Registered Number: 2690488

The Coventry and Solihull Waste Disposal Company Limited

Report and Financial Statements

31 March 2015

Directors

R Gray
C Penson
G G B Honeywell (Non-executive)
P Johnson (Non-executive)
C West (Non-executive)

Auditors

Ernst & Young LLP
No. 1 Colmore Square
Birmingham
B4 6HQ

Bankers

Lloyds TSB Bank Plc
37 Far Gosford Street
Coventry
CV1 5DP

Registered office

Waste to Energy Plant
Bar Road
Coventry
CV3 4AN

Strategic report

The directors present their Strategic report for the year ended 31 March 2015.

Review of the business

The principal activity of the Company during the year continued to be the generation of energy using waste materials as the energy source.

The Company's primary financial and non-financial key performance indicators are as follows:

	2015	*2014*	*Movement*
	£m	*£m*	*%*
Turnover	24.8	23.5	5.5
Operating profit	7.2	7.1	1.4
Profit before taxation	7.1	7.1	-
Shareholders' funds	17.1	13.3	28.6
Employee numbers	66	67	(1.5)

The increase in turnover has been caused primarily by the continued impact of the investment in the combustion control process, which has allowed the processing of higher volumes of waste, along with price increases.

The Company completed its significant investment in improvements to its combustion control process during the previous financial year resulting meaning that the significant improvements in waste throughput, electrical generation and increased revenues partially seen in the previous year have been experienced for the full year. Despite the increase in revenues operating profit has only increased slightly compared to the previous year as the changes in the combustion process have led to increased operating and maintenance costs, although not all of these are expected to become permanent features of the Company's recurring structural costs.

The Company redeemed preference shares at par with a value of £3,300,000 during the year (2014: £3,600,000).

The Company issued one 'C' ordinary share at par to Coventry City Council during the year. This share was then sold by Coventry City Council to Warwickshire County Council.

Principal risks and uncertainties

The principal risks and uncertainties facing the Company are outlined below:

Commercial Risks

Business continuity - the Company has previously undertaken a comprehensive risk assessment programme and has put in place a business continuity plan, which is kept under review, and which assesses the level of risk that exists and the potential consequences to the Company. The plan ensures that the physical and intellectual assets, as well as the commercial performance of the business, are appropriately safeguarded.

Waste prices and availability - the Company's operating performance is impacted by the price and availability of waste. The Company manages this risk by negotiating long term contracts with customers, which take into account the future impact of inflation, and by spreading risk by taking waste from multiple customers.

Strategic report (continued)

Waste quality – The Company's operating performance is affected by the quality of waste that is delivered by customers. Household waste can vary significantly in terms of its content, and consequently in terms of its calorific value and ease of combustion. Environmental factors can also have an impact, with wet waste as a result of rain and snow causing major operational difficulties. The Company has managed this problem by including waste acceptance criteria into contracts with customers, by engaging with customers to improve their systems for managing waste quality and by investing in the plant to improve its ability to burn an increasingly variable waste feedstock.

Regulatory Risks

Environmental risk – the Company's operations are tightly controlled by UK and EU environmental regulations, and it operates under a permit issued by the Environment Agency. Failure to comply with the conditions of the permit could mean that the Company would have to shut down its process. To mitigate this risk the Company has personnel and systems in place to monitor its performance against the conditions of its permit. To assist the quality of its environmental performance the Company has an environmental management system which is externally audited and certified to the internationally recognised ISO14001 standard.

Health and safety risk - due to the nature of the processes it operates the Company has a significant level of health and safety risk. To mitigate this risk it employs an environment, health and safety advisor whose role is to monitor and improve performance and to promote health and safety awareness through training and the distribution of information. The Company's health and safety management system is externally audited and certified to the OHSAS18001 standard.

Financial Risks

Liquidity risk – the Company manages its liquidity risk by managing its cash flow requirements. Forecasts of operating performance are regularly updated, and the cash flow forecast derived from this process is used to determine the quantum and the timing of significant non trading cash flows such as capital expenditure and returns to shareholders. In addition the Company maintains a short term funding facility with its bank.

Foreign exchange risk – the Company trades predominantly in Sterling. Where it does have significant exposure to material future cash flows in overseas currencies, typically in relation to capital projects, then it will hedge this risk using forward currency contracts.

On behalf of the Board

C Penson
Director

Date:

Directors' report

The directors present the report for The Coventry and Solihull Waste Disposal Company Limited (Registered Number: 2690488) for the year ended 31 March 2015.

Results and dividends

The profit for the year after taxation amounted to £5,584,000 (2014: £5,614,000). The directors have declared an interim dividend of £1,455,000, in respect of the ordinary shares for the year ended 31 March 2015 (2014: £1,410,000) none of which remained unpaid at the year-end (2014: £nil)

Environment, health and safety

The Company recognises the importance of its environmental responsibilities and complying with the Waste Incineration Directive and the conditions of its Environmental Permit. The Company monitors its impact on the environment through an accredited Environmental Management System, with emission to land, water and atmosphere under constant surveillance. The directors can report that in the year under review, there were no significant environmental impacts.

Going concern

The Company's business activities, together with the factors likely to affect its future development, its financial position, financial risk management objectives, and its exposures to liquidity and cash flow risk are described in the Strategic Report on pages 2 to 3. The Company has a service level agreement with the shareholders until 2041 which guarantees that all suitable shareholder waste will be processed by the Company. The shareholders have confirmed their current intention to continue their support of the Company and that they will not seek to redeem their preference shares during the financial year ending on 31 March 2015. The directors have not been provided with any information or become aware of any circumstances which exist that may cast significant doubt about the ability of the Company to continue as a going concern. On the basis of their assessment of the Company's financial position and of the enquiries made of the shareholders, the Company's directors have a reasonable expectation that the Company will be able to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Directors

The directors who served the Company during the year were as follows:

R Gray	
C Penson	
G G B Honeywell	(Non-executive)
P Johnson	(Non-executive – appointed 20 August 2014)
C West	(Non-executive – appointed 30 September 2014)
N Basford	(Non-executive – resigned 30 June 2014)
D Wilson	(Non-executive – resigned 30 September 2014)

Equal opportunities

The Company recognises that discrimination in the workplace in any form is unacceptable and in most cases unlawful. It is our policy to ensure that all job applicants and employees are treated fairly and without favour or prejudice. We are committed to applying this policy throughout all areas of employment, recruitment and selection, training, development and promotion. In all situations people will be judged solely on merit and ability.

Employee involvement

The Company endeavours to keep employees informed on matters relevant to them as employees primarily through regular meetings of the Consultative Committee and team briefings.

Financial instruments

Details of financial instruments are provided in the Strategic report on page 3.

Directors' report

Disclosure of information to the auditors

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the Company's auditor, each director has taken all the steps that he/she is obliged to take as a director in order to make himself/herself aware of any relevant audit information and to establish that the auditor is aware of that information.

Auditors

Resolutions have been passed to dispense with the need for Annual General Meetings, the laying of financial statements and the annual appointment of auditors. Ernst & Young LLP will continue to be auditors until further notice.

On behalf of the Board

C Penson
Director

Date:

Statement of directors' responsibilities

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

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

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- 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.

Independent auditors’ report

to the members of The Coventry and Solihull Waste Disposal Company Limited

We have audited the financial statements of The Coventry and Solihull Waste Disposal Company Limited for the year ended 31 March 2015 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet, the Statement of Cash Flows and the related notes 1 to 24. 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).

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

Respective responsibilities of directors and auditors

As explained more fully in the Directors’ Responsibilities Statement set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board’s Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company’s affairs as at 31 March 2015 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.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors’ Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Independent auditors' report (continued)

to the members of The Coventry and Solihull Waste Disposal Company 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, 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.

Lorna McNeil (Senior statutory auditor)
For and on behalf of Ernst & Young LLP, Statutory Auditor
Birmingham

Date:

Profit and loss account

for the year ended 31 March 2015

	Notes	*2015* *£'000*	*2014* *£'000*
Turnover	1,2	24,858	23,523
Cost of sales		(12,009)	(11,020)
Gross Profit		12,849	12,503
Distribution costs		(22)	(22)
Administrative expenses		(5,636)	(5,397)
Operating Profit	3	7,191	7,084
Loss on disposal of fixed assets	6	(93)	(33)
Interest receivable and similar charges	7	20	25
Other finance (costs)/income	8	(28)	9
Profit on ordinary activities before taxation		7,090	7,085
Tax	9	(1,506)	(1,471)
Profit for the financial year	19	5,584	5,614

All results relate to continuing activities in both the current and prior year.

Statement of total recognised gains and losses

for the year ended 31 March 2015

	Note	*2015* *£'000*	*2014* *£'000*
Profit retained for the financial year		5,584	5,614
Actuarial (loss)/gain on pension scheme	21	(403)	82
Corporation tax relief on pension contributions	9(b)	31	-
Deferred tax relating to actuarial (loss)/gain on pension scheme		54	(85)
Total gain recognised since the last annual report		5,266	5,611

Balance sheet
at 31 March 2015

	Notes	2015 £'000	2014 £'000
Fixed assets			
Intangible assets	10	7	11
Tangible assets	11	22,535	23,103
		22,542	23,114
Current assets			
Stocks	12	43	32
Debtors	13	3,540	3,490
Short term deposits		2,000	-
Cash at bank		8,245	9,253
		13,828	12,775
Creditors: amounts falling due within one year	14	(10,468)	(10,846)
Net current assets		3,360	1,929
Total assets less current liabilities		25,902	25,043
Financial liabilities	15	(4,425)	(7,725)
Provision for liabilities	16	(1,648)	(1,506)
Net assets excluding pension liability		19,829	15,812
Net pension liability	21	(2,728)	(2,522)
Net assets		17,101	13,290
Capital and reserves			
Called up share capital	17,19	-	-
Capital redemption reserve	19	10,500	7,200
Profit and loss account	19	6,601	6,090
Shareholders' funds	19	17,101	13,290

Approved by

R Gray

Director

Date:

Statement of cash flows

for the year ended 31 March 2015

	Note	*2015* *£'000*	*2014* *£'000*
Net cash inflow from operating activities	20(a)	9,024	9,374
Returns on investments and servicing of finance	20(b)	20	25
Taxation		(1,632)	(1,736)
Capital expenditure and financial investment	20(c)	(3,120)	(7,146)
Net cash outflow before management of liquid resources/financing		4,292	517
Management of liquid resources	20(d)	(1,050)	3,050
Financing	20(e)	(3,300)	(3,600)
Decrease in cash		(58)	(33)

Reconciliation of net cash flow to movement in net funds

	Note	*2015* *£'000*	*2014* *£'000*
Decrease in cash		(58)	(33)
Increase/(reduction) from short term deposits	20(d)	1,050	(3,050)
Cash outflow from reduction in financial liabilities	20(e)	3,300	3,600
Change in net funds resulting from cash flow and movement in net funds	20(f)	4,292	517
Net funds at 1 April	20(f)	1,528	1,011
Net funds at 31 March	20(f)	5,820	1,528

Notes to the financial statements

at 31 March 2015

1. Accounting policies

Basis of preparation

The financial statements are prepared under the historical cost convention, and in accordance with applicable UK accounting standards.

Going concern

The Company has a service level agreement with the shareholders until 2041 which guarantees that all suitable shareholder waste will be processed by the Company. The shareholders have confirmed their current intention to continue their support of the Company and that they will not seek to redeem their preference shares during the financial year ending on 31 March 2015. On this basis, the directors consider that it is appropriate to prepare the financial statements on a going concern basis.

Intangible fixed assets

Intangible assets relate to licenses acquired separately from the business and are capitalised at cost. Intangible assets are amortised on a straight line basis over their estimated useful lives up to a maximum of 20 years.

Tangible fixed assets

Tangible assets are stated at cost less accumulated depreciation and accumulated impairment losses. Such costs include costs directly attributable to making the asset capable of operating as intended.

Depreciation is provided on all tangible fixed assets, other than freehold land, at rates calculated to write off the cost, less estimated residual value based on prices prevailing at the date of acquisition of each asset evenly over its expected useful life, as follows:

Leasehold land and buildings	-	Life of asset to a maximum of 20 years
Plant and equipment	-	Life of the asset to a maximum of 25 years
Fixtures and fittings	-	3 years

Assets in the course of construction are not depreciated until they are completed and enter service within the business.

The carrying value of tangible fixed assets is reviewed for impairment in periods if events or changes in the circumstances indicate the carrying value may not be appropriate.

Revenue recognition

Revenue is recognised to the extent that the Company obtains the right to consideration in exchange for its performance and services. Revenue is measured at fair value of the consideration received, excluding discounts, rebates, VAT and other sales taxes duty. Revenue arising from waste disposal activities is recognised on receipt of the waste. Revenue from electricity generation is recognised at the point of generation.

Stocks

Stocks are stated at the lower of purchase cost and net realisable value. Net realisable value is based on estimated selling price less any further costs expected to be incurred prior to disposal.

Cash and short term deposits

Cash comprises cash balances and short term deposits with a maturity date within 90 days of the year end for the purpose of the balance sheet. For the purpose of the statement of cash flows cash comprises cash balances only with all short term deposits separately disclosed.

Notes to the financial statements

at 31 March 2015

1. Accounting policies (continued)

Deferred taxation

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or right to pay less or to receive more, tax, with the following exception:

- Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Operating leases

Rentals payable under operating leases are charged in the profit and loss account on a straight line basis over the lease term.

Pensions

The Company operates two pension schemes, a defined benefit scheme and a defined contribution scheme.

For the defined benefit scheme, the service cost of providing retirement benefits to employees during the year is charged to the operating profit or loss in the year. The full cost of providing amendments to benefits in respect of past service and gains and losses arising on unanticipated settlements or curtailments are also charged to the operating profit or loss in the year. The expected return on the assets of the scheme during the year based on the market value of scheme assets at the start of the year and expected increase in liabilities of the scheme are included within other finance (charges)/income. Differences between actual and expected returns on assets during the year are recognised in the statement of recognised gains and losses in the year together with differences arising from changes in assumptions. The deficit on the defined benefit pension scheme, net of deferred tax, is reported on the balance sheet as the pension liability.

For the defined contribution scheme, the amount charged to the profit and loss account in respect of pension costs is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown either as accruals or prepayments in the balance sheet.

2. Turnover

Turnover, which arises wholly within the United Kingdom, is attributable to one continuing activity, the generation of energy using waste materials as the energy source.

Notes to the financial statements

at 31 March 2015

3. Operating Profit

This is stated after charging:

		2015	*2014*
		£'000	*£'000*
Auditors' remuneration	- audit services	19	19
	- non-audit services - taxation	22	19
		41	38
Depreciation		3,623	3,440
Amortisation		4	3
Operating lease rentals	- land and buildings	86	86
	- plant and machinery	56	55

4. Directors' emoluments

	2015	*2014*
	£'000	*£'000*
Emoluments	233	244
Pension contributions to money purchase schemes	72	46
	No.	*No.*
Members of money purchase pension schemes	2	2

In respect of the highest paid director:

	£	£
Emoluments	120	117
Pension contributions to money purchase schemes	59	35

Notes to the financial statements

at 31 March 2015

5. Staff costs

	2015	*2014*
	£'000	*£'000*
Wages and salaries	2,885	2,726
Social security costs	287	274
Other pension costs	453	415
	3,625	3,415

Included in other pension costs are £65,000 (2014: £68,000) in respect of the defined benefit scheme, and £388,000 (2014: £347,000) in respect of the defined contribution schemes.

The average monthly number of employees during the year amounted to 66 (2014:67). This excludes 3 non-executive directors.

6. Loss on disposal of fixed assets

	2015	*2014*
	£'000	*£'000*
Loss on disposal of fixed assets	(93)	(33)

7. Interest receivable and similar income

	2015	*2014*
	£'000	*£'000*
Bank interest receivable	20	25

8. Other finance costs

	2015	*2014*
	£'000	*£'000*
Expected return on pension scheme assets	357	352
Interest on pension scheme liabilities	(385)	(343)
	(28)	9

Notes to the financial statements

at 31 March 2015

9. Tax

(a) Tax on profit on ordinary activities

The tax charge is made up as follows:

	2015	*2014*
	£'000	*£'000*
Current tax:		
UK corporation tax on the profits for the year	1,557	1,641
Adjustments in respect of previous periods	(196)	(12)
Total current tax (note 9(b))	1,361	1,629
Deferred tax:		
Origination and reversal of timing differences	141	40
Effect of changes in tax rate	4	(198)
Total deferred tax	145	(158)
Tax on profit on ordinary activities	1,506	1,471

(b) Factors affecting tax charge for the year

The tax assessed for the year differs from the standard rate of corporation tax in the UK of 21% (2014: 23%). The differences are explained below:

	2015	*2014*
	£'000	*£000*
Profit on ordinary activities before taxation	7,090	7,085
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 21% (2014: 23%)	1,489	1,630
Effects of:		
Disallowable expenses and non-taxable income	41	41
Capital allowances in excess of depreciation	27	(26)
Other timing differences	(31)	(4)
Adjustments in respect of previous periods	(196)	(12)
Relief on pension contributions taken to STRGL	31	-
Current tax for the year (note 9(a))	1,361	1,629

Notes to the financial statements

at 31 March 2015

9. Tax (continued)

(c) Deferred tax

	2015	*2014*
	£'000	*£'000*
Pensions	682	631
Capital allowances in advance of depreciation	(1,654)	(1,512)
Tax losses and other timing differences	6	6
Provision for deferred taxation	(966)	(875)

The deferred tax shown in the balance sheet is as follows:

	2015	*2014*
	£'000	*£'000*
Included in defined benefit liability (note 21)	682	631
Included in provisions for liabilities (note 16)	(1,648)	(1,506)
	(966)	(875)

(d) Factors that may affect future tax charges

The standard rate of Corporation Tax in the UK reduced from 23% to 21% with effect from 1 April 2013. Accordingly the Company's profits for this accounting period are taxed at an effective rate of 21%. The standard rate fell further to 20% with effect from 1 April 2015. These rates were enacted in July 2013 and as such any deferred tax balances have been stated at a rate of 20%.

10. Intangible fixed assets

	Licence costs
	£
Cost:	
At 1 April 2014 and 31 March 2015	28
Amortisation:	
At 1 April 2014	17
Charge for the year	4
At 31 March 2015	21
Net book value:	
At 31 March 2015	7
At 31 March 2014	11

Notes to the financial statements

at 31 March 2015

11. Tangible fixed assets

	Land and Buildings	*Plant and Machinery*	*Fixtures and Fittings*	*Total*
	£'000	*£'000*	*£'000*	*£'000*
Cost:				
At 1 April 2014	5,453	50,242	607	56,302
Additions	284	2,583	281	3,148
Disposal	-	(667)	(15)	(682)
At 31 March 2015	5,737	52,158	873	58,768
Depreciation:				
At 1 April 2014	3,896	29,105	198	33,199
Provided during the year	170	3,336	117	3,623
Disposal	-	(574)	(15)	(589)
At 31 March 2015	4,066	31,867	300	36,233
Net book value:				
At 31 March 2015	1,671	20,291	573	22,535
At 31 March 2014	1,557	21,137	409	23,103

Tangible fixed assets include £1,016,000 of assets under construction (2014: £1,005,000).

The net book value of land and buildings comprises:

	2015	*2014*
	£'000	*£'000*
Long leasehold	1,671	1,557

12. Stocks

	2015	*2014*
	£'000	*£'000*
Raw materials	43	32

13. Debtors

	2015	*2014*
	£'000	*£'000*
Trade debtors	3,325	3,265
Prepayments and accrued income	215	225
	3,540	3,490

Notes to the financial statements

at 31 March 2015

14. Creditors: amounts falling due within one year

	2015	*2014*
	£'000	*£'000*
Trade creditors	1,917	1,721
Corporation tax	604	906
Other taxation and social security	1,647	1,836
Accruals and deferred income	6,300	6,383
	10,468	10,846

Included in accruals and deferred income is an advance payment relating to the joint waste disposal contract with Coventry City Council and Solihull Metropolitan Borough Council (note 24).

15. Financial liabilities

	2015	*2014*
	£'000	*£'000*
2,950,000 'A' Preference shares of £1 each	2,950	5,150
1,475,000 'B' Preference shares of £1 each	1,475	2,575
	4,425	7,725

The Company redeemed preference shares at par with a value of £3,300,000 during the year (2014: £3,600,000).

The rights attached to the respective classes of preference shares are:

Income

During the period ended 2 April 2000, the Articles of Association were amended by special resolution, whereby the distributable profits of the Company shall not be paid to the holders of the preference shares in relation to any period commencing on or after 1 April 1999. Furthermore the preference dividend shall not accumulate if the Company does not make a distribution.

Capital

On a return of capital on liquidation or otherwise the assets of the Company remaining after payment of its debts, liabilities and costs of liquidation shall be applied in first paying the holders of the preference shares together with a sum equal to any arrears, deficiency or accruals of the preference dividend to the date of the return of the capital.

Voting

The preference shares shall only carry voting rights in the following circumstances: (i) if the preference dividend is in arrears, or (ii) if the Company has failed to redeem any of the preference shares in accordance with the Articles of Association.

In this situation the preference shares shall carry one vote per share.

Notes to the financial statements

at 31 March 2015

15. Financial liabilities (continued)

Redemption of preference shares

The preference shares are now redeemable at the option of the Company and the shareholders at any time at their par value. It is the Company's intention to make returns to shareholders in the following financial year provided that these are affordable and meet the legal requirements. The redemption of preference shares will be considered by the directors as a potential means of achieving this objective. However, as at the date of signing of these accounts, the directors have not committed to undertaking any redemption of the preference shares. Furthermore the preference shareholders have confirmed that they will not seek to redeem their preference shares during the financial year ending on 31 March 2016 (see Note 1 for further details).

16. Provision for liabilities

	Deferred taxation
	£
At 1 April 2014	1,506
Movement in year	142
At 31 March 2015 (note 9(c))	1,648

The movement in the year shown above is made up of the £141,000 shown in note 9(a) plus £1,000 relating to rate changes.

17. Issued share capital

		2015		*2014*
Allotted, called up and fully paid	*No.*	*£*	*No.*	*£*
'A' Ordinary shares of £1 each	66	66	66	66
'B' Ordinary shares of £1 each	33	33	33	33
'C' Ordinary shares of £1 each	1	1	-	-
	100	100	99	99

The 'C' ordinary share was issued at par to Coventry City Council during the year. This share was then sold to Warwickshire County Council on 3 December 2014.

The 'A', 'B' and 'C' Ordinary shares rank pari passu except in respect of the following:

Income

Distributable profits may be distributed to the holders of the 'A' ordinary shares and 'B' ordinary shares according to the amounts paid up. No distributions will be made to the holder of the 'C' ordinary share.

Notes to the financial statements

at 31 March 2015

17. Issued share capital (continued)

Capital

On a return of capital on liquidation or otherwise, any balance of the assets of the Company remaining after payment of its debts, liabilities and costs of liquidation and following the application of payments to the holders of preference shares shall be distributed to the holders of the 'A' ordinary shares and 'B' ordinary shares according to the amounts paid up. No balance shall be distributed to the holder of the 'C' ordinary share.

Details of the A and B preference shares in issue, and the rights of the preference shares, are set out in note 15, 'Financial liabilities'.

18. Dividends

	2015	*2014*
	£'000	*£'000*
Interim dividend in specie for year settled via trade debts during the year	1,455	1,410

19. Reconciliation of shareholders' funds and movements on reserves

	Share capital	*Capital redemption Reserve*	*Profit and loss account*	*Total share-holders' funds*
	£'000	*£'000*	*£'000*	*£'000*
At 1 April 2013	-	3,600	5,489	9,089
Profit for the year	-	-	5,614	5,614
Actuarial gain on pension scheme	-	-	82	82
Deferred tax on actuarial loss	-	-	(85)	(85)
Dividends paid to shareholders (note 18)	-	-	(1,410)	(1,410)
Redemption of preference shares (note 15)	-	3,600	(3,600)	-
At 1 April 2014	-	7,200	6,090	13,290
Profit for the year	-	-	5,584	5,584
Actuarial loss on pension scheme	-	-	(403)	(403)
Corporation tax relief on pension contributions		-	31	31
Deferred tax on actuarial loss	-	-	54	54
Dividends paid to shareholders (note 18)	-	-	(1,455)	(1,455)
Redemption of preference shares (note 15)	-	3,300	(3,300)	-
At 31 March 2015	-	10,500	6,601	17,101

Notes to the financial statements

at 31 March 2015

20. Notes to the statement of cash flows

(a) Reconciliation of operating profit to net cash inflow from operating activities

	2015	*2014*
	£'000	*£'000*
Operating profit	7,191	7,084
Depreciation	3,623	3,440
Amortisation	4	3
Increase in debtors	(1,505)	(1,666)
Increase in stock	(11)	(2)
(Decrease)/increase in creditors	(104)	525
Pension difference between service cost and contributions	(174)	(10)
Net cash inflow from operating activities	9,024	9,374

(b) Returns on investments and servicing of finance

	2015	*2014*
	£'000	*£'000*
Interest received	20	25

(c) Capital expenditure

	2015	*2014*
	£'000	*£'000*
Payments to acquire tangible fixed assets	(3,120)	(7,146)

(d) Management of liquid resources

	2015	*2014*
	£'000	*£'000*
(Increase)/decrease in short term deposits	(1,050)	3,050

Notes to the financial statements

at 31 March 2015

20. Notes to the statement of cash flows (continued)

(e) Financing

	2015	*2014*
	£'000	*£'000*
Redemption of preference shares	(3,300)	(3,600)

(f) Analysis of changes in net funds

	At 1 April 2014	*Cash flow*	*At 31 March 2015*
	£'000	*£'000*	*£'000*
Cash at bank and in hand	303	(58)	245
Short term deposits	8,950	1,050	10,000
Financial liabilities	(7,725)	3,300	(4,425)
Net funds	1,528	4,292	5,820

(g) Major non-cash transactions

See note 18 for details of the dividend in specie for the year ended 31 March 2015.

Notes to the financial statements

at 31 March 2015

21. Pension commitments

The Company operates two pension schemes. Those employees with the Company at the transfer of trade on 1 April 1994 continue to be members of the defined benefit scheme. Individuals who became employees following the transfer of trade are members of the Company's defined contribution scheme.

Retirement benefits for employees in the defined benefit scheme are funded by contributions from the Company and employees. Payments are made to the West Midlands Metropolitan Authorities Superannuation Scheme. This is an independently administered scheme. Contributions to the scheme are charged to the profit and loss account so as to spread the cost of the pensions over the employees' working lives with the Company. This scheme is not available to new employees joining the Company.

Contributions made to the defined contribution scheme amounted to £388,000 (2014: £347,000) for the year and are charged to the profit and loss account as incurred.

The West Midlands Metropolitan Authorities Superannuation Scheme is valued every three years by a professionally qualified independent actuary using the projected unit method, the rates of contribution payable being determined by the actuary. The results of the most recent valuation, relating to the Company's share of the assets in the scheme, was conducted at 31 March 2013 and has been updated by Mercer Human Resource Consultancy to take account of the requirements of FRS17 in order to assess the liabilities as at 31 March 2015. Scheme assets are stated at their market value at 31 March 2015. The employer expects to contribute £236,000 in the year to 31 March 2016.

The Company's share of the assets and liabilities of the scheme at 31 March are:

	2015	*2014*
	£'000	*£'000*
Scheme assets at fair value:		
Equities	3,905	3,526
Government Bonds	520	496
Other Bonds	704	647
Property	577	544
Other	905	834
Fair value of assets	6,611	6,047
Present value of scheme liabilities	(10,021)	(9,200)
Pension liability before deferred tax	(3,410)	(3,153)
Related deferred tax (note 9 (c))	682	631
Net pension liability	(2,728)	(2,522)

The employer considered the current level of expected returns on risk free investments, the historical level of the risk premium associated with the other asset classes in which the portfolio invested and the expectations for future returns of each asset class. The expected return for each asset class was then weighted based on asset allocation to develop the expected long term rate of return on assets assumption for the portfolio.

Notes to the financial statements

at 31 March 2015

21. Pension commitments (continued)

The amounts recognised in the Profit and Loss Account and in the Statement of Total Recognised Gains and Losses for the year are analysed as follows:

Recognised in the Profit and Loss Account:

	2015	*2014*
	£000	*£000*
Current service cost	(65)	(68)
Recognised in arriving at operating profit	(65)	(68)
Expected return on pension scheme assets	357	352
Interest on pension liabilities	(385)	(343)
Other finance gain/(cost)	(28)	9
Total recognised in the Profit and Loss Account	(93)	(59)

Analysis of amount recognised in the Statement of Total Recognised Gains and Losses (STRGL):

	2015	*2014*
	£000	*£000*
Actuarial losses on pension scheme assets	(555)	(135)
Actuarial gains on pension scheme liabilities	958	217
Actuarial gain recognised in the STRGL	403	82

	2015	*2014*
	%	*%*
Main assumptions:		
Rate of increase of salaries	3.75	4.15
Rate of increase of pensions in payment	2.00	2.40
Discount rate	3.10	4.30
Expected rate of return on scheme assets:		
Equities	6.50	7.00
Government Bonds	2.20	3.40
Other Bonds	2.90	4.30
Property	5.90	6.20
Cash / liquidity	0.50	0.50
Other	6.50	7.00
Inflation assumptions	2.00	2.40
Post retirement mortality:		
Current pensioners at 65 - male	23.00	22.90
Current pensioners at 65 - female	25.60	25.50
Future pensioners at 65 - male	25.20	25.10
Future pensioners at 65 - female	28.00	27.80

Notes to the financial statements

at 31 March 2015

21. Pension commitments (continued)

The post-mortality assumptions allow for expected increases in longevity. The 'current' disclosures above relate to assumptions based on longevity (in years) following retirement at the balance sheet date, with 'future' being that relating to an employee retiring in 2030.

Changes in the present value of the defined benefit obligations are analysed as follows:

	2015	*2014*
	£'000	*£'000*
At 1 April	(9,200)	(9,462)
Current service cost	(65)	(68)
Interest cost	(385)	(343)
Member contributions	(17)	(17)
Actuarial (losses)/gains	(958)	217
Benefits/transfers paid	604	473
At 31 March	(10,021)	(9,200)

Changes in the fair value of the plan assets are analysed as follows:

	2015	*2014*
	£'000	*£'000*
At 1 April	6,047	6,208
Expected return on plan assets	357	352
Employer contributions	239	78
Benefits/transfers paid	(604)	(473)
Actuarial gains/(losses)	555	(135)
Member contributions	17	17
At 31 March	6,611	6,047

	2015	*2014*	*2013*	*2012*	*2011*
	£'000	*£'000*	*£'000*	*£'000*	*£'000*
Fair value of assets	6,611	6,047	6,208	5,793	5,897
Present value of scheme liabilities	(10,021)	(9,200)	(9,462)	(8,075)	(7,746)
Deficit in the scheme	(3,410)	(3,153)	(3,254)	(2,282)	(1,849)
Experience adjustments:					
Arising on plan liabilities	-	(423)	-	-	902
Arising on plan assets	555	(135)	344	236	114

Notes to the financial statements

at 31 March 2015

22. Capital commitments

At 31 March 2015 authorised future capital commitments contracted but not provided for amounted to £295,000 (2014: £609,000).

23. Other financial commitments

At 31 March 2015 the Company had annual commitments under non-cancellable operating leases as set out below:

		2015		*2014*
	Land and buildings	*Other*	*Land and buildings*	*Other*
	£'000	*£'000*	*£'000*	*£'000*
Operating leases which expire:				
Within one year	-	1	-	2
In two to five years	-	55	-	53
Over five years	86	-	86	-
	86	56	86	55

24. Related party transactions

Coventry City Council, Solihull Metropolitan Borough Council and Warwickshire County Council are, as shareholders in the Company, considered related parties as defined by FRS 8. During the year the Company issued one 'C' ordinary share at par to Coventry City Council. This share was then sold by Coventry City Council to Warwickshire County Council and the latter became a shareholder in the Company with effect from 3 December 2014. All Warwickshire County Council transactions referred to below relate only to the period that it was a shareholder of the Company.

Under a contract negotiated jointly with the Coventry City Council and Solihull Metropolitan Borough Council, and a separate contract negotiated with Warwickshire County Council, the Company received income for the processing of household and commercial waste, and the operation of a household waste recycling and re-use centre for the residents of the City of Coventry, amounting to £5,946,000, £2,404,000 and £1,295,000 from Coventry City Council, Solihull Metropolitan Borough Council and Warwickshire County Council respectively (2014: £5,610,000 and £2,350,000 from Coventry City Council and Solihull Metropolitan Borough Council respectively). Income received in advance at 31 March 2015, included in creditors due within one year, amounted to £3,880,000 and £1,858,000 from Coventry City Council and Solihull Metropolitan Borough Council respectively (2014: £3,687,000 and £1,800,000 respectively).

During the year payments to Coventry City Council only amounted in aggregate to £96,000 (2014: £100,000) for the provision of various services. The net amount receivable from Coventry City Council, Solihull Metropolitan Borough Council and Warwickshire County Council respectively (excluding income received in advance) at the year-end was £604,000, £240,000 and £524,000 (2014: £557,000 and £267,000 from Coventry City Council and Solihull Metropolitan Borough Council respectively). The net amount payable to Coventry City Council at the year-end was £22,000 and to Solihull Metropolitan Borough Council and Warwickshire County Council respectively was £nil (2014: £nil to Coventry City Council, Solihull Metropolitan Borough Council and Warwickshire County Council respectively).

During the year the Company redeemed preference shares at par with a value of £2,200,000 and £1,100,000 from Coventry City Council and Solihull Metropolitan Borough Council respectively (2014: £2,400,000 and £1,200,000 respectively). During the year the Company declared interim dividends of £970,000 and £485,000 to Coventry City Council and Solihull Metropolitan Borough Council respectively in respect of the ordinary shares for the year ended 31 March 2015 (2014: £940,000 and £470,000 respectively).