Registered Number: 2690488

The Coventry and Solihull Waste Disposal Company Limited

Annual Report and Financial Statements

31 March 2018

Directors

K Starkey	
C Penson	
R Gray	(Non-executive)
P Johnson	(Non-executive)
B Hastie	(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 2018.

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:

	2018	*2017*	*Movement*
	£m	*£m*	*%*
Turnover	28.1	24.8	13.3
Operating profit	10.6	7.4	43.2
Profit before taxation	10.6	7.2	47.2
Shareholders' funds	22.8	22.6	0.9
Employee numbers	68	68	-

The increase in turnover and operating profit has been caused primarily by the continued positive impact of the improvements in operational performance arising from the ongoing investments in the combustion control process which has allowed the processing of higher volumes of waste, along with higher electrical export prices achieved this year.

The Company invested £3,315,000 (2017: £4,474,000) in tangible fixed asset additions during the year. The Company has a long term investment plan to maintain and improve operational performance and it continues to seek opportunities to secure long term contracts in order to fill future capacity and provide financial stability.

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 in 2016 to leave the European Union (EU), followed by the triggering in March 2017 of Article 50 of the Lisbon Treaty to begin the exit process, 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 as the exit date in March 2019 approaches, 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 2018.

Results and dividends

The profit for the year after taxation amounted to £8,557,000 (2017: £5,817,000). The directors have declared an interim dividend of £8,500,000, in respect of the ordinary shares for the year ended 31 March 2018 (2017: £5,536,000) of which £370,000 (2017: £nil) remained unpaid at the year-end.

Event since the balance sheet date

After the balance sheet date the Company issued one "C" ordinary share at par to Coventry City Council. This share was then sold to Leicestershire County Council.

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 service level agreements with the shareholders until at least 2038 which guarantee 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	
C Penson	
R Gray	(Non-executive)
P Johnson	(Non-executive)
C West	(Non-executive – resigned 31 May 2018)
B Hastie	(Non-executive – appointed 31 May 2018)

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.

Directors' report (continued)

Financial instruments

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

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) including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under Company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and 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

Opinion

We have audited the financial statements of The Coventry and Solihull Waste Disposal Company Limited for the year ended 31 March 2018 which comprise the Income Statement, the Statement of Comprehensive Income, the Statement of Changes in Equity, the Statement of Financial Position and the Statement of cash flows and the related notes 1 to 21, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 March 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

Independent auditors' report (continued)

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

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and

- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

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

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:
- adequate accounting records have not been kept or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

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

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

Independent auditors' report (continued)

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

Auditor's responsibilities for the audit of the financial statements

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

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

Use of our report

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

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 2018

	Notes	2018 £'000	2017 £'000
Turnover	2	28,068	24,786
Cost of sales		(11,525)	(11,720)
Gross profit		16,543	13,066
Distribution costs		(27)	(22)
Administrative expenses		(5,890)	(5,692)
Operating profit	3	10,626	7,352
Loss on disposal of fixed assets		-	(60)
Interest receivable	6	41	34
Other finance costs	7	(55)	(107)
Profit before taxation		10,612	7,219
Tax	8	(2,055)	(1,402)
Profit for the financial year		8,557	5,817

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

Statement of comprehensive income

for the year ended 31 March 2018

	Note	2018 £'000	2017 £'000
Profit for the financial year		8,557	5,817
Actuarial gain on pension scheme	18	181	908
Deferred tax relating to actuarial gain on pension scheme	8(b)	(31)	(185)
Total comprehensive income for the year		8,707	6,540

Statement of changes in equity

for the year ended 31 March 2018

	Called up share capital	***Capital redemption reserve***	***Profit and loss account***	***Total share-holders' funds***
	£'000	*£'000*	*£'000*	*£'000*
At 1 April 2016	-	14,925	6,682	21,607
Profit for the year	-	-	5,817	5,817
Actuarial gain on pension scheme	-	-	908	908
Deferred tax on actuarial gain	-	-	(185)	(185)
Dividends paid to shareholders (note 15)	-	-	(5,536)	(5,536)
At 1 April 2017	-	14,925	7,686	22,611
Profit for the year	-	-	8,557	8,557
Actuarial gain on pension scheme	-	-	181	181
Deferred tax on actuarial gain	-	-	(31)	(31)
Dividends paid to shareholders (note 15)	-	-	(8,500)	(8,500)
At 31 March 2018	-	14,925	7,893	22,818

Statement of financial position

at 31 March 2018

	Notes	*2018* *£'000*	*2017* *£'000*
Fixed assets			
Intangible assets	9	66	104
Tangible assets	10	23,223	23,215
		23,289	23,319
Current assets			
Stocks	11	18	11
Debtors	12	4,075	3,896
Current asset investments		2,000	3,000
Cash and cash equivalents		11,172	8,953
		17,265	15,860
Creditors: amounts falling due within one year	13	(14,493)	(13,195)
Net current assets		2,772	2,665
Total assets less current liabilities		26,061	25,984
Provision for liabilities	8(e)	(835)	(788)
Net assets excluding pension liability		25,226	25,196
Pension liability	18	(2,408)	(2,585)
Net assets		22,818	22,611
Capital and reserves			
Called up share capital	14	-	-
Capital redemption reserve	16	14,925	14,925
Profit and loss account		7,893	7,686
Shareholders' funds		22,818	22,611

Approved on behalf of the board by

K Starkey

Director

Date:

Statement of cash flows

for the year ended 31 March 2018

	Note	*2018* *£'000*	*2017* *£'000*
Net cash inflow from operating activities	17(a)	11,863	8,915
Investing activities			
Interest received		41	34
Payments to acquire intangible fixed assets		(11)	(87)
Payments to acquire tangible fixed assets		(3,674)	(4,168)
Movements in short term deposits		1,000	(3,000)
Net cash outflow from investing activities		(2,644)	(7,221)
Financing			
Dividends paid to shareholders		(7,000)	(4,000)
Net cash outflow from financing activities		(7,000)	(4,000)
Increase/(decrease) in cash and cash equivalents		2,219	(2,306)
Cash and cash equivalents at 1 April		8,953	11,259
Cash and cash equivalents at 31 March		11,172	8,953

Notes to the financial statements

at 31 March 2018

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 12 July 2018. 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 2018.

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 estimates 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 defined benefit scheme is accounted for using methods that rely on actuarial assumptions to estimate costs and liabilities for inclusion in the financial statements. These actuarial assumptions include discount rates, assumed rates of return, salary increases and mortality rates.

The deficit on the defined benefit pension scheme is reported on the balance sheet as the pension liability.

Notes to the financial statements

at 31 March 2018

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 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.

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 as current asset investments.

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 2018

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 2018

3. Operating Profit

This is stated after charging:

		2018	*2017*
		£'000	*£'000*
Auditors' remuneration	- audit services	22	22
	- non-audit services - taxation	12	11
		34	33
Depreciation		3,290	3,769
Amortisation		49	41
Loss on disposal of fixed assets		17	60
Operating lease rentals	- land and buildings	86	86
	- plant and machinery	53	53

4. Directors' emoluments

	2018	*2017*
	£'000	*£'000*
Emoluments	286	281
Pension contributions to money purchase schemes	58	55
	No.	*No.*
Members of money purchase pension schemes	2	2
In respect of the highest paid director:		
	£	£
Emoluments	136	133
Pension contributions to money purchase schemes	23	22

Notes to the financial statements
at 31 March 2018

5. Staff costs

	2018	*2017*
	£'000	*£'000*
Wages and salaries	2,943	2,927
Social security costs	328	320
Other pension costs	774	694
	4,045	3,941

Included in other pension costs are £35,000 (2017: £54,000) in respect of the defined benefit scheme, and £736,000 (2017: £640,000) in respect of the defined contribution schemes.

The average monthly number of employees during the year amounted to 68 (2017: 68). This excludes 3 non-executive directors.

6. Interest receivable and similar income

	2018	*2017*
	£'000	*£'000*
Bank interest receivable	41	34

7. Other finance costs

	2018	*2017*
	£'000	*£'000*
Net interest cost on pension scheme assets and liabilities	(55)	(107)

Notes to the financial statements

at 31 March 2018

8. Tax

(a) Tax on profit

The tax charge is made up as follows:

	2018	*2017*
	£'000	*£'000*
Current tax:		
UK corporation tax on the profits for the year	2,028	1,551
Adjustments in respect of previous periods	11	(3)
Total current tax	2,039	1,548
Deferred tax:		
Origination and reversal of timing differences	22	(74)
Adjustment in respect of previous periods	(4)	(12)
Effect of changes in tax rate	(2)	(60)
Total deferred tax	16	(146)
Tax on profit (note 8(c))	2,055	1,402

(b) Tax included in statement of other comprehensive income

Deferred tax current year charge	31	185
	31	185

(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 19% (2017: 20%). The differences are explained below:

	2018	*2017*
	£'000	*£000*
Profit before taxation	10,612	7,219
Profit multiplied by standard rate of corporation tax in the UK of 19% (2017: 20%)	2,016	1,444
Effects of:		
Expenses not deductible	34	34
Adjustments from previous periods	7	(15)
Tax rate changes	(2)	(61)
Total tax on profit for the year (note 8(a))	2,055	1,402

Notes to the financial statements

at 31 March 2018

8. Tax (continued)

(d) Factors that may affect future tax charges

The standard rate of Corporation Tax in the UK reduced from 20% to 19% with effect from 1 April 2017, consequently the Company's profits for this accounting period are taxed at an effective rate of 19%. The standard rate will fall further to 17% with effect from 1 April 2020. The reduction to 17% was enacted during the prior period and any deferred tax balances have been stated at a rate of 17%.

(e) Deferred tax

	2018	*2017*
	£'000	*£'000*
Pensions	409	439
Capital allowances in advance of depreciation	(1,249)	(1,232)
Other timing differences	5	5
Provision for deferred taxation	(835)	(788)

	£'000
Provision for deferred taxation at 1 April 2017	(788)
Adjustment in respect of prior years	4
Deferred tax charge to income statement for the period	(20)
Deferred tax charge in SOCI for the period	(31)
Provision for deferred taxation at 31 March 2018	(835)

Notes to the financial statements

at 31 March 2018

9. Intangible fixed assets

	Licence Costs	*Software Costs*	*Total*
	£'000	*£'000*	*£'000*
Cost:			
At 1 April 2017	28	221	249
Additions	-	11	11
At 31 March 2018	28	232	260
Amortisation:			
At 1 April 2017	28	117	145
Provided during the year	-	49	49
At 31 March 2018	28	166	194
Net book value:			
At 31 March 2018	-	66	66
At 31 March 2017	-	104	104

Notes to the financial statements

at 31 March 2018

10. Tangible fixed assets

	Land and Buildings	*Plant and Machinery*	*Fixtures and Fittings*	*Total*
	£'000	*£'000*	*£'000*	*£'000*
Cost:				
At 1 April 2017	6,762	57,439	798	64,999
Additions	474	2,731	110	3,315
Disposals	(92)	(2,390)	(30)	(2,512)
At 31 March 2018	7,144	57,780	878	65,802
Depreciation:				
At 1 April 2017	4,364	36,791	629	41,784
Provided during the year	262	2,881	147	3,290
Disposals	(91)	(2,374)	(30)	(2,495)
At 31 March 2018	4,535	37,298	746	42,579
Net book value:				
At 31 March 2018	2,609	20,482	132	23,223
At 31 March 2017	2,398	20,648	169	23,215

Tangible fixed assets include £801,000 of assets under construction (2017: £930,000).

The net book value of land and buildings comprises:

	2018	*2017*
	£'000	*£'000*
Long leasehold	2,608	2,398

11. Stocks

	2018	*2017*
	£'000	*£'000*
Raw materials	18	11

Stocks recognised as an expense in the period were £479,000 (2017: £546,000)

Notes to the financial statements

at 31 March 2018

12. Debtors

	2018	*2017*
	£'000	*£'000*
Trade debtors	2,466	2,948
Prepayments and accrued income	1,609	948
	4,075	3,896

13. Creditors: amounts falling due within one year

	2018	*2017*
	£'000	*£'000*
Trade creditors	3,705	3,584
Dividend payable	370	-
Corporation tax	1,112	914
Other taxation and social security	1,581	1,541
Accruals and deferred income	7,725	7,156
	14,493	13,195

14. Issued share capital

		2018		*2017*
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

After the balance sheet date the Company issued one "C" ordinary share at par to Coventry City Council. This share was then sold to Leicestershire County Council.

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.

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.

Notes to the financial statements

at 31 March 2018

15. Dividends

	2018	*2017*
	£'000	*£'000*
Interim dividend in specie for year settled via trade debts during the year	1,130	1,536
Interim dividend accrued	370	-
Interim dividend for year settled by cash	7,000	4,000
	8,500	5,536

The accrued interim dividend was a legally binding liability and was paid subsequent to the year end.

16. Reserves

Capital redemption reserve

This reserve records the nominal value of preference shares redeemed by the Company. The final preference shares were fully redeemed in the year ended 31 March 2016.

Notes to the financial statements

at 31 March 2018

17. Notes to the statement of cash flows

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

	2018	*2017*
	£'000	*£'000*
Profit before taxation	10,612	7,219
Adjustments to reconcile profit for the year to net cash from operating activities		
Loss on disposal of fixed assets	17	60
Interest receivable	(41)	(34)
Other finance costs	55	107
Depreciation	3,290	3,769
Amortisation	49	41
Pension difference between service cost and contributions	(51)	(181)
Working capital movements		
Increase in debtors	(1,679)	(1,634)
(Increase)/decrease in stock	(7)	29
Increase in creditors	1,459	1,072
Taxation		
Corporation tax paid	(1,841)	(1,533)
Net cash inflow from operating activities	11,863	8,915

(b) Cash and cash equivalents

	At 31 March 2018	*At 31 March 2017*
	£'000	*£'000*
Cash at bank and in hand	972	453
Short term deposits	10,200	8,500
Cash and cash equivalents	11,172	8,953

(c) Major non-cash transactions

See note 15 for details of the dividend in specie for the year ended 31 March 2018.

Notes to the financial statements

at 31 March 2018

18. 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.

Defined Contribution Scheme

Contributions made to the defined contribution scheme amounted to £736,000 (2017: £640,000) for the year and are charged to the profit and loss account as incurred.

Defined Benefit 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 scheme is not available to new employees joining the Company.

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 2016 and has been updated by Barnett Waddingham (an independent actuary) to take account of the requirements of FRS 102 in order to assess the liabilities as at 31 March 2018. The employer expects to contribute £90,000 in the year to 31 March 2019.

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

	2018	*2017*
	£’000	*£’000*
Scheme assets at fair value:		
Equities	4,590	4,889
Government Bonds	525	616
Other Bonds	275	315
Property	553	585
Cash/liquidity	177	217
Other	1,063	970
Fair value of assets	7,183	7,592
Present value of scheme liabilities	(9,591)	(10,177)
Pension liability	(2,408)	(2,585)

Notes to the financial statements

at 31 March 2018

18. 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:

	2018	*2017*
	£000	*£000*
Current service cost	(35)	(54)
Administration expenses	(3)	(3)
Recognised in arriving at operating profit	(38)	(57)
Net interest on pension scheme assets and liabilities	(55)	(107)
Recognised in other finance cost	(55)	(107)
Total recognised in the Income Statement	(93)	(164)

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

	2018	*2017*
	£000	*£000*
Return on fund assets in excess of interest	(158)	1,157
Other actuarial gains on assets	-	122
Change in financial assumptions	339	(1,382)
Change in demographic assumptions	-	288
Experience gain on defined benefit obligation	-	723
Actuarial gain recognised in the SOCI	181	908

	2018	*2017*
	%	*%*
Main assumptions:		
Rate of increase of salaries	3.85	3.90
Rate of increase of pensions in payment	2.35	2.40
Discount rate	2.45	2.20
Inflation assumptions (CPI)	2.35	2.40
Duration of scheme liabilities (years)	12.00	12.00
Post retirement mortality (years):		
Current pensioners at 65 - male	21.90	21.80
Current pensioners at 65 - female	24.30	24.20
Future pensioners at 65 - male	24.00	23.90
Future pensioners at 65 female	26.60	26.50

Notes to the financial statements

at 31 March 2018

18. 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:

	2018	*2017*
	£’000	*£’000*
At 1 April	(10,177)	(10,000)
Current service cost	(35)	(54)
Interest cost	(218)	(302)
Change in financial assumptions	339	(1,382)
Change in demographic assumptions	-	288
Experience gain on defined benefit obligations	-	723
Member contributions	(6)	(11)
Benefits/transfers paid	506	561
At 31 March	(9,591)	(10,177)

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

	2018	*2017*
	£’000	*£’000*
At 1 April	7,592	6,433
Interest on plan assets	163	195
Administration expenses	(3)	(3)
Employer contributions	89	238
Benefits/transfers paid	(506)	(561)
Returns on assets less interest	(158)	1,157
Other actuarial gains	-	122
Member contributions	6	11
At 31 March	7,183	7,592

19. Capital commitments

At 31 March 2018 authorised future capital commitments contracted but not provided for amounted to £372,000 (2017: £393,000).

Notes to the financial statements

at 31 March 2018

20. Other financial commitments

At 31 March 2018 the Company had future minimum rentals under non-cancellable operating leases as set out below:

		2018		*2017*
	Land and buildings	*Other*	*Land and buildings*	*Other*
	£'000	*£'000*	*£'000*	*£'000*
Within one year	86	36	86	53
In two to five years	345	93	345	179
Over five years	6,037	1	6,123	2
	6,468	130	6,554	234

21. 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 102.33. However, Coventry City Council and Solihull Metropolitan Borough Council as local government bodies have joint control over the Company, and the Company is therefore exempt from having to disclose related party transaction with these shareholders. Related party transaction with Warwickshire County Council are as follows:

Under a contract negotiated with Warwickshire County Council, the Company received income for the processing of household and commercial waste amounting to £3,603,000 (2017: £3,962,000). The net amount receivable from Warwickshire County Council at the year-end was £489,000 (2017: £599,000).