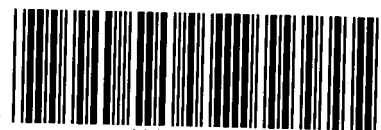


Dauson Environmental Group Limited
Group Strategic Report, Report of the Directors and
Audited Consolidated Financial Statements for the Year Ended 30th June 2016

Haines Watts Wales LLP, Statutory Auditors
7 Neptune Court
Vanguard Way
Cardiff
CF24 5PJ

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Dauson Environmental Group Limited

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for the Year Ended 30 June 2016**

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Dauson Environmental Group Limited

**Company Information
for the Year Ended 30th June 2016**

Directors: Mr M Kenney
Mr D J Neal

Secretary: Mr D J Neal

Registered office: Newtown Road
Rumney
Cardiff
CF3 2EJ

Registered number: 07040124

Auditors: Haines Watts Wales LLP, Statutory Auditors
7 Neptune Court
Vanguard Way
Cardiff
CF24 5PJ

Bankers: HSBC
City Branch
114 St Mary Street
Cardiff
CF10 1LF

Solicitors: Dolmans Solicitors
17-21 Windsor Place
Cardiff
CF10 3DS

Dauson Environmental Group Limited

Group Strategic Report for the Year Ended 30th June 2016

The directors present their strategic report of the company and the group for the year ended 30 June 2016.

The directors consider that the results for the year and the financial position at the end of the year were disappointing following a difficult 6-month trading period for Atlantic Recycling Ltd and an exceptionally good trading performance for both Neal Soil Suppliers Ltd and Cardiff Demolition. Co. Ltd for the review period. All Group companies traded profitably for the 6-month period ended 31st December 2015, then during the month of December enforced reduction in on site processing capacity on the Atlantic Recycling site significantly reduced Atlantic's revenue. Normal processing resumed after Year End and within 5 months profitable trading was achieved. The Group have once again overcome further challenges it faced in a highly-regulated environment that various Group companies continue to deal with in a market driven by increased legislation together with financial and regulatory constraints.

This financial period has been influenced by the following significant factors:

Again the Group has experienced high professional costs for the period under review related to the maintenance of the Environmental Permits and regulatory requirements. These amounted to £578,615 (£720,187).

Significant capital expenditure was undertaken on the Atlantic Recycling site increasing the safe storage areas for processed and unprocessed waste, with increased fire protection measures following recommendations received after a major fire in 2014. The objective to complete this work by December 2015 was achieved and as Atlantic had returned to profitable trading by December 2015, the unexpected disruption to its processing capacity for the first 6 months of 2016 was a major setback and has caused the Group to miss out on a further £2.1m of pre-tax profits.

The reputation of the Group continues to be strengthened by its ability to manage these challenges. New customer relationships continue to be developed, who recognise the leading-edge technology utilised by the Group to achieve its objectives in diverting waste from Landfill to recycling/recovery of reusable recycled products.

This multi-disciplined Group continues to balance revenue between Construction Related, Haulage & Soil/Aggregate Supply and Waste Management. This flexibility continues to support the Group through its continued evolving and development, mitigating trading risks and losses.

The Groups unique location of its 130 acre Ecopark, within 2 miles of the City centre and its easy access to the South Wales motorway network makes it very accessible and a driver behind its success. The Group employ c160 employees and a significant resource continues to be directed towards, training, personal development and succession planning.

Dauson Environmental Group Limited

Group Strategic Report for the Year Ended 30th June 2016

Review of business

2015/16 was once again a challenging period for the group balanced between regulatory compliance activity and continued investments in infrastructure and plant.

The Group achieved a post-tax profit of £683,119 (2015 £1,258,400) attributable to the members of the parent company for the year:

-Neal Soil Suppliers Ltd ("Neal Soil") Revenues were more than budget for the period as the market continued to improve. The directors consider the operations of Neal Soil Suppliers Ltd "Neal Soil" and its wholly owned subsidiary Neal Aggregate Suppliers Ltd "NAS" as one trading operation. Neal Soil pay the overheads excluding interest for NAS. On a combined basis they had total revenues of £12.5m and Gross Profit of £3.8m for the period under review.

-Neal Soils produced a pre-tax profit of £1,004,868 (2015 profit £1,215,864) for the year. After £47,000 of losses on sale of assets compared with £141,000 of profit attributable to the sale of assets in 2015; therefore, achieving a similar level of annual trading profit over the last 2 years. The overheads continue to include some additional costs in respect of Neal Aggregate Suppliers Ltd overheads.

-Atlantic Recycling Ltd ("Atlantic"). Having managed to return to profitable trading by December 2015 following the fire in March 2014, Atlantic made significant trading losses for the last 6 months of the financial period. This has resulted in a pre-tax loss of £2,165,440 (2015 loss £316,634). Profitability has recovered in the current financial year.

-Cardiff Demolition Co. Ltd continues to trade strongly and exceed expectations in a highly competitive market. It continues to maintain a competitive position and continues to gain contracts Pre-tax profits increased to £1,706,648 (2015 profit £559,209) for the year, this pre-tax profit is considered highly satisfactory for a contracting company.

-Neal Aggregate Suppliers Ltd ("Neal Agg") during its trading year achieved a pre-tax profit of £8,899 (2015 profit £39,343). The washplant continues to work to full capacity and improvements to increase processing capacity are planned to start during 2017. The only income recorded for Neal Agg is scrap metal sales which continue to be well below the previous year's levels and prices. The revenue from sand and aggregate produced by the plant is recognised in the Neal Soils accounts where much of its overheads are also covered.

-Bluefield Land Ltd ("Bluefield") reported no income for the period awaiting property sales from existing land bank of two sites in South Wales with outline planning for housing. Bluefield's pre-tax loss for the period was £62,091 (2015 loss £67,746).

Mission statement

"Dauson Group and its affiliates mission, is to increase profitability through innovation in managing environments, which will contribute towards minimising landfill, help to reduce carbon emissions and making the difference to our environment for all our futures".

Dauson Environmental Group Limited

Group Strategic Report for the Year Ended 30th June 2016

Key non-financial performance indicators

1. The Group continues to rely on significant Capital Expenditure for both Infrastructure and Plant and Machinery. All its retained earnings are re-invested in the business so the group has been able to continue to finance necessary infrastructure costs from its cash flow together with support from its stakeholders. Plant and machinery has been financed with asset finance over relatively short periods compared with the plants normal working life, freeing up available financing opportunities for replacement and additional plant.
2. The Ecopark operates in a SSSI area and continues to work with the Regulator (the NRW) to maintain the Ecopark in a state of high compliance with its permits. The Group continues to carry out significant measures to prevent any pollution or harm to human life or the Environment because of its operations on the Ecopark.
3. The Group continues to improve its processing operations and is aiming to attain its previous recycling of waste targets by achieving 100% diversion of waste from landfill.
4. It is important for the Group to continue investing in research and development of new technologies which enables the Group to discover treatment of new types of waste streams each year. Major investment in infrastructure will continue in the future.
5. The strategic objective of receiving higher value waste streams, but less volume is still important to the Group. Together with identifying alternative uses for waste and bi-products.
6. The operation of the washplant continues to produce sand and aggregate to satisfy industry protocols with demand currently out stripping supply.

The Group are involved in three main sector operating activities:

Construction/Development Related - Bluefield Land Ltd
Cardiff Demolition Co. Ltd

Haulage, Soil and
Aggregate Recycling Supply - Neal Soil Suppliers Ltd
Neal Aggregate Suppliers Ltd and

Waste Management - Atlantic Recycling Ltd

Dauson Environmental Group Limited

Group Strategic Report for the Year Ended 30th June 2016

Critical issues facing the group

To ensure that we continue to fulfil our duty of care towards the environment and comply with the various environmental and quality performance standards issued by government and regulatory bodies.

Continue to develop innovative methods to face the challenges that the Dauson Group will encounter in a complex and changing market and operating environment, whilst continuing to build its reputation by demonstrating the Groups' environmental awareness and responsibility.

The generation of a series of environmentally beneficial and innovative production processes in soil processing and recycling commercial waste materials are the main innovators. Significant long term contracts with Blue-chip customers continue to underpin future investments at the Ecopark.

The problems associated with the UK's changing weather conditions, the economic climate post BREXIT and pressure on cash management will remain as the biggest challenge to the Group.

The core key areas remain unchanged which will support the Group to achieve future success.

- Improved infrastructure
- Acquiring up to date technology
- Securing adequate long term investment and funding.

The Group continues to recognise like most businesses that the risk of staying the same is greater than the risk of changing in this fast-developing sector and current economic environment.

Internal Analysis

The Dauson Group is strong in proven resources, well located with a wealth of experience and a serious contender to maximise the growth opportunity present in the waste recycling market within South East Wales and construction related industries. The management team is young and experienced, they will continue to be strengthened and supported by market sector specialist/professionals.

External Analysis

Over the past decade, the volume of waste handled by waste treatment and disposal companies has steadily declined, driven by government policies designed to minimise waste and encourage recycling. Government policies have forced significant changes in the industry. There has been a large shift from the disposal of waste to the treatment of waste. The treatment of waste generates much higher revenue than disposal.

Current figures show that record recycling rates are being achieved in Wales with 54% of all waste avoiding landfill. This is 2% above the statutory target and well on the way to achieving the 2025 target of 70%. Wales continues to lead the way in the UK and is well on the way to achieving zero waste to landfill. (Source Welsh Gov.)

For the period between 2010 to 2015, the recovery rate from non-hazardous construction and demolition waste in the UK in 2014 was 89.9 per cent. There is an EU target for the UK to recover at least 70 per cent of this type of waste by 2020. (Source DEFRA)

For 2015 UK generation of commercial and industrial (C&I) waste was 27.7 million tonnes. This has fallen from 32.8 million tonnes in 2012. (Source DEFRA)

The UK generated 202.8 million tonnes of total waste in 2014. Over half of this (59.4 per cent) was generated by construction, demolition and excavation, with households responsible for a further 13.7 per cent. (Source DEFRA)

Of the 209.0 million tonnes of all waste that entered final treatment in the UK in 2014, 44.5% was recovered (including recycling and energy recovery). The proportion that went to landfill was 23.1 per cent. (Source DEFRA)

Therefore, the external opportunities created for the Dauson Group to succeed continue to be mainly legislative driven and with limited threats from competition because of its location and extensive facilities at the Ecopark, are well placed to capture a larger market share providing it can maintain financial stability.

Dauson Environmental Group Limited

Group Strategic Report for the Year Ended 30th June 2016

Financial performance

Consolidated Group financial performance for the last 3 years is summarised as follows:

Dauson Group	Audited 2013 £'000's	Audited 2014 £'000's	Audited 2015 £'000's	Audited 2016 £'000's
Turnover	14,700	15,044	21,359	22,879
Profit/(Loss) before tax	(69)	(1,007)	1,530	603
Shareholders funds	1,799	790	2,049	2,732

POST BALANCE SHEET EVENTS

There are no events that occurred since the year end which requires reporting or disclosing in the financial statements.

Results and dividends

The Profit after taxation of the Group for the year amounted to £683,119 (2015 £1,258,400). The directors have not recommended a dividend.

On behalf of the board:


Mr D J Neal - Secretary

Date: 17/02/17

Dauson Environmental Group Limited

Report of the Directors for the Year Ended 30th June 2016

The directors present their report with the financial statements of the company and the group for the year ended 30th June 2016.

Dividends

No dividends will be distributed for the year ended 30th June 2016.

Directors

The directors shown below have held office during the whole of the period from 1st July 2015 to the date of this report.

Mr M Kenney

Mr D J Neal

Statement of directors' responsibilities

The directors are responsible for preparing the Group Strategic Report, the Report of the Directors and the financial statements in accordance with applicable law and regulations.

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

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's and the group's transactions and disclose with reasonable accuracy at any time the financial position of the company and the group 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 the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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 group'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 group's auditors are aware of that information.

Auditors

The auditors, Haines Watts Wales LLP, Statutory Auditors, will be proposed for re-appointment at the forthcoming Annual General Meeting.

On behalf of the board:



Mr D J Neal - Secretary

Date: 13/02/17

Report of the Independent Auditors to the Members of Dauson Environmental Group Limited

We have audited the financial statements of Dauson Environmental Group Limited for the year ended 30th June 2016 on pages ten to thirty two. 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 group's and the parent 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 Group Strategic Report and the Report of the Directors 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 group's and of the parent company's affairs as at 30th June 2016 and of the group's 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.

Opinion on other matter prescribed by the Companies Act 2006


In our opinion the information given in the Group Strategic Report and the Report of the Directors 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
Dauson Environmental Group Limited**

Matters on which we are required to report by exception

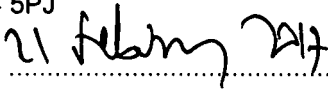
We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

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



Stephen Lucey (Senior Statutory Auditor)
for and on behalf of Haines Watts Wales LLP, Statutory Auditors
7 Neptune Court
Vanguard Way
Cardiff
CF24 5PJ

Date:



Dauson Environmental Group Limited

**Consolidated Income Statement
for the Year Ended 30th June 2016**

	Notes	2016 £	2015 £
Turnover		22,879,040	21,359,432
Cost of sales		(18,719,457)	(16,100,800)
Gross profit		4,159,583	5,258,632
Administrative expenses		(2,971,037)	(3,305,609)
		1,188,546	1,953,023
Other operating income		178,064	178,064
Group operating profit	3	1,366,610	2,131,087
Share of operating profit in Associates		8,116	50,290
Income from other participating interests		48,000	20,000
		1,422,726	2,201,377
Interest payable and similar charges	5	(819,100)	(670,917)
Profit on ordinary activities before taxation		603,626	1,530,460
Tax on profit on ordinary activities	6	79,493	(272,060)
Profit for the financial year		683,119	1,258,400
Profit attributable to:			
Owners of the parent		698,642	1,275,337
Minority interests		(15,523)	(16,937)
		683,119	1,258,400

The notes form part of these financial statements

Dauson Environmental Group Limited

**Consolidated Other Comprehensive Income
for the Year Ended 30th June 2016**

	Notes	2016 £	2015 £
Profit for the year		683,119	1,258,400
Other comprehensive income		<u>-</u>	<u>-</u>
Total comprehensive income for the year		<u><u>683,119</u></u>	<u><u>1,258,400</u></u>
Total comprehensive income attributable to:			
Owners of the parent		698,642	1,275,337
Non-controlling interests		<u>(15,523)</u>	<u>(16,937)</u>
		<u><u>683,119</u></u>	<u><u>1,258,400</u></u>

The notes form part of these financial statements

**Consolidated Balance Sheet
30th June 2016**

	Notes	2016 £	2015 £
Fixed assets			
Intangible assets	8	-	-
Tangible assets	9	7,290,039	6,830,179
Investments	10	153,078	144,962
		<u>7,443,117</u>	<u>6,975,141</u>
Current assets			
Stocks	11	3,004,472	3,022,573
Debtors	12	5,308,843	5,946,800
Cash at bank and in hand		7,542,628	5,971,323
		<u>15,855,943</u>	<u>14,940,696</u>
Creditors			
Amounts falling due within one year	13	(17,126,667)	(16,342,146)
Net current liabilities		<u>(1,270,724)</u>	<u>(1,401,450)</u>
Total assets less current liabilities		<u>6,172,393</u>	<u>5,573,691</u>
Creditors			
Amounts falling due after more than one year	14	(3,237,376)	(3,357,943)
Provisions for liabilities	18	(203,389)	(167,240)
Net assets		<u><u>2,731,628</u></u>	<u><u>2,048,508</u></u>
Capital and reserves			
Called up share capital	19	1,007,221	1,007,221
Retained earnings	20	1,993,553	1,294,911
Shareholders' funds		<u>3,000,774</u>	<u>2,302,132</u>
Minority interests	21	(269,146)	(253,624)
Total equity		<u><u>2,731,628</u></u>	<u><u>2,048,508</u></u>

The financial statements were approved by the Board of Directors on 12/07/17 and were signed on its behalf by:


Mr D J Neal - Director

Company Balance Sheet
30th June 2016

	Notes	2016 £	2015 £
Fixed assets			
Intangible assets	8	-	-
Tangible assets	9	-	-
Investments	10	911,089	911,089
		<u>911,089</u>	<u>911,089</u>
Current assets			
Debtors	12	1,749,326	1,497,659
Creditors			
Amounts falling due within one year	13	(1,615,377)	(4,402,840)
Net current assets/(liabilities)		<u>133,949</u>	<u>(2,905,181)</u>
Total assets less current liabilities		<u>1,045,038</u>	<u>(1,994,092)</u>
Capital and reserves			
Called up share capital	19	1,007,221	1,007,221
Retained earnings	20	37,817	(3,001,313)
Shareholders' funds		<u>1,045,038</u>	<u>(1,994,092)</u>

The financial statements have been prepared in accordance with the provisions of Part 15 of the Companies Act 2006 relating to small companies.

The financial statements were approved by the Board of Directors on 13/02/17 and were signed on its behalf by:


Mr D J Neal - Director

Dauson Environmental Group Limited

**Consolidated Statement of Changes in Equity
for the Year Ended 30th June 2016**

	Called up share capital £	Retained earnings £	Total £	Non-controlling interests £	Total equity £
Balance at 1st July 2014	1,007,221	19,574	1,026,795	(236,687)	790,108
Changes in equity					
Total comprehensive income	-	1,275,337	1,275,337	(16,937)	1,258,400
Balance at 30th June 2015	<u>1,007,221</u>	<u>1,294,911</u>	<u>2,302,132</u>	<u>(253,624)</u>	<u>2,048,508</u>
Changes in equity					
Total comprehensive income	-	698,642	698,642	(15,523)	683,119
Balance at 30th June 2016	<u><u>1,007,221</u></u>	<u><u>1,993,553</u></u>	<u><u>3,000,774</u></u>	<u><u>(269,147)</u></u>	<u><u>2,731,627</u></u>

The notes form part of these financial statements

Dauson Environmental Group Limited

**Company Statement of Changes in Equity
for the Year Ended 30th June 2016**

	Called up share capital £	Retained earnings £	Total equity £
Balance at 1st July 2014	1,007,221	(2,990,313)	(1,983,092)
Changes in equity			
Total comprehensive income	-	(11,000)	(11,000)
Balance at 30th June 2015	<u>1,007,221</u>	<u>(3,001,313)</u>	<u>(1,994,092)</u>
Changes in equity			
Total comprehensive income	-	3,039,130	3,039,130
Balance at 30th June 2016	<u><u>1,007,221</u></u>	<u><u>37,817</u></u>	<u><u>1,045,038</u></u>

The notes form part of these financial statements

Dauson Environmental Group Limited

**Consolidated Cash Flow Statement
for the Year Ended 30th June 2016**

	Notes	2016 £	2015 £
Cash flows from operating activities			
Cash generated from operations	1	4,810,642	2,527,532
Interest paid		(258,678)	(188,489)
Interest element of hire purchase payments paid		(560,422)	(482,428)
Net cash from operating activities		<u>3,991,542</u>	<u>1,856,615</u>
Cash flows from investing activities			
Purchase of tangible fixed assets		(813,547)	(247,849)
Sale of tangible fixed assets		983,551	136,834
Dividends received		48,000	-
Net cash from investing activities		<u>218,004</u>	<u>(111,015)</u>
Cash flows from financing activities			
New loans in year		650,011	356,776
Loan repayments in year		(185,000)	(185,691)
Capital repayments in year		(3,103,252)	(1,564,318)
Net cash from financing activities		<u>(2,638,241)</u>	<u>(1,393,233)</u>
Increase in cash and cash equivalents		<u>1,571,305</u>	<u>352,367</u>
Cash and cash equivalents at beginning of year	2	5,971,323	5,618,956
Cash and cash equivalents at end of year	2	<u><u>7,542,628</u></u>	<u><u>5,971,323</u></u>

The notes form part of these financial statements

Dauson Environmental Group Limited

**Notes to the Consolidated Cash Flow Statement
for the Year Ended 30th June 2016**

1. Reconciliation of profit before taxation to cash generated from operations

	2016	2015
	£	£
Profit before taxation	603,626	1,530,460
Depreciation charges	2,634,387	1,940,268
Profit on disposal of fixed assets	(534,454)	(38,558)
Share in associate	(8,116)	(50,290)
Government grants	(178,064)	(178,064)
Finance costs	819,100	670,917
Finance income	(48,000)	(20,000)
	<u>3,288,479</u>	<u>3,854,733</u>
Decrease in stocks	18,101	14,686
Decrease/(increase) in trade and other debtors	637,954	(2,306,708)
Increase in trade and other creditors	866,108	964,821
	<u>4,810,642</u>	<u>2,527,532</u>
Cash generated from operations	<u><u>4,810,642</u></u>	<u><u>2,527,532</u></u>

2. Cash and cash equivalents

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

Year ended 30th June 2016

	30.6.16	1.7.15
	£	£
Cash and cash equivalents	<u>7,542,628</u>	<u>5,971,323</u>

Year ended 30th June 2015

	30.6.15	1.7.14
	£	£
Cash and cash equivalents	<u>5,971,323</u>	<u>5,618,956</u>

The notes form part of these financial statements

Dauson Environmental Group Limited

Notes to the Consolidated Financial Statements for the Year Ended 30th June 2016

1. Accounting policies

Basis of preparing the financial statements

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. The financial statements have been prepared under the historical cost convention.

Basis of consolidation

The group financial statements consolidate the financial statements of the company and its subsidiary undertakings drawn up to 30 June 2016.

All subsidiary undertakings are included using the acquisition method of accounting. Under this method the group profit and loss account and statement of cashflows include the results and cashflows of subsidiaries from the date of acquisition and to the date of sale outside of the group in the case of disposals of subsidiaries. The purchase consideration has been allocated to the assets and liabilities on the basis of fair value at the date of acquisition.

Entities other than subsidiary undertakings or joint ventures, in which the group has a participating interest and over whose operating and financial policies the group exercises a significant influence are treated as Associates. In the group financial statements, Associates are accounted for using the equity method.

Turnover

Turnover represents amounts chargeable, net of value added tax, in respect of the sale of goods and services to customer. For demolition, site clearance and waste disposal activities turnover represents the sales value of work undertaken during the year and the despatch of soil and stone arising from site clearance. For skip hire activities, turnover represents charges for hire periods during the year.

Goodwill

Goodwill, being the amount paid in connection with the acquisition of a business in 2010, is being amortised evenly over its estimated useful life of five years.

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 or, if held under a finance lease, over the lease term, whichever is the shorter.

Freehold property	- 12.5% on cost
Other tangibles	- 20% on cost
Plant and machinery	- 33% on cost and 12.5% to 50% on cost
Fixtures and fittings	- 33% on reducing balance, 33% on cost, 25% on cost and 12.5% & 25% on cost
Motor vehicles	- 33% on cost and 12.5% to 50% on cost
Haulage vehicles	- 33% on reducing balance, 25% on cost and 12.5% to 50% on cost

Stocks

Stocks and work in progress are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

Cost includes all direct expenditure and an appropriate proportion of fixed and variable overheads.

Deferred tax

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

Dauson Environmental Group Limited

Notes to the Consolidated Financial Statements - continued for the Year Ended 30th June 2016

1. Accounting policies - continued

Hire purchase and leasing commitments

Assets obtained under hire purchase contracts or finance leases are capitalised in the balance sheet. Those held under hire purchase contracts are depreciated over their estimated useful lives. Those held under finance leases are depreciated over their estimated useful lives or the lease term, whichever is the shorter.

The interest element of these obligations is charged to profit or loss over the relevant period. The capital element of the future payments is treated as a liability.

Pension costs and other post-retirement benefits

The group operates a defined contribution pension scheme. Contributions payable to the group's pension scheme are charged to profit or loss in the period to which they relate.

Government grants

Government grants in respect of capital expenditure are credited to a deferred income account and are released to profit over the expected useful lives of the relevant assets by equal annual instalments.

Grants of a revenue nature are credited to income so as to match them with the expenditure to which they relate.

Fixed asset investments

Fixed asset investments are stated at historical cost less provision for any diminution in value.

Going concern

The directors are satisfied that there is sufficient available financial support within the group to allow the individual parent company to continue in business for the foreseeable future and, as a consequence, consider it appropriate that the accounts are prepared on a going concern basis.

2. Staff costs

	2016	2015
	£	£
Wages and salaries	4,909,521	4,397,734
Social security costs	503,062	443,288
Other pension costs	39,974	35,586
	<u>5,452,557</u>	<u>4,876,608</u>

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

	2016	2015
Administration and support	14	14
Production	147	141
	<u>161</u>	<u>155</u>

Dauson Environmental Group Limited

**Notes to the Consolidated Financial Statements - continued
for the Year Ended 30th June 2016**

3. Operating profit

The operating profit is stated after charging/(crediting):

	2016	2015
	£	£
Depreciation - owned assets	657,497	315,208
Depreciation - assets on hire purchase contracts	1,976,889	1,610,320
Profit on disposal of fixed assets	(534,454)	(38,558)
Goodwill amortisation	-	14,740
	<u> </u>	<u> </u>
Directors' remuneration	79,149	75,378
Directors' pension contributions to money purchase schemes	10,865	11,429
	<u> </u>	<u> </u>

The number of directors to whom retirement benefits were accruing was as follows:

Money purchase schemes	<u>1</u>	<u>1</u>
------------------------	----------	----------

4. Auditors' remuneration

	2016	2015
	£	£
Fees payable to the company's auditors for the audit of the company's financial statements	34,246	36,650
Auditors' remuneration for non audit work	-	1,600
	<u> </u>	<u> </u>

5. Interest payable and similar charges

	2016	2015
	£	£
Bank interest	128,203	61,743
Other interest	19,608	2,335
Loan	110,867	124,411
Hire purchase	560,422	482,428
	<u> </u>	<u> </u>
	819,100	670,917
	<u> </u>	<u> </u>

6. Taxation

Analysis of the tax (credit)/charge

The tax (credit)/charge on the profit on ordinary activities for the year was as follows:

	2016	2015
	£	£
Current tax:		
UK corporation tax	(116,070)	230,164
Under/over provision of tax	428	2,717
	<u> </u>	<u> </u>
Total current tax	(115,642)	232,881
Deferred tax	36,149	39,179
	<u> </u>	<u> </u>
Tax on profit on ordinary activities	(79,493)	272,060
	<u> </u>	<u> </u>

Dauson Environmental Group Limited

**Notes to the Consolidated Financial Statements - continued
for the Year Ended 30th June 2016**

6. Taxation - continued

Reconciliation of total tax (credit)/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 on ordinary activities before tax	<u>603,626</u>	<u>1,530,460</u>
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 20% (2015 - 20%)	120,725	306,092
Effects of:		
Expenses not deductible for tax purposes	26,083	46,127
Income not taxable for tax purposes	(15,685)	(78,162)
Depreciation in excess of capital allowances	116,682	66,004
Adjustments to tax charge in respect of previous periods	428	2,717
Losses (brought) / carried forward	-	(118,104)
Marginal relief	-	(434)
Bank and other interest	-	233
Different tax rate	-	8,408
Deferred tax	36,149	39,179
Loss on assets	(36,791)	-
R&D Claim	<u>(327,084)</u>	<u>-</u>
Total tax (credit)/charge	<u>(79,493)</u>	<u>272,060</u>

7. Profit of parent company

As permitted by Section 408 of the Companies Act 2006, the profit and loss of the parent company is not presented as part of these financial statements. The parent company's profit for the financial year was £3,039,130 (2015: loss £11,000).

8. Intangible fixed assets

Group	Goodwill
	£
Cost	
At 1st July 2015 and 30th June 2016	<u>541,827</u>
Amortisation	
At 1st July 2015 and 30th June 2016	<u>541,827</u>
Net book value	
At 30th June 2016	<u>-</u>
At 30th June 2015	<u>-</u>

Dauson Environmental Group Limited

**Notes to the Consolidated Financial Statements - continued
for the Year Ended 30th June 2016**

9. Tangible fixed assets

Group

	Freehold property £	Other tangibles £	Plant and machinery £
Cost			
At 1st July 2015	708,690	1,835,227	13,096,181
Additions	142,668	557,060	2,537,420
Disposals	-	-	(1,204,930)
At 30th June 2016	851,358	2,392,287	14,428,671
Depreciation			
At 1st July 2015	320,817	1,057,809	7,519,254
Charge for year	67,464	339,570	2,003,883
Eliminated on disposal	-	-	(855,845)
At 30th June 2016	388,281	1,397,379	8,667,292
Net book value			
At 30th June 2016	463,077	994,908	5,761,379
At 30th June 2015	387,873	777,418	5,576,927

	Fixtures and fittings £	Motor vehicles £	Haulage vehicles £	Totals £
Cost				
At 1st July 2015	98,089	1,049,512	460,293	17,247,992
Additions	-	306,195	-	3,543,343
Disposals	-	(520,592)	-	(1,725,522)
At 30th June 2016	98,089	835,115	460,293	19,065,813
Depreciation				
At 1st July 2015	98,089	961,826	460,018	10,417,813
Charge for year	-	223,194	275	2,634,386
Eliminated on disposal	-	(420,580)	-	(1,276,425)
At 30th June 2016	98,089	764,440	460,293	11,775,774
Net book value				
At 30th June 2016	-	70,675	-	7,290,039
At 30th June 2015	-	87,686	275	6,830,179

Dauson Environmental Group Limited

**Notes to the Consolidated Financial Statements - continued
for the Year Ended 30th June 2016**

9. Tangible fixed assets - continued

Group

Fixed assets, included in the above, which are held under hire purchase contracts are as follows:

	Plant and machinery £	Motor vehicles £	Totals £
Cost			
At 1st July 2015	9,049,137	495,101	9,544,238
Additions	2,434,000	295,796	2,729,796
Disposals	(1,074,130)	(367,180)	(1,441,310)
Transfer to ownership	(120,400)	(99,417)	(219,817)
At 30th June 2016	10,288,607	324,300	10,612,907
Depreciation			
At 1st July 2015	4,110,566	470,481	4,581,047
Charge for year	1,795,326	181,563	1,976,889
Eliminated on disposal	(796,949)	(343,731)	(1,140,680)
Transfer to ownership	(79,141)	(21,104)	(100,245)
At 30th June 2016	5,029,802	287,209	5,317,011
Net book value			
At 30th June 2016	5,258,805	37,091	5,295,896
At 30th June 2015	4,938,571	24,620	4,963,191

10. Fixed asset investments

Group

	Shares in group undertakings £
Cost	
At 1st July 2015	144,962
Additions	8,116
At 30th June 2016	153,078
Net book value	
At 30th June 2016	153,078
At 30th June 2015	144,962

Dauson Environmental Group Limited

**Notes to the Consolidated Financial Statements - continued
for the Year Ended 30th June 2016**

10. Fixed asset investments - continued

Company

	Shares in group undertakings £
Cost	
At 1st July 2015 and 30th June 2016	911,089
Net book value	
At 30th June 2016	911,089
At 30th June 2015	911,089

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

Subsidiaries

Neal Soil Suppliers Limited

Country of incorporation: UK

Nature of business: Site clearance and sale of compactable materials

	%
Class of shares:	holding
Ordinary	100.00

Cardiff Demolition Company Limited

Country of incorporation: UK

Nature of business: Demolition and clearing of building sites

	%
Class of shares:	holding
Ordinary	100.00

Atlantic Recycling Limited

Country of incorporation: UK

Nature of business: Recycling operations

	%
Class of shares:	holding
Ordinary	100.00

Bluefield Land

Country of incorporation: UK

Nature of business: Regenerating brownfield sites

	%
Class of shares:	holding
Ordinary	75.00

Neal Aggregate Suppliers Limited

Country of incorporation: UK

Nature of business: Treatment and sale of construction waste

	%
Class of shares:	holding
Ordinary	100.00

Dauson Environmental Group Limited

**Notes to the Consolidated Financial Statements - continued
for the Year Ended 30th June 2016**

10. Fixed asset investments - continued

Atlantic Composting Limited

Country of incorporation: UK

Nature of business: Dormant

	%
Class of shares:	holding
Ordinary	100.00

Atlantic Ecopark Limited

Country of incorporation: UK

Nature of business: Dormant

	%
Class of shares:	holding
Ordinary	100.00

Atlantic Organics (UK) Limited

Country of incorporation: UK

Nature of business: Dormant

	%
Class of shares:	holding
Ordinary	100.00

Atlantic Organics (Wales) Limited

Country of incorporation: UK

Nature of business: Dormant

	%
Class of shares:	holding
Ordinary	100.00

Action Recycling Limited

Country of incorporation: UK

Nature of business: Dormant

	%
Class of shares:	holding
Ordinary	100.00

Atlantic Power Limited

Country of incorporation: UK

Nature of business: Dormant

	%
Class of shares:	holding
Ordinary	100.00

Dauson Holdings UK Limited

Country of incorporation: UK

Nature of business: Dormant

	%
Class of shares:	holding
Ordinary	100.00

Neal Recycling Limited

Country of incorporation: UK

Nature of business: Dormant

	%
Class of shares:	holding
Ordinary	100.00

Dauson Environmental Group Limited

**Notes to the Consolidated Financial Statements - continued
for the Year Ended 30th June 2016**

10. Fixed asset investments - continued

Plantline (CO) Limited

Country of incorporation: UK

Nature of business: Dormant

	%
Class of shares:	holding
Ordinary	100.00

Atlantic Waste Management Limited

Country of incorporation: UK

Nature of business: Dormant

	%
Class of shares:	holding
Ordinary	100.00

Associated companies

Envirosavers Limited

Country of incorporation: UK

Nature of business: Clearance of hazardous waste

	%
Class of shares:	holding
Ordinary	30.00

Bluefield Caernarfon Limited

Country of incorporation: UK

Nature of business: Property development

	%
Class of shares:	holding
Ordinary	26.25

Bluefield Caernarfon Management Limited

Country of incorporation: UK

Nature of business: Property management and estate services

	%
Class of shares:	holding
Ordinary	26.25

The closing balance on investments held as fixed assets relates to the shares owned by Dauson Environmental Group Limited in:

Envirosavers Limited (under equity method of accounting)

As an associate undertaking, the results for Envirosavers Limited have been incorporated into the group results by accounting for the groups share of reserves as at 30 June 2016. The year end of this company is 31 January and so the management accounts have been used to incorporate the results for the year ended 30 June 2016 into the consolidated accounts.

Dauson Environmental Group Limited

**Notes to the Consolidated Financial Statements - continued
for the Year Ended 30th June 2016**

11. Stocks

	Group	
	2016	2015
	£	£
Stocks	1,525,390	1,543,491
Work-in-progress	1,479,082	1,479,082
	<u>3,004,472</u>	<u>3,022,573</u>

12. Debtors: amounts falling due within one year

	Group	Company	
	2016	2015	2016
	£	£	£
Trade debtors	3,770,131	4,571,277	-
Amounts owed by group undertakings	-	-	1,749,326
Amounts owed by participating interests	-	103	-
Amounts recoverable on contract	913,495	1,032,442	-
Other debtors	9,361	3,550	-
VAT	208,414	101,150	-
Tax	147,566	-	-
Called up share capital not paid	8	8	-
Prepayments	259,868	238,270	-
	<u>5,308,843</u>	<u>5,946,800</u>	<u>1,749,326</u>
	<u>5,308,843</u>	<u>5,946,800</u>	<u>1,497,659</u>

13. Creditors: amounts falling due within one year

	Group	Company	
	2016	2015	2016
	£	£	£
Bank loans and overdrafts (see note 15)	7,570,595	6,094,580	-
Other loans (see note 15)	329,550	100,861	-
Hire purchase contracts (see note 16)	2,280,064	2,428,214	-
Trade creditors	2,456,998	2,120,487	-
Amounts owed to group undertakings	-	-	1,608,928
Amounts owed to participating interests	390,813	592,271	-
Tax	81,861	229,930	-
Social security and other taxes	286,226	246,353	-
VAT	499,591	711,007	-
Other creditors	37,577	112,119	-
Invoice factoring	1,523,118	1,145,765	-
Directors' current accounts	43,247	53,784	-
Accrued expenses	1,448,963	2,328,711	6,449
Deferred government grants	178,064	178,064	-
	<u>17,126,667</u>	<u>16,342,146</u>	<u>1,615,377</u>
	<u>17,126,667</u>	<u>16,342,146</u>	<u>4,402,840</u>

Dauson Environmental Group Limited

**Notes to the Consolidated Financial Statements - continued
for the Year Ended 30th June 2016**

14. Creditors: amounts falling due after more than one year

	Group	
	2016	2015
	£	£
Bank loans (see note 15)	1,104,148	1,102,298
Other loans (see note 15)	558,283	323,811
Hire purchase contracts (see note 16)	1,012,690	1,238,516
Other creditors	119,500	72,500
Deferred Grants	199,378	99,689
Deferred government grants	243,377	521,129
	<u>3,237,376</u>	<u>3,357,943</u>

15. Loans

An analysis of the maturity of loans is given below:

	Group	
	2016	2015
	£	£
Amounts falling due within one year or on demand:		
Overdraft	7,570,595	6,094,580
Other loans	202,683	100,861
Other short term loans	126,867	-
	<u>7,900,145</u>	<u>6,195,441</u>
Amounts falling due between one and two years:		
Bank loans - 1-2 years	1,104,148	1,102,298
Other loans - 1-2 years	226,420	113,686
	<u>1,330,568</u>	<u>1,215,984</u>
Amounts falling due between two and five years:		
Other loans - 2-5 years	<u>331,863</u>	<u>210,125</u>

16. Leasing agreements

Minimum lease payments fall due as follows:

Group

	Hire purchase contracts	
	2016	2015
	£	£
Net obligations repayable:		
Within one year	2,280,064	2,428,214
Between one and five years	1,011,984	1,238,516
In more than five years	706	-
	<u>3,292,754</u>	<u>3,666,730</u>

Dauson Environmental Group Limited

**Notes to the Consolidated Financial Statements - continued
for the Year Ended 30th June 2016**

17. Secured debts

The following secured debts are included within creditors:

	Group	
	2016	2015
	£	£
Hire purchase contracts	3,292,754	3,666,730
Invoice discounting creditor	1,523,118	1,145,765
Bank loans	1,104,148	1,102,298
	<u>5,920,020</u>	<u>5,914,793</u>

Bank loans and overdrafts included in short term liabilities are secured by a multilateral guarantee given by all group companies together with a first mortgage on freehold land owned by group company directors. Security is given by a debenture including a fixed charge over present freehold and leasehold property. There is a first fixed charge over book and other debts, chattels, goodwill and uncalled capital, both present and future dated 12 June 1998.

Bank loans included in long term creditors are secured over land held by Bluefield Land Limited at Cwmgorse. There is no fixed repayment date of the loan as it becomes repayable when the land is sold.

Hire purchase creditors are secured over the assets to which they relate.

The invoice discounting creditors are secured on the book debts of group companies.

18. Provisions for liabilities

	Group	
	2016	2015
	£	£
Deferred tax	<u>203,389</u>	<u>167,240</u>
Group		
		Deferred tax
		£
Balance at 1st July 2015		167,240
Charge for the year		36,149
Balance at 30th June 2016		<u>203,389</u>

19. Called up share capital

Allotted, issued and fully paid:

Number:	Class:	Nominal value:	2016	2015
			£	£
1,007,221	Ordinary	£1	<u>1,007,221</u>	<u>1,007,221</u>

Dauson Environmental Group Limited

**Notes to the Consolidated Financial Statements - continued
for the Year Ended 30th June 2016**

20. Reserves

Group

	Retained earnings £
At 1st July 2015	1,294,911
Profit for the year	698,642
	<hr/>
At 30th June 2016	<u>1,993,553</u>

Company

	Retained earnings £
At 1st July 2015	(3,001,313)
Profit for the year	3,039,130
	<hr/>
At 30th June 2016	<u>37,817</u>

21. Minority interests

Minority interest amounts included in the accounts relate to the amounts that are due to the minority shareholders in Bluefield Land Limited.

22. Contingent liabilities

During the previous year the company was involved in a legal dispute which was upcoming to a closing date for appeals, having originally been overturned in court. Further appeals have been lodged and the case is continuing with no agreement yet in place.

23. Directors' advances, credits and guarantees

The following advances and credits to a director subsisted during the years ended 30th June 2016 and 30th June 2015:

	2016 £	2015 £
D J Neal		
Balance outstanding at start of year	53,784	68,784
Amounts repaid	(10,537)	(15,000)
Balance outstanding at end of year	<u>43,247</u>	<u>53,784</u>

In respect of the bank loan liability in Neal Soil Suppliers Limited, the bank facilities in Bluefield Land Limited and the DEG group bank overdraft facility Mr D Neal has provided a personal guarantee to secure liabilities.

Dauson Environmental Group Limited

**Notes to the Consolidated Financial Statements - continued
for the Year Ended 30th June 2016**

24. Related party disclosures

Neal Environmental Limited

A company related by family association.

During the year the group made purchases of £nil (2015: £5,415) from Neal Environmental Limited and made sales of £nil (2015: £1,382).

Enviosavers Limited

Associate company

During the year the group made purchases of £770,685 (2015: £777,975) from Enviosavers Limited and Sales of £nil (2015: £1,161).

	2016	2015
	£	£
Amount due to related party at the balance sheet date	<u>390,813</u>	<u>592,168</u>

Mr & Mrs Neal

Parents of Director

During the year the group paid rent of £66,000 (2015: £66,000) to Mr & Mrs Neal.

D J Neal

Director

During the year the group paid rent of £27,000 (2015: £18,000) to Mr Neal.

Mr L Neal

Son of Director

During the year the group increased its loan by £47,000.

	2016	2015
	£	£
Amount due from related party at the balance sheet date	<u>119,500</u>	<u>72,500</u>

25. Ultimate controlling party

The ultimate controlling party is D J Neal.

26. Pensions

The group operates a defined contribution pension scheme. the pension cost charge for the year represents contributions payable by the group to the scheme and amounted to £35,525 (2015: £35,586).

27. Government grants

Within creditors are amounts relating to grants received by the group to purchase capital items. These grants are released in line with the stated depreciation rate for the assets to which the grant relates.

Dauson Environmental Group Limited

**Notes to the Consolidated Financial Statements - continued
for the Year Ended 30th June 2016**

28. First year adoption

The group has adopted FRS 102 for the 30 June 2016 financial statements.

There were no transitional changes required to either the 2015 comparative year or to the opening reserves at the 1 July 2014.