sales.

KEY PERFORMANCE INDICATORS

The key short-term financial performance indicator is the comparison of short term letting and other income to operating costs. The Board considers this indicator was met during the year.

The key non-financial performance indicator is the area of land and buildings held by the Company. The Company owns 311 hectares (2015: 326 hectares) of land and buildings with varying planning consents.

FINANCIAL RISK MANAGEMENT

The financial instruments of the Company principally comprise short-term debtors and creditors, short-term bank deposits and cash. The Company does not trade in derivative financial instruments. The Company has entered into a derivative financial instrument to manage it's exposure to interest rate risk in the form of an interest rate swap. All of the Company's assets and liabilities are denominated in sterling. The main risks arising from the Company's financial instruments are interest rate risk and liquidity.

Financial assets comprise short term bank deposits and cash. These earn interest at floating rates linked to Lloyds Banking Group base rate.

INTEREST RATE RISK AND LIQUIDITY RISK MANAGEMENT

The Company's policy has been to minimise risk by placing funds in low risk cash deposits with original maturity of two months or less.

CAPITAL RISK MANAGEMENT

The Company manages its capital to ensure that the Company will be able to continue as a going concern while maximising the return to shareholders through optimisation of the debt and equity balance.

The capital structure of the Company consists of debt, which includes borrowings disclosed in note 17, cash at bank and in hand and equity attributable to equity holders, comprising issued capital, reserves and retained earnings.

CREDIT RISK MANAGEMENT

Management monitors the amount of the Company's net funds in assessing the level of credit risk. The Directors do not believe the level of credit risk to be material.

CASH FLOW RISK MANAGEMENT

Management believes that the Company has obtained sufficient access to cash to continue its business activities for the foreseeable future. The Directors do not believe the level of cash flow risk to be material.

Strategic Report
for the Year Ended 31 December 2016

PRINCIPAL RISKS AND UNCERTAINTIES

There are a number of potential risks and uncertainties which have been identified within the business which could have a material impact on the Company's long term performance.

- Competitive pressure on property purchase in times of buoyant market conditions has to be kept under review and strategy adjusted according to the long term view.
- During a less buoyant market, property sales may be more difficult. The Company seeks to generate income from tenants to cover site overheads and offset holding costs.
- Environmental risks are assessed on property acquisition; it is unlikely that warranties will be given by a vendor. Consultants are engaged where necessary and offers reflect their findings.
- Planning risk is offset in part as previously developed land will already have a value related to its existing planning consent. Care is taken at acquisition that enquiries are made into the possibility of enhancing the planning status with a view to future sale.
- The Company is dependent upon a small management team.

ENVIRONMENT

The Company recognises the importance of its environmental responsibilities, and designs and implements policies to reduce any damage that might be caused by its activities. It specifically encourages reuse or recycling of materials or, if this is not possible, safe disposal using licenced contractors. Much of the Company's work involves improving the environmental status of its sites.

FUTURE DEVELOPMENTS

A review of the Company's operations during the year and its plans for the future is given in the Executive Chairman's Report. The Company continues to enhance the value of its properties through planning improvements and remediation.

The directors have reviewed cash flow requirements for the Company for the immediate future and are satisfied that adequate funding is available to the Company to meet its current requirements. Consequently, the financial statements are prepared on the going concern basis.

ON BEHALF OF THE BOARD:

....

P A Rackham - Director

Date: 31 3 2017

Directors' Report
for the Year Ended 31 December 2016

The directors present their report with the financial statements of the company for the year ended 31 December 2016.

DIVIDENDS
A dividend of 1p per share was paid on 21 September 2016. The directors do not recommend that a final dividend is paid.

The total distribution of dividends for the year ended 31 December 2016 will be £362,000.

Dividends declared in 2015 amounting to £147 have not been encashed by shareholders and are unlikely to be so. Those dividends have been written back to reserves.

DIRECTORS
The directors shown below have held office during the whole of the period from 1 January 2016 to the date of this report.

P A Rackham
P A Rackham Jnr
S R Stuteley

The appointment and replacement of directors is governed by the Company's Articles of Association, the Companies Act 2006 and related legislation. The Articles themselves may be amended by special resolution of the shareholders.

POLITICAL DONATIONS AND EXPENDITURE
There were no political or charitable contributions during the year (2015: £nil).

DIRECTORS AND OFFICERS LIABILITY INSURANCE
The Company has purchased and maintained Directors and officers liability insurance under the terms of section 232 Companies Act 2006.

CAPITAL STRUCTURE
Details of the issued share capital are shown in note 22. The company has one class of ordinary shares which carry no right to fixed income. Each share carries the right to one vote at general meetings of the Company. All shares are issued fully paid. No person has special rights of control over the Company's share capital.
There are no specific restrictions on the size of a holding nor on the transfer of shares which are both governed by the general provisions of the Articles of Association and prevailing legislation. The directors are not aware of any agreements between holders of the Company's shares that may result in restrictions on the transfer of securities or on voting rights.

At the date of this report, 36,200,000 ordinary shares were in issue.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS
So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the company's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

AUDITORS

A resolution to re-appoint Knights Lowe Limited as the Company's auditors and to authorise the Directors to determine the auditors' remuneration will be proposed at the forthcoming Annual General Meeting.

ON BEHALF OF THE BOARD:

....

S R Stuteley - Director

Date: 31 3 2017

Property Recycling Group plc

Statement of Directors' Responsibilities for the Year Ended 31 December 2016

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), including Financial Reporting Standard 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 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;
- state whether applicable 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 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.

Report of the Independent Auditors to the Members of Property Recycling Group plc

We have audited the financial statements of Property Recycling Group plc for the year ended 31 December 2016 on pages ten to twenty seven. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 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 a Report of the Auditors 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 auditors

As explained more fully in the Statement of Directors' Responsibilities set out on page seven, 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

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Chairman's Report the Strategic Report and the Directors' Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter 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.

Report of the Independent Auditors to the Members of Property Recycling Group plc

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, 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.

J Knights BSc ACA (Senior Statutory Auditor)
for and on behalf of Knights Lowe Limited
Chartered Accountants
and Statutory Auditors
Eldo House, Kempson Way
Suffolk Business Park
Bury St Edmunds
Suffolk
IP32 7AR

Date: ....3...APRIL....2017..

Property Recycling Group plc

Statement of Comprehensive Income for the Year Ended 31 December 2016

	Notes	2016 £	2016 £	2015 £	2015 £
TURNOVER	3		**3,141,617**		2,274,557
Cost of sales			**691,984**		535,625
GROSS PROFIT			**2,449,633**		1,738,932
Administrative expenses			**884,646**		1,345,344
OPERATING PROFIT			**1,564,987**		393,588
Revaluation of investment property		**-**		1,038,000	
Interest receivable and similar income	6	**57,921**		519	
			57,921		1,038,519
			1,622,908		1,432,107
Interest payable and similar expenses	7		**131,085**		104,075
PROFIT BEFORE TAXATION	8		**1,491,823**		1,328,032
Tax on profit	9		**269,932**		237,083
PROFIT FOR THE FINANCIAL YEAR			**1,221,891**		1,090,949
OTHER COMPREHENSIVE INCOME			**-**		-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR			**1,221,891**		1,090,949

The notes form part of these financial statements

Property Recycling Group plc (Registered number: 05409619)

Balance Sheet
31 December 2016

	Notes	2016 £	2016 £	2015 £	2015 £
FIXED ASSETS					
Tangible assets	11		**11,853**		11,367
Investments	12		**-**		-
Investment property	13		**4,000,000**		4,000,000
			4,011,853		4,011,367
CURRENT ASSETS					
Stocks	14	**9,373,225**		9,932,737	
Debtors	15	**464,680**		1,415,769	
Cash at bank		**1,260,527**		12,210	
		11,098,432		11,360,716	
CREDITORS					
Amounts falling due within one year	16	**632,988**		821,376	
NET CURRENT ASSETS			**10,465,444**		10,539,340
TOTAL ASSETS LESS CURRENT LIABILITIES			**14,477,297**		14,550,707
CREDITORS					
Amounts falling due after more than one year	17		**(45,683)**		(947,041)
PROVISIONS FOR LIABILITIES	21		**(392,927)**		(425,017)
NET ASSETS			**14,038,687**		13,178,649
CAPITAL AND RESERVES					
Called up share capital	22		**1,810,000**		1,810,000
Share premium	23		**6,428,529**		6,428,529
Fair value reserve	23		**887,011**		856,693
Retained earnings	23		**4,913,147**		4,083,427
SHAREHOLDERS' FUNDS			**14,038,687**		13,178,649

The financial statements were approved by the Board of Directors on 31 March 2017 and were signed on its behalf by:

....
S R Stuteley - Director

The notes form part of these financial statements

Property Recycling Group plc

Statement of Changes in Equity
for the Year Ended 31 December 2016

	Called up share capital £	Retained earnings £	Share premium £	Fair value reserve £	Total equity £
Balance at 1 January 2015	1,810,000	4,211,171	6,428,529	-	12,449,700
Changes in equity					
Dividends	-	(362,000)	-	-	(362,000)
Total comprehensive income	-	234,256	-	856,693	1,090,949
Balance at 31 December 2015	1,810,000	4,083,427	6,428,529	856,693	13,178,649
Changes in equity					
Dividends	-	(361,853)	-	-	(361,853)
Total comprehensive income	-	1,191,573	-	30,318	1,221,891
Balance at 31 December 2016	1,810,000	4,913,147	6,428,529	887,011	14,038,687

Property Recycling Group plc

Cash Flow Statement
for the Year Ended 31 December 2016

	Notes	2016 £	2015 £
Cash flows from operating activities			
Cash generated from operations	1	**2,642,464**	67,915
Interest paid		**(119,943)**	(122,394)
Tax paid		**(53,772)**	(93,760)
Net cash from operating activities		**2,468,749**	(148,239)
Cash flows from investing activities			
Purchase of tangible fixed assets		**(4,000)**	(5,950)
Interest received		**57,921**	519
Net cash from investing activities		**53,921**	(5,431)
Cash flows from financing activities			
New loans in year		**-**	212,500
Loan repayments in year		**(912,500)**	-
Equity dividends paid		**(361,853)**	(362,000)
Net cash from financing activities		**(1,274,353)**	(149,500)
Increase/(decrease) in cash and cash equivalents		**1,248,317**	(303,170)
Cash and cash equivalents at beginning of year	2	**12,210**	315,380
Cash and cash equivalents at end of year	2	**1,260,527**	12,210

The notes form part of these financial statements

Notes to the Cash Flow Statement
for the Year Ended 31 December 2016

1. RECONCILIATION OF PROFIT BEFORE TAXATION TO CASH GENERATED FROM OPERATIONS

	2016	2015
	£	£
Profit before taxation	**1,491,823**	1,328,032
Depreciation charges	**3,514**	1,822
Finance costs	**131,085**	104,075
Finance income	**(57,921)**	(1,038,519)
	1,568,501	395,410
Decrease in stocks	**559,512**	294,697
Decrease/(increase) in trade and other debtors	**951,089**	(944,471)
(Decrease)/increase in trade and other creditors	**(436,638)**	322,279
Cash generated from operations	**2,642,464**	67,915

2. CASH AND CASH EQUIVALENTS

The amounts disclosed on the Cash Flow Statement in respect of cash and cash equivalents are in respect of these Balance Sheet amounts:

Year ended 31 December 2016

	31.12.16	1.1.16
	£	£
Cash and cash equivalents	**1,260,527**	**12,210**

Year ended 31 December 2015

	31.12.15	1.1.15
	£	£
Cash and cash equivalents	12,210	315,380

1. **STATUTORY INFORMATION**

Property Recycling Group plc is a private company, limited by shares, registered in Not specified/Other. The company's registered number and registered office address can be found on the Company Information page.

The nature of the group's operations and its principal activities are set out in the strategic report on page 3.

2. **ACCOUNTING POLICIES**

Basis of preparing the financial statements
The financial statements have been prepared under the historical cost convention, modified to include certain items at fair value, and in accordance with the Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council.

Preparation of consolidated financial statements
The financial statements present information about the company as an individual undertaking and not about it's group. Group accounts are not required as the company's subsidiary undertaking is immaterial to the results of the group, having been dormant since 31st December 2012.

Turnover
Turnover is measured at the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes.

Income from the sale of land and buildings is recognised at the date of unconditional exchange of contract. Option fees are recognised in the period to which the Company is unconditionally entitled to that income.

Rental income and other income are accrued on a time basis in the period to which they relate.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

Tangible fixed assets
Depreciation is provided at the following annual rates in order to write off the cost less estimated residual value of each asset over its estimated useful life.

Plant and machinery - 15% to 20% straight line
Computing equipment - 20% straight line

No depreciation is charged on freehold land.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sale proceeds and carrying amount of the asset and is recognised in the profit and loss account.

Investment property
Investment property held to earn rental income and/or capital appreciation is included in the balance sheet at fair value where such value can be measured reliably without undue cost or effort on an ongoing basis. The property is not depreciated which is a treatment contrary to the Companies Act 2006 however in the opinion of the Directors the policy adopted by the Company provides a true and fair view.

Stocks
Stock is stated at the lower of cost and estimated selling price less costs to sell, which is equivalent to the net realisable value. Cost comprises the cost of acquisition of property, professional and planning fees and construction and infrastructure costs, but excludes overheads. Net realisable value represents the estimate selling price less all estimated costs of completion and costs to be incurred in marketing and selling the properties.

continued...

2. **ACCOUNTING POLICIES - continued**

Taxation

Taxation for the year comprises current and deferred tax. Tax is recognised in the Statement of Comprehensive Income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity.

Current or deferred taxation assets and liabilities are not discounted.

Current tax is recognised at the amount of tax payable using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date.

Timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements. Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the year end and that are expected to apply to the reversal of the timing difference.

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

The company as a lessor

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.
Amounts due from lessees under finance leases are recorded as debtors at the company's net investment in the lease. Finance lease income is allocated to the profit and loss account so as to produce a constant periodic rate of return on the remaining balance of the debtor.
Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are usually immaterial and are recognised in the profit and loss account in the period incurred.

Provisions

A provision is recognised when the Company has a present obligation as a result of a past event and it is probable the company will be required to settle that obligation and amounts can be estimated reliably. Provisions are measured at the Directors best estimate of the expenditure required to settle the respective obligations at the balance sheet date and are discounted to present value where the effect is material.

continued...

2. *ACCOUNTING POLICIES - continued*

Financial instruments
Financial assets and financial liabilities are recognised when the company becomes a party to the contractual provisions of the instrument.

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.

(i) Financial assets and liabilities

All financial assets and liabilities are initially measured at transactions price (including transaction costs), except for those financial assets classified at fair value through profit or loss, which are initially measured at fair value (which is normally the transaction price excluding transaction costs), unless the arrangement constitutes a financing transaction. If an arrangement constitutes a financing transaction, the financial asset or financial liability is measured at the present value of future payments discounted at a market rate of interest for a similar debt instrument.

Financial assets and liabilities are only offset in the statement of financial position when, and only when there exists a legally enforcible right to set off the recognised amounts and the company intends to either settle on a net basis, or to realise the asset and settle the liability simultaneously.

(ii) Derivative financial instruments

The company uses derivative financial instruments to reduce exposure to interest rate movements. The company does not hold or issue derivative financial instruments for speculative purposes.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised in the profit and loss immediately unless the derivative is designated and effective as the hedging instrument, in which event the timing of the recognition in the profit or loss depends on the nature of the hedge relationship.

(iii) Fair value measurement

The best evidence of fair value is quoted price for an identical asset in an active market. When quoted prices are unavailable, the price of a recent transaction for an identical asset provides evidence of fair value as long as there has not been a significant change in economic circumstances or a significant lapse of time since the transaction took place. If the market is not active and recent transactions of an identical asset on their own are not a good estimate of fair value, the fair value is estimated by using a valuation technique.

continued...

2. **ACCOUNTING POLICIES - continued**

Critical accounting judgements and key sources of estimation uncertainty
In the application of the Company's accounting policies, which are described above, the directors are required to make judgements, estimates and assumptions about the carrying amounts 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 estimated and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognised in the period in which the estimate is revised if revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements and key sources of estimation uncertainty in applying the Company's accounting policies
The following are critical judgements including those involving estimations, that the directors have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

Assessment of net realisable value of stock properties
Stocks are valued at the lower of cost and net realisable value. The cost of stock comprises net prices paid for land plus any work in progress to improve the site. Net realisable value (NRV) represents the estimated selling price less all costs to be incurred in marketing and selling. The NRV of properties are assessed by the directors based on all available information including formal and informal valuations provided by land agents, current negotiations and other interest expressed in the sites by third parties and generic information such as average values of farm land and indications of commercial and residential property values.

Fair value measurement of financial instruments
When the fair values of financial assets and financial liabilities recorded in the balance sheet cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the discounted cash flow model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Details of fair value measurements can be found in note 20.

Revaluation of investment property
The Company carries its investment property at fair value, with changes in fair value being recognised in the profit or loss. The Directors have determined fair value at open market value based on assumptions on expected yield given the location and nature of the property comparable to other known sales or potential sales in the region. Savills Plc has provided an informal assessment of the potential market value of the property.

3. **TURNOVER**

The turnover and profit before taxation are attributable to the principal activities of the company.

An analysis of turnover by class of business is given below:

	2016	2015
	£	£
Sale of properties	**1,800,000**	1,155,500
Rent receivable	**1,302,384**	1,072,912
Other income	**39,233**	46,145
	3,141,617	2,274,557

continued...

3. **TURNOVER - continued**

The company's primary activities are the remediation, development and sale of previously developed land and property and it's net assets are principally applied to those purposes. Letting of stock properties and an investment property is a secondary activity.

4. **EMPLOYEES AND DIRECTORS**

	2016	2015
	£	£
Wages and salaries	195,355	195,000
Social security costs	9,748	16,391
	205,103	211,391

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

	2016	2015
Administration	3	3

5. **DIRECTORS' EMOLUMENTS**

	2016	2015
	£	£
Directors' remuneration	201,242	202,653

Information regarding the highest paid director is as follows:

	2016	2015
	£	£
Emoluments etc	78,855	80,412

6. **INTEREST RECEIVABLE AND SIMILAR INCOME**

	2016	2015
	£	£
Deposit account interest	2,533	519
Other interest receivable	55,388	-
	57,921	519

7. **INTEREST PAYABLE AND SIMILAR EXPENSES**

	2016	2015
	£	£
Bank interest	86,855	91,087
SWAP interest and fair value movement	44,230	12,988
	131,085	104,075

continued...

8. PROFIT BEFORE TAXATION

The profit is stated after charging/(crediting):

	2016	2015
	£	£
Operating lease income	(1,302,384)	(1,072,912)
Depreciation - owned assets	3,514	1,822
Auditors' remuneration	10,250	8,438
Taxation compliance services	2,000	2,130
Other non- audit services	3,747	1,018

9. TAXATION

Analysis of the tax charge
The tax charge on the profit for the year was as follows:

	2016	2015
	£	£
Current tax:		
UK corporation tax	300,362	52,112
Prior year tax adjustment	1,660	-
Total current tax	302,022	52,112
Deferred tax	(32,090)	184,971
Tax on profit	269,932	237,083

UK corporation tax has been charged at 20% (2015 - 20%).

Reconciliation of total tax charge included in profit and loss
The tax assessed for the year is lower than the standard rate of corporation tax in the UK. The difference is explained below:

	2016	2015
	£	£
Profit before tax	1,491,823	1,328,032
Profit multiplied by the standard rate of corporation tax in the UK of 20% (2015 - 20%)	298,365	265,606
Effects of:		
Expenses not deductible for tax purposes	2,094	4,895
Capital allowances in excess of depreciation	(97)	(826)
Change in corporation tax rate	-	599
Transitional adjustment on adoption of FRS 102	-	(10,562)
Unrealised property revaluation	-	(207,600)
Deferred taxation - timing differences	(11,298)	184,971
Deferred taxation -tax rate change	(20,792)	-
Prior year tax adjustment	1,660	-
Total tax charge	269,932	237,083

continued...

10. **DIVIDENDS**

The directors voted an interim dividend in respect of the year to 31 December 2016 on ordinary shares of .1p per share, a total distribution of £362,000 (2015: £362,000).

The directors are recommending to the members at the Annual General Meeting that no final dividend is paid (2015: nil).

Dividends declared in 2015 amounting to £147 have not been encashed by shareholders and are unlikely to be so. Those dividends have been written back to reserves.

11. **TANGIBLE FIXED ASSETS**

	Plant and machinery £
COST	
At 1 January 2016	191,168
Additions	4,000
At 31 December 2016	195,168
DEPRECIATION	
At 1 January 2016	179,801
Charge for year	3,514
At 31 December 2016	183,315
NET BOOK VALUE	
At 31 December 2016	11,853
At 31 December 2015	11,367

12. **FIXED ASSET INVESTMENTS**

The company's investments at the Balance Sheet date in the share capital of companies include the following:

Hensby Composts Limited
Registered office: Manor Farm, Bridgham, Norwich, Norfolk NR16 2RX
Nature of business: Non-trading

Class of shares:	% holding
Ordinary	100.00

13. **INVESTMENT PROPERTY**

	Total £
FAIR VALUE	
At 1 January 2016 and 31 December 2016	4,000,000
NET BOOK VALUE	
At 31 December 2016	4,000,000
At 31 December 2015	4,000,000

continued...

13. INVESTMENT PROPERTY - continued

No depreciation has been provided on investment properties as a result of FRS 102 section 16, which represents a departure from the requirements of the Companies Act. The Company has instead adopted a policy of revaluation at fair value to reflect the value of the investment property.

Management have concluded that the financial statements present fairly the Company's financial position, financial performance and cashflows. The Company has complied with applicable legislation apart from this departure from a particular requirement in order to achieve fair presentation.

An analysis of the revalued amount at 31 December 2016 is as follows:

	£
Valuation in 2005	**2,962,000**
Uplift in valuation in 2015	**1,038,000**
	4,000,000

If the property had not been revalued it would have been included at cost being £857,582, (2015: £857,582).

Investment property was valued on a fair value basis on 31 December 2015 by the directors on advice from Savills Plc. The directors consider there is no significant change to that valuation as at 31 December 2016.

The method for determining fair value is open market value based on assumptions on expected yield given the location and nature of the property comparable to other known sales or potential sales in the region. Savills Plc has provided an informal assessment of the potential market value of the property with the benefit of a lease which was granted during 2015 for a term of 35 years with a break clause giving the tenant the right to terminate the contract after 10 and 20 years.

At the balance sheet date, the following future minimum lease rentals were receivable:

	2016	2015
	£	£
Within one year	**364,832**	350,000
In the second to fifth years inclusive	**1,459,328**	1,400,000
After five years	**1,391,259**	1,750,000

The property has a legal charge on it in favour of the company's bank to secure general banking facilities.

continued...

14. **STOCKS**

	2016	2015
	£	£
Stock properties	**9,373,225**	9,932,737

Included is an asset with a value of £930,903 (2015: £930,903) in respect of which the Company entered into an agreement in November 2010 with a third party that gave the third party the option to purchase the stock property and precluded the Company from selling the property to a different party. The option agreement expired on 11 November 2015. In 2015 the market value of the site was re-assessed subsequent to significant improvement in the planning potential for the site and as a result an impairment provision of £205,903 brought forward from previous years was reversed. At the balance sheet date that position persists..

Included in stock of properties is an asset with a book value of £2,501,500 (2015: £2,501,500) which is stated net of a capital grant of £106,800 (2015: £106,800). The directors have assessed the current market value of the site in the light of its likely planning limitations, condition and current agricultural land values and, as a result, they have maintained an impairment provision which reduced the holding value by £233,175 at the balance sheet date.

After taking professional advice, the directors are of the opinion that the impairment provision of £1,108,413 made in previous years on a site with a holding value of £3,700,000 should be maintained, there being no significant change in that value during the year.

One of the Company's properties included within stock with a carrying value of £1,123,725 (2015: £1,123,725) has been pledged to secure general banking facilities. No borrowing costs relating to qualifying assets were capitalised in the current or prior year.

No impairment provisions have been charged to the profit and loss account in 2016 (2015: £235,004) and the directors consider that no further adjustment is required to impairment provisions made in prior years (2015: provision written back£205,903). The main provisions are described in more detail above.

15. **DEBTORS**

	2016	2015
	£	£
Amounts falling due within one year:		
Trade debtors	**308,074**	451,959
Other debtors	**-**	780,000
Prepayments	**152,231**	161,935
	460,305	1,393,894
Amounts falling due after more than one year:		
Prepayments and accrued income	**4,375**	21,875
Aggregate amounts	**464,680**	1,415,769

continued...

16. **CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	2016	2015
	£	£
Trade creditors	**9,788**	54,459
Amounts owed to group undertakings	**-**	61,489
Corporation tax	**300,362**	52,112
Social security and other taxes	**3,089**	6,703
VAT	**44,520**	177,114
Accruals and deferred income	**275,229**	469,499
	632,988	821,376

17. **CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR**

	2016	2015
	£	£
Bank loans (see note 18)	**-**	912,500
Derivative financial instrument	**45,683**	34,541
	45,683	947,041

18. **SECURED LOANS**

An analysis of the maturity of secured loans is given below:

	2016	2015
	£	£
Amounts falling due between two and five years:		
Bank loans - secured	**-**	912,500

On 12 April 2013 the Company secured its position with Lloyds Banking Group entering a revolving credit facility for up to £7,000,000 for a five year term at an interest rate of 2.25% over 3 month LIBOR on drawn down balances with a 1.125% non-utilisation fee, and secured by an unlimited debenture and a charge over two of the Company's properties. There was no balance at 31 December 2016 (2015: £912,5000).
The Company has entered into a derivative financial instrument to manage its exposure to the LIBOR interest rate risk in the form of an interest rate swap.

19. **LEASING AGREEMENTS**
Total future minium lease payments receivable under non-cancellable operating leases are as follows:

Land and buildings:	**2016**	2015
	£	£
- within one year	**1,214,759**	1,089,915
- between one and five years	**3,073,957**	3,212,413
- after five years	**1,577,769**	1,645,204

continued...

20. FINANCIAL INSTRUMENTS

The carrying values of the Company's financial assets and liabilities are summarised by category below:

	2016	2015
Financial assets	£	£
Measured at undiscounted amount receivable		
- Trade and other debtors (see note 15)	**464,680**	1,415,769
	464,680	1,415,769
Financial liabilities		
Measured at fair value and designated in a hedging relationship		
- Derivative financial instruments (see below)	**45,683**	34,541
Measured at amortised cost		
- Loans payable (see notes 18)	-	912,500
Measured at undiscounted amount payable		
- Trade and other creditors (see note 16)	**632,988**	759,887
- Amounts owed to group undertakings (see note 16)	-	61,489
	678,671	1,768,417

The Company's income, expense, gains and losses in respect of financial instruments are summarised below:

	2015	2015
	£	£
Interest income and expense		
Total interest expense for financial liabilities at amortised cost	**86,855**	91,087
Fair value gains and losses		
On derivative financial liabilities designated in a hedging relationship	**(11,142)**	12,988

Interest rate swap contracts

The following table details the notional principal amount and remaining term of interest rate on the swap contract outstanding as at the reporting date:

	Average contract fixed interest rate		Notional principal value		Fair value	
Outstanding contract (floating interest receivable, fixed interest payable)	**2016**	**2015**	**2016**	**2015**	**2016**	2015
Matures in:	**%**	**%**	**£**	**£**	**£**	£
1 to 2 years	1.47	1.47	3,500,000	-	45,683	-
2 to 5 years	1.47	1.47	-	3,500,000	-	34,541

continued...

Interest rate swaps are valued at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates.

The interest rate swap is settled on a quarterly basis. The floating rate on the interest rate swaps is three months' LIBOR. The Company will settle the difference between the fixed and floating interest rate on a net basis.

All interest rate swap contracts exchanging floating rate interest amounts for fixed rate interest amounts are designated as cash flow hedges to reduce the Company's cash flow exposure resulting from variable interest rates on borrowings. The hedged cash flows are expected to occur and affect profit or loss over the period to maturity of the interest rate swaps.

21. PROVISIONS FOR LIABILITIES

	2016	2015
	£	£
Deferred tax		
Timing differences (see below)	**392,927**	425,017

	Deferred tax
	£
Balance at 1 January 2016	**425,017**
Provision on investment property revaluation	**(9,181)**
Fair value adjustment on SWAP	**(2,117)**
Tax rate change	**(20,792)**
Balance at 31 December 2016	**392,927**

The deferred tax balance at the balance sheet date comprises:

	2016
	£
Provision on investment property revaluation - liability	**401,607**
Provision on fair value of interest rate SWAP	**(8,680)**
	392,927

At the balance sheet date the Company had unused trading tax losses of £48,051 (2015: £48,051) available for offset against future profits. No deferred tax asset has been recognised on tax losses due to the unpredictability of future profit streams.

22. CALLED UP SHARE CAPITAL

Allotted, issued and fully paid:

Number:	Class:	Nominal value:	2016	2015
			£	£
36,200,000	Ordinary	0.05	**1,810,000**	1,810,000

continued...

23. RESERVES

A brief explanation of the company's reserves as disclosed in the Statement of Changes in Equity is as follows:

Share premium account
This reserve records the amount above the nominal value received for shares sold, less transaction costs.

Fair value reserve
This reserve is used to record movements in the fair value of investment property adjusted for attributable deferred taxation which, as unrealised, is not distributable.

Retained earnings
Accumulated realised post tax.profits comprising a distributable reserve.

24. IMMEDIATE PARENT COMPANY AND ULTIMATE CONTROLLING PARTY

The Company's immediate parent company is Paul Rackham Limited and its ultimate parent company and controlling party is Rackham Group Limited.
Group accounts are prepared by Rackham Group Ltd and these are publically available at Companies House, Crown Way, Cardiff CF14 3UZ.

25. RELATED PARTY DISCLOSURES

Entities with control, joint control or significant influence over the entity

	2016	2015
	£	£
Rent receivable	32,037	34,701
Director's remuneration recharged to Company	135,000	60,000
Services contract and site maintenance payable	258,338	258,130
Dividend paid to parent company	329,760	326,806
Amount due to related party	-	61,489

A service agreement was established between Paul Rackham Limited and the Company on 27 May 2005 in advance of flotation on AIM. Under the terms of the agreement, Paul Rackham Limited provides the Company with office accommodation, related services, administrative and management services in consideration for a service charge reviewed annually and increased by the maximum of the Consumer Price Index.

The agreement had an initial term of one year and will, unless either party gives two months notice of termination before an anniversary of the commencement date, be automatically renewed annually on the anniversary of commencement, being 16 June 2005. The agreement has been renewed in each subsequent year, including 16 June 2016. The scope of the agreement remained the same during the year.

In June 2011 the Board awarded Paul Rackham Limited a contract of £60,000 per annum for work, materials and facilities provided for sites on an ongoing basis. Paul Rackham Limited paid a capital grant of £106,800 to the Company in a previous year which is carried forward (2015: £106,800).

Key management personnel of the entity or its parent (in the aggregate)

	2016	2015
	£	£
Dividend paid to director	900	900