Registered Number: 2690488

The Coventry and Solihull Waste Disposal Company Limited

Annual Report and Financial Statements

31 March 2016

Directors

K Starkey	
C Penson	
R Gray	(Non-executive)
P Johnson	(Non-executive)
C West	(Non-executive)

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

Bankers
Lloyds Bank Plc
30 High Street
Coventry
CV1 5RA

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 2016.

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.

During the year the Company made the transition from previously extant UK GAAP to FRS 102. Details of the recognition or measurement differences arising on the adoption of FRS 102 are included in note 25 to these financial statements.

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

	2016	*2015*	*Movement*
	£m	*£m*	*%*
Turnover	25.9	24.9	4.0
Operating profit	7.6	7.2	5.6
Profit before taxation	7.6	7.0	8.6
Shareholders' funds	21.6	17.1	26.3
Employee numbers	68	68	-

The increase in turnover and operating profit has been caused primarily by the ongoing positive impact of the investment in the combustion control process, which along with improved availability has allowed the processing of higher volumes of waste, and also the generation and export of higher volumes of electricity. These positive effects have more than offset the lower electrical export prices experienced this year, but the impact of these lower prices is expected to have a significant impact on 2016/17.

The Company redeemed preference shares at par with a value of £4,425,000 during the year (2015: £3,300,000).

The Company invested £3,939,000 (2015: £3,148,000) in tangible fixed asset additions during the year.

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.

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.

Strategic report (continued)

Principal risks and uncertainties (continued)

Electricity prices - the Company's operating performance is impacted by the price it is able to obtain for its electrical generation, the market price for which can be very volatile. The Company manages this risk by entering into fixed period supply agreements with customers, either on a one to one basis or through a public auction.

Brexit - the United Kingdom referendum decision of 23 June 2016 to leave the European Union (EU) has caused significant uncertainty. Whilst the Company trades entirely within the United Kingdom, there are still a number of ways in which the decision could affect the Company. These include the impact on the regulatory environment, which in recent years has been driven by the EU, the effect of changing access to the single European market, as some goods and services are purchased from suppliers based in the EU, and the impact of a weakening pound which will make imports more expensive. In addition the macro economic impact of the leave vote, with any moves towards a further recession likely to have a negative impact on consumer demand for goods and therefore a reduction in waste, could lead to a reduction in available feedstocks. The Company will continue to monitor the effects of the decision to leave the EU, and will take whatever steps are possible to mitigate any negative consequences and to take advantage of any opportunities that arise as a result of it.

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 aid 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 2016.

Results and dividends

The profit for the year after taxation amounted to £6,206,000 (2015: £5,500,000). The directors have declared an interim dividend of £1,485,000, in respect of the ordinary shares for the year ended 31 March 2016 (2015: £1,455,000) none of which remained unpaid at the year-end (2015: £nil)

Environment, health and safety

The Company recognises the importance of its environmental responsibilities and of 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 emissions 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, its 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 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 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:

K Starkey	(Appointed 1 October 2015)
C Penson	(Appointed Company Secretary 1 October 2015)
R Gray	(Non-executive with effect from 1 October 2015, previously executive)
G G B Honeywell	(Non-executive – resigned 30 September 2015)
P Johnson	(Non-executive)
C West	(Non-executive)

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 (continued)

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 2016 which comprise the Income Statement, the Statement of Comprehensive Income, the Statement of Changes in Equity, the Statement of Financial Position, the Statement of Cash Flows and the related notes 1 to 25. 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 FRS 102 'The Financial Reporting Standard applicable to the UK and Republic of Ireland.'

This report is made solely to the

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

Respective responsibilities of directors and auditor

As explained more fully in the Statement of directors' responsibilities 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 Annual 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 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 102; 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

Income statement

for the year ended 31 March 2016

	Notes	2016 £'000	2015 £'000
Turnover	2	25,941	24,858
Cost of sales		(12,542)	(12,009)
Gross Profit		13,399	12,849
Distribution costs		(22)	(22)
Administrative expenses		(5,748)	(5,637)
Operating Profit	3	7,629	7,190
Loss on disposal of fixed assets	6	(6)	(101)
Interest receivable and similar charges	7	36	20
Other finance costs	8	(102)	(126)
Profit on ordinary activities before taxation		7,557	6,983
Tax	9	(1,351)	(1,483)
Profit for the financial year		6,206	5,500

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

Statement of comprehensive income

for the year ended 31 March 2016

	Note	2016 £'000	2015 £'000
Profit retained for the financial year		6,206	5,500
Actuarial loss on pension scheme	21	(224)	(302)
Corporation tax relief on pension contributions	9(b)	13	9
Deferred tax relating to actuarial loss on pension scheme	9(b)	(30)	54
Total comprehensive income for the year		5,965	5,261

Statement of changes in equity

for the year ended 31 March 2016

	Share capital	*Capital redemption Reserve*	*Profit and loss account*	*Total share-holders' funds*
	£'000	*£'000*	*£'000*	*£'000*
At 1 April 2014	-	7,200	6,121	13,321
Profit for the year	-	-	5,500	5,500
Actuarial loss on pension scheme	-	-	(302)	(302)
Corporation tax relief on pension contributions		-	9	9
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 1 April 2015	-	10,500	6,627	17,127
Profit for the year	-	-	6,206	6,206
Actuarial loss on pension scheme	-	-	(224)	(224)
Corporation tax relief on pension contributions		-	13	13
Deferred tax on actuarial loss	-	-	(30)	(30)
Dividends paid to shareholders (note 18)	-	-	(1,485)	(1,485)
Redemption of preference shares (note 15)	-	4,425	(4,425)	-
At 31 March 2016	-	14,925	6,682	21,607

Statement of financial position

at 31 March 2016

	Notes	*2016* *£'000*	*2015* *£'000*
Fixed assets			
Intangible assets	10	58	75
Tangible assets	11	22,570	22,499
		22,628	22,574
Current assets			
Stocks	12	40	43
Debtors	13	3,798	3,540
Short term deposits		-	2,000
Cash and cash equivalents		11,259	8,245
		15,097	13,828
Creditors: amounts falling due within one year	14	(11,802)	(10,468)
Net current assets		3,295	3,360
Total assets less current liabilities		25,923	25,934
Financial liabilities	15	-	(4,425)
Provision for liabilities	16	(749)	(972)
Net assets excluding pension liability		25,174	20,537
Pension liability	21	(3,567)	(3,410)
Net assets		21,607	17,127
Capital and reserves			
Called up share capital	17	-	-
Capital redemption reserve	19	14,925	10,500
Profit and loss account		6,682	6,627
Shareholders' funds		21,607	17,127

Approved on behalf of the board by

K Starkey

Director

Date:

Statement of cash flows

for the year ended 31 March 2016

	Note	*2016* *£'000*	*2015* *£'000*
Net cash inflow from operating activities	20(a)	8,938	7,452
Investing activities			
Interest received		36	20
Payments to acquire intangible fixed assets		(17)	(42)
Payments to acquire tangible fixed assets		(3,518)	(3,138)
Movements in short term deposits		2,000	(2,000)
Net cash outflow from investing activities		(1,499)	(5,160)
Financing			
Redemption of preference shares		(4,425)	(3,300)
Net cash outflow from financing activities		(4,425)	(3,300)
Increase in cash and cash equivalents		3,014	(1,008)
Cash and cash equivalents at 1 April		8,245	9,253
Cash and cash equivalents at 31 March		11,259	8,245

Notes to the financial statements

at 31 March 2016

1. Accounting policies

Basis of preparation

The financial statements of The Coventry and Solihull Waste Disposal Company Limited were approved for issue by the Directors on 17 August 2016. The financial statements have been prepared in accordance with applicable accounting standards. The financial statements are prepared in sterling which is the functional currency of the Company and rounded to the nearest £'000.

Statement of compliance

The Coventry and Solihull Waste Disposal Company Limited is a limited liability Company incorporated in England. The Registered Office is Bar Lane, Coventry CV3 4AN.

The Company's financial statements have been prepared in compliance with FRS 102 as it applies to the financial statements of the Company for the year ended 31 March 2016.

The Company made the transition from previously extant UK GAAP to FRS 102 as at 1 April 2014. An explanation of how transition to FRS 102 has affected the reported financial position and financial performance is given in note 25.

Going concern

The Company has a service level agreement with the 'A' and 'B' ordinary shareholders until 2041 which guarantees that all suitable 'A' and 'B' ordinary shareholder waste will be processed by the Company. The Company also has a service level agreement with the 'C' ordinary shareholder until 2038 which stipulates that a substantial volume of its waste will be processed by the Company. Having given consideration to these long term contracts and the Company's overall trading forecast, the directors consider that it is appropriate to prepare the financial statements on a going concern basis.

Judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates. The following judgements had the most significant effect on amounts recognised in the financial statements.

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 net interest element is determined by multiplying the net defined benefit liability by the discount rate, at the start of the period taking into account any changes in the net defined benefit liability during the period as a result of contribution and benefit payments. The net interest is recognised in profit or loss as other finance revenue or cost.

The defined net benefit pension liability in the balance sheet comprises the present value of the defined benefit obligation (using a discount rate based on high quality corporate bonds), less the fair value of plan assets out of which the obligations are to be settled directly. Fair value is based on market price information and in the case of quoted securities is the published bid price.

The deficit on the defined benefit pension scheme, net of deferred tax, is reported on the balance sheet as the pension liability.

Notes to the financial statements

at 31 March 2016

1. Accounting policies (continued)

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.

Significant accounting policies

Intangible fixed assets

Intangible assets relate to licences acquired separately from the business and software costs which 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 tax 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 and cash equivalents in the statement of financial position consists of cash balances and short term deposits with an original maturity date of three months or less. Short term deposits with a maturity of over three months are separately disclosed.

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.

Notes to the financial statements

at 31 March 2016

1. Accounting policies (continued)

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.

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 2016

3. Operating Profit

This is stated after charging:

		2016	*2015*
		£'000	*£'000*
Auditors' remuneration	- audit services	24	19
	- non-audit services - taxation	17	22
		41	41
Depreciation		3,862	3,653
Amortisation		34	20
Operating lease rentals	- land and buildings	86	86
	- plant and machinery	57	56

4. Directors' emoluments

	2016	*2015*
	£'000	*£'000*
Emoluments	223	208
Pension contributions to money purchase schemes	77	74
	No.	*No.*
Members of money purchase pension schemes	2	2
In respect of the highest paid director:		
	£	£
Emoluments	78	83
Pension contributions to money purchase schemes	30	59

Notes to the financial statements

at 31 March 2016

5. Staff costs

	2016	*2015*
	£'000	*£'000*
Wages and salaries	2,832	2,885
Social security costs	271	287
Other pension costs	660	453
	3,763	3,625

Included in other pension costs are £64,000 (2015: £65,000) in respect of the defined benefit scheme, and £596,000 (2015: £388,000) in respect of the defined contribution schemes.

The average monthly number of employees during the year amounted to 68 (2015:68). This excludes 3 non-executive directors.

6. Loss on disposal of fixed assets

	2016	*2015*
	£'000	*£'000*
Loss on disposal of fixed assets	(6)	(101)

7. Interest receivable and similar income

	2016	*2015*
	£'000	*£'000*
Bank interest receivable	36	20

8. Other finance costs

	2016	*2015*
	£'000	*£'000*
Net interest cost on pension scheme assets and liabilities	(102)	(126)

Notes to the financial statements

at 31 March 2016

9. Tax

(a) Tax on profit on ordinary activities

The tax charge is made up as follows:

	2016	*2015*
	£'000	*£'000*
Current tax:		
UK corporation tax on the profits for the year	1,619	1,535
Adjustments in respect of previous periods	(16)	(196)
Total current tax	1,603	1,339
Deferred tax:		
Origination and reversal of timing differences	(84)	(28)
Adjustment in respect of previous periods	(24)	168
Effect of changes in tax rate	(144)	4
Total deferred tax	(252)	144
Tax on profit on ordinary activities (note 9(c))	1,351	1,483

(b) Tax included in statement of other comprehensive income

Current tax	(13)	(9)
Deferred tax current year charge/(credit)	30	(54)
	17	(63)

(c) 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 20% (2015: 21%). The differences are explained below:

	2016	*2015*
	£'000	*£000*
Profit on ordinary activities before taxation	7,557	6,983
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 20% (2015: 21%)	1,512	1,467
Effects of:		
Expenses not deductible	24	40
Adjustments from previous periods	(41)	(28)
Tax rate changes	(144)	4
Total tax on profit for the year (note 9(a))	1,351	1,483

Notes to the financial statements

at 31 March 2016

9. Tax (continued)

(d) Factors that may affect future tax charges

The standard rate of Corporation Tax in the UK reduced from 21% to 20% with effect from 1 April 2015. Accordingly the Company's profits for this accounting period are taxed at an effective rate of 20%. Further reductions in the standard rate to 19% with effect from 1 April 2017 and 18% with effect from 1 April 2020 were enacted during the year and deferred tax balances have been stated at a rate of 18%. The Budget in March 2016 subsequently announced that the standard rate will fall further to 17% with effect from 1 April 2020. As this rate was not substantively enacted by the balance sheet date it has not been reflected in these financial statements.

(e) Deferred tax

	2016	*2015*
	£'000	*£'000*
Pensions	642	682
Capital allowances in advance of depreciation	(1,397)	(1,660)
Tax losses and other timing differences	6	6
Provision for deferred taxation	(749)	(972)

	£'000
Provision for deferred taxation at 1 April 2015	(972)
Adjustment in respect of prior years	24
Deferred tax credit to income statement for the period	229
Deferred tax charge in SOCI for the period	(30)
Provision for deferred taxation at 31 March 2016	(749)

Notes to the financial statements

at 31 March 2016

10. Intangible fixed assets

	Licence Costs £'000	*Software Costs £'000*	*Total £'000*
Cost:			
At 1 April 2015	28	125	153
Additions	-	17	17
Disposals	-	(8)	(8)
At 31 March 2016	28	134	162
Depreciation:			
At 1 April 2015	21	57	78
Provided during the year	3	31	34
Disposals	-	(8)	(8)
At 31 March 2016	24	80	104
Net book value:			
At 31 March 2016	4	54	58
At 31 March 2015	7	68	75

Notes to the financial statements

at 31 March 2016

11. Tangible fixed assets

	Land and Buildings	*Plant and Machinery*	*Fixtures and Fittings*	*Total*
	£'000	*£'000*	*£'000*	*£'000*
Cost:				
At 1 April 2015	5,737	52,208	825	58,770
Additions	819	3,084	36	3,939
Disposals	-	(1,366)	(101)	(1,467)
At 31 March 2016	6,556	53,926	760	61,242
Depreciation:				
At 1 April 2015	4,066	31,919	286	36,271
Provided during the year	188	3,446	228	3,862
Disposals	-	(1,360)	(101)	(1,461)
At 31 March 2016	4,254	34,005	413	38,672
Net book value:				
At 31 March 2016	2,302	19,921	347	22,570
At 31 March 2015	1,671	20,289	539	22,499

Tangible fixed assets include £1,254,000 of assets under construction (2015: £1,016,000).

The net book value of land and buildings comprises:

	2016	*2015*
	£'000	*£'000*
Long leasehold	2,302	1,671

12. Stocks

	2016	*2015*
	£'000	*£'000*
Raw materials	40	43

13. Debtors

	2016	*2015*
	£'000	*£'000*
Trade debtors	2,862	3,325
Prepayments and accrued income	936	215
	3,798	3,540

Notes to the financial statements

at 31 March 2016

14. Creditors: amounts falling due within one year

	2016	*2015*
	£'000	*£'000*
Trade creditors	2,819	1,917
Corporation tax	899	604
Other taxation and social security	1,602	1,647
Accruals and deferred income	6,482	6,300
	11,802	10,468

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

	2016	*2015*
	£'000	*£'000*
2,950,000 'A' Preference shares of £1 each	-	2,950
1,475,000 'B' Preference shares of £1 each	-	1,475
	-	4,425

The Company redeemed the remaining preference shares at par with a value of £4,425,000 during the year (2015: £3,300,000).

The rights which attached to the respective classes of preference shares were:

Income

During the period ended 2 April 2000, the Articles of Association were amended by special resolution, whereby the distributable profits of the Company would not have been paid to the holders of the preference shares in relation to any period commencing on or after 1 April 1999. Furthermore the preference dividend would not have accumulated if the Company did 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 would have been 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 would only have carried voting rights in the following circumstances: (i) if the preference dividend was in arrears, or (ii) if the Company had failed to redeem any of the preference shares in accordance with the Articles of Association.

In this situation the preference shares would have carried one vote per share.

Notes to the financial statements

at 31 March 2016

16. Provision for liabilities

	Deferred taxation £'000
At 1 April 2015	972
Movement in year	(223)
At 31 March 2016 (note 9(c))	749

17. Issued share capital

		2016		*2015*
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	1	1
	100	100	100	100

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 2016

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 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, and the rights which attached to those preference shares prior to their redemption, are set out in note 15, ‘Financial liabilities’.

18. Dividends

	2016	*2015*
	£’000	*£’000*
Interim dividend in specie for year settled via trade debts during the year	1,485	1,455

19. Reserves

Capital redemption reserve

This reserve records the nominal value of preference shares redeemed by the Company.

Notes to the financial statements

at 31 March 2016

20. Notes to the statement of cash flows

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

	2016	*2015*
	£'000	*£'000*
Operating profit	7,629	7,190
Adjustments to reconcile profit for the year to net cash from operating activities		
Depreciation	3,862	3,653
Amortisation	34	32
Pension difference between service cost and contributions	(169)	(171)
Working capital movements		
Increase in debtors	(1,743)	(1,505)
Decrease/(increase) in stock	3	(11)
Increase/(decrease) in creditors	618	(104)
Taxation		
Corporation tax paid	(1,296)	(1,632)
Net cash inflow from operating activities	8,938	7,452

(b) Cash and cash equivalents

	At 31 March 2016	*At 31 March 2015*
	£'000	*£'000*
Cash at bank and in hand	59	245
Short term deposits	11,200	8,000
Cash and cash equivalents	11,259	8,245

(c) Major non-cash transactions

See note 18 for details of the dividend in specie for the year ended 31 March 2016.

Notes to the financial statements

at 31 March 2016

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 Pension Fund. 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 £596,000 (2015: £388,000) for the year and are charged to the profit and loss account as incurred.

The West Midlands Pension Fund 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 Barnett Waddingham to take account of the requirements of FRS 102 in order to assess the liabilities as at 31 March 2016. The employer expects to contribute £243,000 in the year to 31 March 2017.

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

	2016	*2015*
	£’000	*£’000*
Scheme assets at fair value:		
Equities	3,893	3,907
Government Bonds	501	522
Other Bonds	300	701
Property	531	575
Cash/liquidity	294	271
Other	914	635
Fair value of assets	6,433	6,611
Present value of scheme liabilities	(10,000)	(10,021)
Pension liability before deferred tax	(3,567)	(3,410)

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 2016

21. Pension commitments (continued)

The amounts recognised in the Income Statement and in the Statement of Comprehensive Income for the year are analysed as follows:

Recognised in the Income Statement:

	2016	*2015*
	£000	*£000*
Current service cost	(64)	(65)
Administration expenses	(3)	(1)
Recognised in arriving at operating profit	(67)	(66)
Net interest on pension scheme assets and liabilities	(102)	(126)
Other finance cost	(102)	(126)
Total recognised in the Income Statement	(169)	(192)

Analysis of amount recognised in the Statement of Comprehensive Income (SOCI):

	2016	*2015*
	£000	*£000*
Return on fund assets in excess of interest	(224)	656
Change in financial assumptions	-	(958)
Re-measurement loss recognised in the SOCI	(224)	(302)

	2016	*2015*
	%	*%*
Main assumptions:		
Rate of increase of salaries	3.75	3.75
Rate of increase of pensions in payment	2.00	2.00
Discount rate	3.10	3.10
Inflation assumptions	2.00	2.00
Post retirement mortality:		
Current pensioners at 65 - male	23.00	23.00
Current pensioners at 65 - female	25.70	25.60
Future pensioners at 65 - male	25.30	25.20
Future pensioners at 65 female	28.00	28.00

Notes to the financial statements

at 31 March 2016

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:

	2016	*2015*
	£’000	*£’000*
At 1 April	(10,021)	(9,200)
Current service cost	(64)	(65)
Interest cost	(305)	(385)
Member contributions	(13)	(17)
Actuarial losses	-	(958)
Benefits/transfers paid	403	604
At 31 March	(10,000)	(10,021)

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

	2016	*2015*
	£’000	*£’000*
At 1 April	6,611	6,047
Interest on plan assets	203	257
Administration expenses	(3)	(1)
Employer contributions	236	239
Benefits/transfers paid	(403)	(604)
Actuarial gains/(losses)	(224)	656
Member contributions	13	17
At 31 March	6,433	6,611

22. Capital commitments

At 31 March 2016 authorised future capital commitments contracted but not provided for amounted to £1,052,000 (2015: £295,000).

23. Other financial commitments

At 31 March 2016 the Company had future minimum rentals under non-cancellable operating leases as set out below:

		2016		*2015*
	Land and buildings	*Other*	*Land and buildings*	*Other*
	£’000	*£’000*	*£’000*	*£’000*
Within one year	86	34	86	56
In two to five years	345	7	345	35
Over five years	6,210	-	6,296	-
	6,641	41	6,727	91

Notes to the financial statements

at 31 March 2016

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 IAS 24. During the prior 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 prior year comparative 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 £6,397,000, £2,353,000 and £3,920,000 from Coventry City Council, Solihull Metropolitan Borough Council and Warwickshire County Council respectively (2015: £5,946,000, £2,404,000 and £1,295,000 respectively). Income received in advance at 31 March 2016, included in creditors due within one year, amounted to £3,967,000 and £1,907,000 from Coventry City Council and Solihull Metropolitan Borough Council respectively (2015: £3,880,000 and £1,858,000 respectively).

During the year payments to Coventry City Council and Solihull Metropolitan Borough Council for the provision of various services amounted to £105,000 and £15,000 respectively (2015: £104,000 and £7,500 respectively). 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 £557,000, £240,000 and £25,000 (2015: £604,000, £240,000 and £524,000 respectively). The net amount payable to Coventry City Council and Solihull Metropolitan Borough Council respectively at the year-end was £27,000 and £9,000 (2015: £22,000 and £nil respectively).

During the year the Company redeemed preference shares at par with a value of £2,950,000 and £1,475,000 from Coventry City Council and Solihull Metropolitan Borough Council respectively (2015: £2,200,000 and £1,100,000 respectively). During the year the Company declared interim dividends of £990,000 and £495,000 to Coventry City Council and Solihull Metropolitan Borough Council respectively in respect of the ordinary shares for the year ended 31 March 2016 (2015: £970,000 and £495,000 respectively).

Notes to the financial statements

at 31 March 2016

25. Transition to FRS 102

The Company made the transition to FRS 102 from previously extant UK GAAP as at 1 April 2014.

The impact of the transition to FRS 102 is as follows:

Reconciliation of Equity at 1 April 2014

	£'000
Equity shareholders' funds at 1 April 2014 under previous UK GAAP	13,290
Capitalisation of major parts and stand-by equipment	54
Capitalisation of software costs as intangible fixed assets	(16)
Deferred tax	(7)
Equity shareholders' funds at 1 April 2014 under FRS 102	13,321

Reconciliation of Equity at 31 March 2015

	£'000
Equity shareholders' funds at 31 March 2015 under previous UK GAAP	17,101
Capitalisation of major parts and stand-by equipment	65
Capitalisation of software costs as intangible fixed assets	(33)
Deferred tax	(6)
Equity shareholders' funds at 31 March 2015 under FRS 102	17,127

The following were changes in accounting policies arising from the transition to FRS 102:

Capitalisation of major parts and stand-by equipment

Under previous UK GAAP the Company treated some major spare parts and stand by equipment as stock, and these were written off when purchased. Under FRS 102 major spare parts and stand-by equipment are required to be treated as property, plant and equipment when an entity expects to use them during more than one period. Consequently the Company has determined that it will capitalise major spares stock items and depreciate them over their useful economic life.

Notes to the financial statements

at 31 March 2016

25. Transition to FRS 102 (continued)

Capitalisation of software costs as intangible fixed assets

Under previous UK GAAP software costs were accounted for with computer hardware and were classified as tangible assets. Under FRS 102, software costs that are not integral to related hardware must be recognised as intangible assets. Consequently the Company has identified separate software costs and will treat such costs as intangible assets and depreciate them over three years, unless another period is deemed more appropriate.

Pension Scheme

There is a presentation change under FRS 102 whereby net interest on the net defined benefit pension liability is presented in the profit and loss account using the liability discount rate. Under previous UK GAAP the interest on the expected return on net assets was calculated using an expected asset return discount rate. This had no impact on shareholders' equity on transition but affects the allocation of interest between the Income Statement and the Statement of Comprehensive Income.

Corporation Tax

As a result of the changes in taxable profit arising from the changes caused by the transition to FRS 102 the Company's liability in respect of corporation tax has increased.

Deferred Tax

Due to changes in amounts capitalised and depreciation rates caused by the transition to FRS 102 the deferred tax liability in respect of timing differences relating to fixed assets has changed. Deferred tax on the pension liability of £682,000, which was previously shown as a deduction from the pension liability, has been reclassified to deferred tax.

Reconciliation of profit and loss for the year ended 31 March 2015

	£'000
Profit for the year ended 31 March 2015 under previous UK GAAP	5,584
Capitalisation of major parts and stand-by equipment	11
Capitalisation of software costs as intangible fixed assets	(17)
Pension scheme	(101)
Corporation tax	22
Deferred tax	1
Profit for the year ended 31 March 2015 under FRS 102	5,500