

Strategic Report, Directors' Report and
Financial Statements for the Year Ended 31 December 2019
for
Property Recycling Group plc

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for the Year Ended 31 December 2019

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Property Recycling Group plc
Company Information
for the Year Ended 31 December 2019

DIRECTORS:	P A Rackham P A Rackham Jnr S R Stuteley
REGISTERED OFFICE:	Manor Farm Bridgham Norwich Norfolk NR16 2RX
REGISTERED NUMBER:	05409619 (England and Wales)
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 2019

INTRODUCTION

A satisfactory result for the year under review.

FINANCIAL RESULTS

In the year ended 31 December 2019 the Company achieved revenue of £3.05 million (2018: £8.82 million) comprising income from the sale of one trading property for £2.68 million (2018: £7.76 million), income from trading assets of £0.37 million (2018: £0.90 million), there was no income from an investment property in the year (2018: £0.16 million). There were no investment property sales in the year (2018 profit on disposal: £0.47 million).

Cost of sales of £1.13 million (2018: £4.89 million) comprise the value of opening stocks plus purchases less closing stocks. Administrative costs were £0.57 million (2018: £0.47 million).

Profit before tax was £1.30 million (2018: £3.40 million). At 31 December 2019 the Company had net assets of £18.66 million (2018: £17.97 million).

PROSPECTS

Without doubt 2020 will prove to be a difficult year.

Any shareholder with queries or seeking further information should contact the acting company secretary Stephen Stuteley at the Company's registered office.

P A Rackham
Executive Chairman

Strategic Report
for the Year Ended 31 December 2019

The directors present their strategic report for the year ended 31 December 2019.

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. 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 in years where there were no sales. 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 owned 626 hectares (2018: 701 hectares) of land and buildings with varying planning consents at the year end.

FINANCIAL RISK MANAGEMENT

The financial instruments of the Company principally comprise short-term debtors and creditors, short-term bank deposits and cash. 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,

INTEREST RATE RISK AND LIQUIDITY RISK MANAGEMENT

The Company's policy has been to minimise risk by having a drawdown facility and only drawing down what the Directors consider necessary to maintain an operational cash balance.

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 18, 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 2019

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.

SECTION 172(1) STATEMENT

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:

S R Stuteley - Director

26 March 2020

Directors' Report
for the Year Ended 31 December 2019

The directors present their report with the financial statements of the company for the year ended 31 December 2019.

DIVIDENDS

A dividend of 1p per share was paid on 23 September 2019. The directors do not recommend that a final dividend is paid.

The total distribution of dividends for the year ended 31 December 2019 will be £362,000.

Dividends declared in 2018 amounting to £255 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 2019 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 (2018: £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 carries 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.

ENGAGEMENT WITH EMPLOYEES

ENGAGEMENT WITH SUPPLIERS, CUSTOMERS AND OTHERS

STATEMENT OF CORPORATE GOVERNANCE ARRANGEMENTS

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.

Directors' Report
for the Year Ended 31 December 2019

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

26 March 2020

Statement of Directors' Responsibilities
for the Year Ended 31 December 2019

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), 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**

Opinion

We have audited the financial statements of Property Recycling Group plc (the 'company') for the year ended 31 December 2019 which comprise the Statement of Comprehensive Income, Balance Sheet, Statement of Changes in Equity, Cash Flow Statement and Notes to the Cash Flow Statement, Notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

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

Basis for opinion

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

Conclusions relating to going concern

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

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

Other information

The directors are responsible for the other information. The other information comprises the information in the Annual Report, but does not include the financial statements and our Report of the Auditors thereon.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

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

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the 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, and for such internal control as the directors determine necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our Report of the Auditors.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in 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.

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

30 March 2020

Statement of Comprehensive Income
for the Year Ended 31 December 2019

	Notes	2019 £	2018 £
TURNOVER	5	3,049,546	8,817,318
Cost of sales		<u>1,126,931</u>	<u>4,892,246</u>
GROSS PROFIT		1,922,615	3,925,072
Administrative expenses		<u>574,080</u>	<u>473,766</u>
OPERATING PROFIT		1,348,535	3,451,306
Interest receivable and similar income	8	<u>67,617</u>	<u>92,167</u>
		1,416,152	3,543,473
Interest payable and similar expenses	9	<u>122,357</u>	<u>141,660</u>
PROFIT BEFORE TAXATION	10	1,293,795	3,401,813
Tax on profit	11	<u>246,240</u>	<u>174,068</u>
PROFIT FOR THE FINANCIAL YEAR		1,047,555	3,227,745
OTHER COMPREHENSIVE INCOME		<u>-</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		1,047,555	3,227,745

The notes form part of these financial statements

Property Recycling Group plc (Registered number: 05409619)

Balance Sheet
31 December 2019

	Notes	2019 £	£	2018 £	£
FIXED ASSETS					
Tangible assets	13		9,835		13,788
Investments	14		-		-
			<u>9,835</u>		<u>13,788</u>
CURRENT ASSETS					
Stocks	15	16,467,493		15,871,646	
Debtors	16	2,254,032		754,908	
Cash at bank		<u>275,297</u>		<u>8,722,623</u>	
		18,996,822		25,349,177	
CREDITORS					
Amounts falling due within one year	17	<u>344,874</u>		<u>7,386,241</u>	
NET CURRENT ASSETS			<u>18,651,948</u>		<u>17,962,936</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>18,661,783</u>		<u>17,976,724</u>
PROVISIONS FOR LIABILITIES	21		<u>1,869</u>		<u>2,620</u>
NET ASSETS			<u>18,659,914</u>		<u>17,974,104</u>
CAPITAL AND RESERVES					
Called up share capital	22	1,810,000		1,810,000	
Share premium	23	6,428,529		6,428,529	
Retained earnings	23	<u>10,421,385</u>		<u>9,735,575</u>	
SHAREHOLDERS' FUNDS			<u>18,659,914</u>		<u>17,974,104</u>

The financial statements were approved by the Board of Directors on 26 March 2020 and were signed on its behalf by:

S R Stuteley - Director

Statement of Changes in Equity
for the Year Ended 31 December 2019

	Called up share capital £	Retained earnings £	Share premium £	Fair value reserve £	Total equity £
Balance at 1 January 2018	1,810,000	5,982,422	6,428,529	887,011	15,107,962
Changes in equity					
Dividends	-	(361,603)	-	-	(361,603)
Total comprehensive income	-	3,227,745	-	-	3,227,745
Non-distributable transfer	-	887,011	-	(887,011)	-
Balance at 31 December 2018	<u>1,810,000</u>	<u>9,735,575</u>	<u>6,428,529</u>	<u>-</u>	<u>17,974,104</u>
Changes in equity					
Dividends	-	(361,745)	-	-	(361,745)
Total comprehensive income	-	1,047,555	-	-	1,047,555
Balance at 31 December 2019	<u>1,810,000</u>	<u>10,421,385</u>	<u>6,428,529</u>	<u>-</u>	<u>18,659,914</u>

The notes form part of these financial statements

Cash Flow Statement
for the Year Ended 31 December 2019

	Notes	2019 £	2018 £
Cash flows from operating activities			
Cash generated from operations	1	1,164,279	(2,298,228)
Interest paid		(122,357)	(141,660)
Tax paid		(195,120)	(873,277)
Net cash from operating activities		<u>846,802</u>	<u>(3,313,165)</u>
Cash flows from investing activities			
Purchase of tangible fixed assets		-	(14,051)
Sale of investment property		-	4,466,111
Loan to group company		(2,000,000)	-
Interest received		67,617	92,167
Net cash from investing activities		<u>(1,932,383)</u>	<u>4,544,227</u>
Cash flows from financing activities			
Loan repayments in year		(7,000,000)	-
Equity dividends paid		(361,745)	(361,603)
Net cash from financing activities		<u>(7,361,745)</u>	<u>(361,603)</u>
(Decrease)/increase in cash and cash equivalents		<u>(8,447,326)</u>	<u>869,459</u>
Cash and cash equivalents at beginning of year	2	8,722,623	7,853,164
Cash and cash equivalents at end of year	2	<u>275,297</u>	<u>8,722,623</u>

The notes form part of these financial statements

Notes to the Cash Flow Statement
for the Year Ended 31 December 2019

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

	2019	2018
	£	£
Profit before taxation	1,293,795	3,401,813
Depreciation charges	3,953	2,929
Profit on disposal of fixed assets	-	(466,111)
Finance costs	122,357	141,660
Finance income	(67,617)	(92,167)
	1,352,488	2,988,124
Increase in stocks	(595,847)	(5,085,634)
Decrease/(increase) in trade and other debtors	594,277	(77,496)
Decrease in trade and other creditors	(186,639)	(123,222)
Cash generated from operations	1,164,279	(2,298,228)

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 2019

	31.12.19	1.1.19
	£	£
Cash and cash equivalents	275,297	8,722,623

Year ended 31 December 2018

	31.12.18	1.1.18
	£	£
Cash and cash equivalents	8,722,623	7,853,164

3. ANALYSIS OF CHANGES IN NET FUNDS

	At 1.1.19	Cash flow	At 31.12.19
	£	£	£
Net cash			
Cash at bank	8,722,623	(8,447,326)	275,297
	8,722,623	(8,447,326)	275,297
Debt			
Debts falling due within 1 year	(7,000,000)	7,000,000	-
	(7,000,000)	7,000,000	-
Total	1,722,623	(1,447,326)	275,297

Notes to the Financial Statements
for the Year Ended 31 December 2019

1. STATUTORY INFORMATION

Property Recycling Group plc is a private company, limited by shares, registered in England and Wales. The company's registered number and registered office address can be found on the Company Information page.

The presentation currency of the financial statements is the Pound Sterling (£).

The nature of the group's operations and its principal activities are set out in the strategic report on pages 3 to 4.

Level of rounding

The accounts are rounded to the nearest pound.

2. STATEMENT OF COMPLIANCE

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

3. 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 its 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. The subsidiary was dissolved on 19 February 2019.

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.

Notes to the Financial Statements - continued
for the Year Ended 31 December 2019

3. ACCOUNTING POLICIES - continued

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.

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 enforceable 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.

Notes to the Financial Statements - continued
for the Year Ended 31 December 2019

3. 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.

Notes to the Financial Statements - continued
for the Year Ended 31 December 2019

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Company's accounting policies, which are described below, 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. Revisions 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.

5. 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:

	2019	2018
	£	£
Sale of properties	2,500,000	7,760,000
Rent receivable	324,930	657,302
Other income	44,616	36,609
Option fees	-	20,000
Overage charge income	-	343,407
Easement income	180,000	-
	<u>3,049,546</u>	<u>8,817,318</u>

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

6. EMPLOYEES AND DIRECTORS

	2019	2018
	£	£
Wages and salaries	192,000	196,116
Social security costs	6,675	7,117
	<u>198,675</u>	<u>203,233</u>

Notes to the Financial Statements - continued
for the Year Ended 31 December 2019

6. EMPLOYEES AND DIRECTORS - continued

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

	2019	2018
Administration	<u>3</u>	<u>3</u>

7. DIRECTORS' EMOLUMENTS

	2019	2018
	£	£
Directors' remuneration	<u>201,405</u>	<u>204,319</u>

Information regarding the highest paid director is as follows:

	2019	2018
	£	£
Emoluments etc	<u>81,718</u>	<u>82,096</u>

8. INTEREST RECEIVABLE AND SIMILAR INCOME

	2019	2018
	£	£
Deposit account interest	56,225	92,092
Other interest receivable	<u>11,392</u>	<u>75</u>
	<u>67,617</u>	<u>92,167</u>

9. INTEREST PAYABLE AND SIMILAR EXPENSES

	2019	2018
	£	£
Bank interest	122,357	148,476
SWAP interest and fair value movement	-	(8,397)
Interest payable	<u>-</u>	<u>1,581</u>
	<u>122,357</u>	<u>141,660</u>

10. PROFIT BEFORE TAXATION

The profit is stated after charging/(crediting):

	2019	2018
	£	£
Operating lease income	(324,930)	(657,302)
Depreciation - owned assets	3,953	2,929
Profit on disposal of fixed assets	-	(466,111)
Auditors' remuneration	<u>9,808</u>	<u>11,275</u>

Notes to the Financial Statements - continued
for the Year Ended 31 December 2019

11. TAXATION

Analysis of the tax charge

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

	2019 £	2018 £
Current tax:		
UK corporation tax	246,991	556,721
Prior year tax adjustment	-	20
Total current tax	246,991	556,741
Deferred tax	(751)	(382,673)
Tax on profit	246,240	174,068

UK corporation tax has been charged at 19% (2018 - 19%).

Reconciliation of total tax charge included in profit and loss

The tax assessed for the year is higher than the standard rate of corporation tax in the UK. The difference is explained below:

	2019 £	2018 £
Profit before tax	1,293,795	3,401,813
Profit multiplied by the standard rate of corporation tax in the UK of 19% (2018 - 19%)	245,821	646,344
Effects of:		
Expenses not deductible for tax purposes	1,232	1,050
Capital allowances in excess of depreciation	(1,869)	(2,113)
Adjustments to tax charge in respect of previous periods	-	21
Deferred taxation - timing differences	1,056	(382,673)
Profit on disposal of investment property stock	-	(88,561)
Total tax charge	246,240	174,068

12. DIVIDENDS

The directors voted an interim dividend in respect of the year to 31 December 2019 on ordinary shares of 1p per share, a total distribution of £362,000 (2018: £362,000).

The directors are recommending to the members at the Annual General Meeting that no final dividend is paid (2018: nil).

Dividends declared in 2018 amounting to £255 have not been encashed by shareholders and are unlikely to be so. Those dividends have been written back to reserves.

Notes to the Financial Statements - continued
for the Year Ended 31 December 2019

13. TANGIBLE FIXED ASSETS

	Plant and machinery £
COST	
At 1 January 2019	
and 31 December 2019	<u>21,671</u>
DEPRECIATION	
At 1 January 2019	7,883
Charge for year	<u>3,953</u>
At 31 December 2019	<u>11,836</u>
NET BOOK VALUE	
At 31 December 2019	<u>9,835</u>
At 31 December 2018	<u>13,788</u>

14. FIXED ASSET INVESTMENTS

The company's investment relates to a 100% holding in the ordinary shares of Hensby Composts Limited, a company not currently trading with a registered office of: Manor Farm, Bridgham, Norwich, Norfolk, NR16 2RX.

Hensby Composts Limited was dissolved on 19 February 2019.

15. STOCKS

	2019 £	2018 £
Stock properties	<u>16,467,493</u>	<u>15,871,646</u>

Included in stock of properties is an asset with a book value of £2,526,815 (2018: £2,512,733) which is stated net of a capital grant of £106,800 (2018: £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.

Also included in stock of properties is an asset with a book value of £96,000 (2018: £96,000) which is stated net of impairment of £120,652 (2018: £120,652). The directors assessed the current market value of the site and have maintained this impairment provision for the current year.

No impairment provisions have been charged to the profit and loss account this year (2018: £nil) and the directors consider that no further adjustment is required to impairment provisions made in prior years. The main provisions are described in more detail above.

16. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2019 £	2018 £
Trade debtors	22,373	472,806
Amounts owed by group undertakings	2,000,000	-
VAT	87,801	148,737
Prepayments	<u>143,858</u>	<u>133,365</u>
	<u>2,254,032</u>	<u>754,908</u>

Notes to the Financial Statements - continued
for the Year Ended 31 December 2019

17. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2019	2018
	£	£
Bank loans and overdrafts (see note 18)	-	7,000,000
Trade creditors	24,570	14,396
Amounts owed to group undertakings	93,401	130,703
Corporation tax	77,011	25,140
Social security and other taxes	1,316	3,290
Other creditors	9	-
Accruals and deferred income	148,567	212,712
	<u>344,874</u>	<u>7,386,241</u>

18. SECURED LOANS

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

	2019	2018
	£	£
Amounts falling due within one year or on demand:		
Bank loans	<u>-</u>	<u>7,000,000</u>

19. LEASING AGREEMENTS

The future minimum lease payments receivable under non-cancellable operating leases are as follows:

	2019	2018
£		
Within one year	255,775	337,840
Between one and five years	318,890	716,492
In more than five years	<u>188,500</u>	<u>1,828,500</u>
	<u>763,165</u>	<u>2,882,832</u>

Notes to the Financial Statements - continued
for the Year Ended 31 December 2019

20. **FINANCIAL INSTRUMENTS**

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

	2019	2018
	£	£
Financial assets		
Measured at undiscounted amount receivable		
- Trade and other debtors (see note 16)	2,254,032	754,908
Measured at amortised cost		
- Loans receivable	-	-
	<u>2,254,032</u>	<u>754,908</u>
Financial liabilities		
Measured at amortised cost		
- Loans payable (see note 18)	-	7,000,000
Measured at undiscounted amount payable		
- Trade and other creditors (see note 17)	344,874	386,241
	<u>344,874</u>	<u>7,386,241</u>

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

	2019	2018
	£	£
Interest income and expense		
Total interest income for financial assets at amortised cost	10,076	-
Total interest expense for financial liabilities at amortised cost	<u>122,357</u>	<u>148,476</u>
Fair value gains and losses		
On derivative financial liabilities designated in a hedging relationship	<u>-</u>	<u>(8,179)</u>

21. **PROVISIONS FOR LIABILITIES**

	2019	2018
	£	£
Deferred tax		
Timing differences (see below)	<u>1,869</u>	<u>2,620</u>

Notes to the Financial Statements - continued
for the Year Ended 31 December 2019

21. PROVISIONS FOR LIABILITIES - continued

	Deferred tax
	£
Balance at 1 January 2019	2,620
Credit to Statement of Comprehensive Income during year	(751)
Balance at 31 December 2019	<u>1,869</u>

22. CALLED UP SHARE CAPITAL

Allotted, issued and fully paid:			2019	2018
Number:	Class:	Nominal value:	£	£
36,200,000	Ordinary	0.05	<u>1,810,000</u>	<u>1,810,000</u>

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.

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

	2019	2018
	£	£
Rent receivable	81,017	35,597
Director's remuneration recharged to Company	(135,000)	(136,116)
Services contract and site maintenance payable	(272,942)	(267,846)
Dividend paid to parent company	(338,375)	(336,425)
Interest receivable	10,076	-
Amount due from related party	2,000,000	-
Amount due to related party	<u>(93,401)</u>	<u>(130,703)</u>

Notes to the Financial Statements - continued
for the Year Ended 31 December 2019

During the 2019 financial year Mr S Stuteley (Director) sold his 90,000 share holding in Property Recycling Group plc to Paul Rackham Limited at 17p per share.

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 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 2018. 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 (2018: £106,800).

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

	2019	2018
	£	£
Dividend paid to director	<u>900</u>	<u>900</u>

26. **GUARANTEES**

There is a cross party guarantee secured against the assets and undertakings of all the companies in Rackham Group Limited in relation to a group banking credit facility.

This document was delivered using electronic communications and authenticated in accordance with the registrar's rules relating to electronic form, authentication and manner of delivery under section 1072 of the Companies Act 2006.