Registered No. 2826294

MES Environmental Limited

Report and Financial Statements

For the year ended
31 December 2020

Directors
F R G Favre
L F Roux

Independent auditors
PricewaterhouseCoopers LLP
One Chamberlain Square,
Birmingham
B3 3AX

Registered office
Crown Street
Wolverhampton
West Midlands
WV1 1QB

Registered number
2826294

Strategic report for the year ended 31 December 2020
The directors present their strategic report on MES Environmental Limited ("the company") for the year ended 31 December 2020

Review of the business and key performance indicators ("KPIs")
The company's primary financial key performance indicator is operating profit. This KPI is illustrated in these financial statements by the level of operating profit, which has decreased to £2,205,368 (2019: £3,032,896). The decrease in operating profits was primarily caused by a combination of higher repair and maintenance costs for the turbine outage at the Stoke plant and an increase in group recharges in comparison with the prior year.

The three waste to energy plants operated by the company use non-financial KPIs to track performance. The principal non-financial KPI is set out below.

	2020	2019
Tonnes burnt	**401,991**	388,925

The increase in tonnages burnt was due to the fact that all three energy from waste plants had good availability and one plant benefitted from plant modifications improving its throughput.

The company had a net asset position of £8,905,498 as at 31 December 2020 (2019: £9,321,867).

The outlook for 2021 is positive but it is expected to see decreased electricity revenue on one of the plants due to an extended turbine repair. COVID-19 presents risks to the business, but our business and its front-line workers are seen as a key industry providing a public service in dealing with household residual waste. There continues to be a satisfactory level of demand for the services and our business is aiming to continue to provide the service throughout the COVID-19 lockdown period.

Promoting the success of the company and section 172(1) statement of the Companies Act 2006 (section 172)
The directors' overarching duty is to promote the success of the company for the benefit of its shareholders, with consideration of stakeholders' interests, as set out in section 172. The board regards a well governed business as essential for the successful delivery of its principal activity.
The directors are aware of their duty under section 172 to act in the way which they consider, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole and, in doing so, to have regard (amongst other matters) to:

a) the likely consequences of any decision in the long term;
b) the interests of the company's employees;
c) the need to foster the company's business relationships with suppliers, customers and others;
d) the impact of the company's operations on the community and the environment;
e) the desirability of the company maintaining a reputation for high standards of business conduct; and
f) the need to act fairly as between members of the company.

During 2020 the company continued to operate as a subsidiary undertaking of CNIM Groupe SA, which prepares group accounts and is incorporated in France, with its shares listed on the Euronext Paris stock exchange.

The Board of CNIM Groupe SA manages the group's operations on a global basis. From the perspective of the board, as a result of the group governance structure, the matters that it is responsible for considering under section 172 have been considered to an appropriate extent by the group board in relation both to the group and to this entity. The board has also considered relevant matters where appropriate. To the extent necessary for an understanding of the development, performance and position of the entity, the company's directors believe that the requirements of section 172 (1) (a) – (f) are discussed in detail in the group's 2020 Registration Document, which does not form part of this report.

Principal risks and uncertainties facing the business
The directors see the primary risks and uncertainties facing the business are:

- Further development of more waste to energy plants that could possibly lead to a saturation point in which gate fee prices are reduced which in turn means that the plants may experience waste shortages which would affect profits and possibly operational efficiencies. However, the outlook in the short and medium term is that there is a need for more energy from waste plants, due to the high demand levels for alternative disposal routes other than landfill. But in case the situation changes, whereby the level of supply starts to exceed demand then the business has responded by increasing the types of licenced waste it can incinerate and will continue to increase the number of categories if required thereby diversifying the risk on just a few waste type categories.
- Political risk in which government policies have a direct impact on costs of incinerating and disposing of residues as well as a change in direction of how waste is to be dealt with. The company takes an active role in attending our trade association, Environmental Services Association and contributes to its response to government proposed legal changes affecting the industry.
- Contractual risk in which the company may fail to win further operating contracts, although this risk is a medium-term risk. The company is exploring other operations and maintenance contracts in order to mitigate the loss of a contract. This contractual risk has been mitigated by the signing of a 25-year Operations and Maintenance contract.
- COVID-19 presents the business with certain risks, although the business is a key industry and aims to continue to operate as normal throughout the COVID-19 situation. There are risks that may prevent the business from continuing to provide these services such as shortage of manpower due to self-isolations, interruptions of supply of key consumables and chemicals, residue destinations becoming unavailable and haulage problems and the effects on maintenance programmes. The business is dealing with these risks with risk meetings to discuss these issues, safeguards have been introduced to reduce the spread of infection within the workplace and alternative suppliers are being used and sought for key consumables if and when there is a possible interruption of supply. The industry has received certain dispensations from the regulatory authorities to help the industry continue to provide the service if necessary as well.

Signed on behalf of the board

L F Roux
Director
25 October 2021

The directors present their report and audited financial statements for the year ended 31 December 2020.

Results and dividends
The profit for the financial year after taxation is £1,789,301 (2019: £2,482,543). A dividend of £2,200,000 at £440 per ordinary share was approved and paid in 2020 (2019: £nil at £nil per ordinary share).

Principal activities
The company is incorporated and domiciled in the UK and its principal activities during the year were projects involving waste treatment, management and disposal. The company operates three waste to energy plants on behalf of related parties and a Household Waste Recycling Centre. On 31 March 2020 the Operation and Maintenance Contract of the Household and Waste Recycling Centre expired and was not extended nor re-tendered and as a result the service and its employees transferred back to the City of Stoke Council.

Financial risk management
In the opinion of the directors the company is not exposed to any significant financial risk arising from foreign currencies, variable interest rates or insolvency of its key customers other than that arising from transactions entered into with fellow group companies and other related parties. The company does not enter into any interest rate or currency hedging, but does follow active credit control management procedures to minimise as far as possible credit risk.

Political and charitable donations
There were no political donations for the year (2019: £nil).

Directors
The directors who were in office during the year and up to the date of signing the financial statements were:

B R Joly (resigned 30 July 2021)
M El Bounaamani (resigned 4 September 2020)
S GM Ancel (resigned 1 August 2020)
S Danieli (appointed 1 April 2021 and resigned 30 July 2021)
F R G Favre (appointed 30 July 2021)
L F Roux (appointed 30 July 2021)

Directors' qualifying third party indemnity provision
The company has granted an indemnity to one or more of its directors against liability in respect of proceedings brought by third parties, subject to the conditions set out in the Companies Act 2006. Such qualifying third-party indemnity provision was in force during the year.

Subsequent events

The directors welcome the announcement on 21 October 2021 by CNIM Groupe SA, the current ultimate parent undertaking and controlling party, of the finalisation of its second financial restructuring, following the satisfaction of the conditions set out in the conciliation agreement approved by the Paris Commercial Court on 13 August 2021.

Since July 2021, issues have arisen in relation to the company obtaining full insurance cover for the three waste for energy plants. Discussions continue to resolve the situation, but this is expected to result in cost increases. This is a non-adjusting post balance sheet event.

Future developments
The company will continue to focus on its operational excellence in respect to operating contracts with a strong focus on maintaining and improving its health and safety and environmental standards.

Stakeholder engagement

Employees

From the perspective of the board, as a result of the group governance structure, the group board has taken the lead in carrying out the duties of a board in respect of the company's employees, including engaging with them, having regard to their interests and the effect of that regard (including on the principal decisions taken by the company during the financial year). The board of the company has also considered relevant matters where appropriate. An explanation of how the group board has carried out these responsibilities (for the group and for the entity) is set out in the group's 2020 Registration Document, which does not form part of this report.

Other stakeholders

Similarly, from the perspective of the board, as a result of the group governance structure, the group board has taken the lead in carrying out the duties of a board in respect of the company's other stakeholders. The board of the company has also considered relevant matters where appropriate. An explanation of how the directors on the group board have had regard to the need to foster the company's business relationships with suppliers, customers and others, and the effect of that regard, including on the principal decisions taken by the company during the financial year, is set out (for the group and for the entity) in the group's 2020 Registration Document, which does not form part of this report.

The company engages with stakeholder groups (suppliers, employees, customers, consumers, investors and communities and non-governmental organizations) in a variety of formal and informal settings. These range from meetings with local, regional, national and international groups to ongoing dialogues with our customers and consumers.

The Board believes in the importance of conducting business responsibly. That means behaving ethically, respecting people and respecting the environment.

The company aims to maintain high standard of business conduct and stakeholder engagement and to ensure a positive impact on the community and environment in which it operates. This requires monitoring and consideration of its stakeholders by building strong relationships with suppliers, customers, communities and authorities among others.

Statement of directors' responsibilities in respect of these financial statements

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law).

Under company law, 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 the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101 have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

Statement of directors' responsibilities in respect of these financial statements (continued)

The directors 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.

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.

Going Concern

After making enquiries and considering the continued profitability of the company, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements. However, attention is drawn to the material uncertainty referred to in note 1 to the financial statements.

Statement of disclosure of information to auditors

Each of the persons who are directors at the time when this Directors' report is approved has confirmed that:

- so far as that director is aware, there is no relevant audit information of which the company's auditors are unaware, and
- each director has taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

On behalf of the Board

L F Roux
Director
25 October 2021

Report on the audit of the financial statements

Opinion

In our opinion, MES Environmental Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Report and Financial Statements (the "Annual Report"), which comprise: the statement of financial position as at 31 December 2020; the statement of comprehensive income, the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Material uncertainty related to going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 1 to the financial statements concerning the company's ability to continue as a going concern. The company is a subsidiary of CNIM Groupe SA ("the ultimate parent undertaking" and "the group") and is dependent on the group. The group has recently undertaken a second financial restructuring and has announced a planned disposal programme that may impact the company. CNIM Groupe SA is expected to have adequate medium-term funding following the second financial restructuring, but its latest reported financial position shows a net liability position, and the group has been loss making in recent times. There remains uncertainty in relation to the finalisation of ongoing contracts, the ability to secure new contracts and the outcome of the planned disposal programme. Furthermore, if the company is sold as part of a future transaction, the directors do not have visibility over the future intentions of the acquirer and whether the new parent company would continue to provide the required support for the company. These conditions, along with the other matters explained in note 1 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the company were unable to continue as a going concern.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Report on the audit of the financial statements (continued)

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance 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 an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic report and Directors' report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic report and Directors' report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' report for the year ended 31 December 2020 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of directors' responsibilities in respect of the financial statements, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they 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.

Report on the audit of the financial statements (continued)

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to environmental legislation, health and safety legislation, employment legislation and UK taxation legislation, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting of non-standard journals to the statement of comprehensive income or manipulating accounting estimates which could be subject to management bias. Audit procedures performed included:

- enquiries of management;
- review legal expense accounts and board minutes;
- obtained an understanding of the control in monitoring compliance with laws and regulations;
- auditing the risk of management override of controls, including testing non-standard journal entries and unpredictable procedures around cash payments; and
- testing of accounting estimates which could be subject to management bias.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

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

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.

Simon Evans

Simon Evans (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Birmingham
25 October 2021

MES Environmental Limited

Statement of comprehensive income

For the year ended 31 December 2020

	Note	2020 £	2019 £
Revenue		**22,175,562**	20,384,104
Cost of sales		**(2,458,618)**	(2,333,894)
Gross profit		**19,716,944**	18,050,210
Administrative expenses		**(17,511,576)**	(15,017,314)
Operating profit	4	**2,205,368**	3,032,896
Finance income	2	**37,405**	46,587
Finance costs	3	**(7,672)**	(16,083)
Profit before tax		**2,235,101**	3,063,400
Tax on profit	6	**(445,800)**	(580,857)
Profit for the financial year		**1,789,301**	2,482,543
Other comprehensive (expense) (net of tax)		**(5,670)**	(2,490)
Total comprehensive income for the financial year		**1,783,631**	2,480,053

The activities of the company during both years relate to continuing activities.

The notes on pages 14 to 30 form part of these financial statements.

MES Environmental Limited

Statement of financial position

Registered No. 2826294

As at 31 December 2020

	Note	2020 £	2019 £
Fixed assets			
Intangible assets	7	**8,455**	15,046
Property, plant and equipment	8	**792,438**	945,337
Right of use assets	9	**11,070**	-
		811,963	960,383
Current assets			
Inventories	11	**1,545,543**	1,658,431
Trade and other receivables	12	**10,454,018**	7,908,922
Cash at bank and in hand		**1,753,744**	4,400,379
		13,753,305	13,967,732
Current liabilities			
Creditors - amounts falling due within one year	13	**(5,829,908)**	(5,114,430)
		(5,829,908)	(5,114,430)
Net current assets		**7,923,397**	8,853,302
Total assets less current liabilites		**8,735,360**	9,813,685
Provisions for liabilities	16	**(1,784,262)**	(2,212,218)
Net assets excluding net post employment benefits		**6,951,098**	7,601,467
Post employment benefits	17	**1,954,400**	1,720,400
Net assets		**8,905,498**	9,321,867
Equity			
Called up share capital	18	**5,000**	5,000
Retained earnings		**8,900,498**	9,316,867
Total equity		**8,905,498**	9,321,867

The financial statements on pages 11 to 30 were approved and authorised for issue by the board on 25 October 2021 and signed on its behalf by:

L F Roux
Director
25 October 2021

The notes on pages 14 to 30 form part of these financial statements.

MES Environmental Limited

Statement of changes in equity

For the year ended 31 December 2020

	Called up Share capital £	*Retained earnings* £	*Total equity* £
At 1 January 2019	5,000	6,836,814	6,841,814
Profit for the financial year	-	2,482,543	2,482,543
Remeasurement losses on post-employment benefits	-	(3,000)	(3,000)
Deferred tax on remeasurement losses	-	510	510
At 31 December 2019	5,000	9,316,867	9,321,867
At 1 January 2020	5,000	9,316,867	9,321,867
Profit for the financial year	-	1,789,301	1,789,301
Remeasurement losses on post-employment benefits	-	(7,000)	(7,000)
Deferred tax on remeasurement losses	-	1,330	1,330
Dividend paid	-	(2,200,000)	(2,200,000)
At 31 December 2020	**5,000**	**8,900,498**	**8,905,498**

1. Accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

General information

MES Environmental Limited is a private company limited by shares and is domiciled in England and Wales. The company's registered office is Crown Street, Wolverhampton, West Midlands.

The principal activity of the company during the year was the services connected with the incineration of waste and the production of electricity energy thereby generated. The results for the year are considered to be satisfactory along with the future prospects of the company, due to CNIM Groupe SA's increasing presence in the UK.

Basis of preparation of these financial statements

The company has prepared these financial statements in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' ('FRS 101'). These financial statements have been prepared under the going concern basis, the historical cost convention and in accordance with the Companies Act 2006 as applicable to companies using FRS 101. The principal accounting policies, which have been applied consistently throughout the year, are set out below.

There are no new and amended standards adopted by the company that have a material impact on the financial statements. No new standards, amendments or interpretations to existing standards that are not yet effective have been adopted by the company that would have a material impact on these financial statements.

The company has adopted disclosure exemptions in relation to the following:

- The comparative information requirements of paragraph 38 of IAS 1 Presentation of Financial Statements in respect of paragraph 79(a)(iv) of IAS 1, paragraph 73(e) of IAS 16 Property, Plant and Equipment and paragraph 118(e) of IAS 38 Intangible Assets (reconciliations between the carrying amount at the beginning and end of the year)
- The requirements of paragraphs 10(d) (statement of cash flows), 16 (statement of compliance with all IFRS), 111 (cash flow statement information) and 134-136 (capital management disclosures) of IAS 1 Presentation of Financial Statements
- The requirements of IAS 7 Statement of Cash Flows
- The requirements of Paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors
- The requirements of Paragraph 17 of IAS 24 Related Party Disclosures (key management compensation)
- The requirements of IAS 24 Related party disclosures to disclose related party transactions entered into between two or more members of a group
- The requirements of IFRS 7 Financial Instruments: Disclosures
- The requirements of paragraphs 91 to 99 of IFRS 13 Fair value measurement (disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities)
- The requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119 (a) to (c), 120 to 127 and 129 of IFRS 15 Revenue from Contracts with Customers
- the requirements of paragraph 52, the second sentence of paragraph 89, and paragraphs 90, 91 and 93 of IFRS 16 'Leases'; and the requirements of paragraph 58 of IFRS 16, provided that the disclosure of details of indebtedness required by paragraph 61(1) of Schedule 1 to the Regulations is presented separately for lease liabilities and other liabilities, and in total.

1. **Accounting policies (continued)**

Going concern
The company is a subsidiary of CNIM Groupe SA ("the ultimate parent undertaking" and "the group") which has recently undertaken a second financial restructuring and has announced a planned disposal programme that may impact the company. CNIM Groupe SA is expected to have adequate medium-term funding following the second financial restructuring, but its latest reported financial position shows a net liability position, and the group has been loss making in recent times. There remains some uncertainty in relation to the finalisation of ongoing contracts, the ability to secure new contracts and the outcome of the planned disposal programme. Furthermore, if the company is sold as part of a future transaction, the directors do not have visibility over the future intentions of the acquirer and whether the new parent company would continue to provide the required support for the company. Further information on the financial position of CNIM Groupe SA can be found at www.cnim.com/en/finance.

The company is dependent on CNIM Groupe SA. Consequently, there are material uncertainties regarding the company's ability to continue as a going concern. If the group's cash flow projections are not achieved, the company may not be able to realise its assets and settle its liabilities in the normal course of business, which may make it inappropriate to apply the principle of going concern, particularly for measuring assets and liabilities. However, given the second financial restructuring of the group and the business outlook, the directors have at the time of approving the financial statements, a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future, being at least twelve months from the date of the approval of these financial statements. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

Presentational reclassification of debtors and cash

These financial statements include an opening balance reclassification as at 31 December 2019 of £1,500,000 of group cash pool balances to amounts owed by group undertakings in debtors which was shown as cash and cash equivalents in the prior year financial statements.

Revenue recognition
Revenue comprises the value of goods and services (excluding VAT and trade discounts) provided in the normal course of business. The company provides operations and maintenance services to waste to energy plants under waste disposal contracts. The company transfers control of its performance obligations for waste incineration and electricity generation for the waste to energy plant over time, as the customer simultaneously receives and consumes the benefits provided by the company's performance as the services are performed. Revenue from providing good and services is therefore recognised in the accounting period in which the work is performed and the services provided to the customer.

1. Accounting policies (continued)

Financial instruments

Financial assets at amortised cost (including trade debtors and amounts owed by group undertakings) are primarily financial assets with fixed or determinable payments that are not traded in an active market. Financial assets at amortised cost are reported in the statement of financial position under "Trade and other receivables." Initial measurement takes place at fair value plus transaction costs. They are subsequently measured at amortised cost, using the effective interest method. Valuation allowances are provided for identifiable individual risks based on expected credit losses. Trade debtor balances are reviewed for possible impairment using an expected credit loss model. The company applies the simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. For amounts owed by group undertakings, a 12-month expected credit loss model is used to measure the expected credit loss on the basis of low probability of default on these balances and minimal levels of interest being charged on the balances. The estimates and assumptions used to determine the level of expected credit losses are reviewed periodically.

Financial liabilities (including trade payables and other payables) are measured at amortised cost, using the effective interest method. Initial measurement takes place at fair value net of transaction costs incurred. In subsequent periods, the amortisation and accretion of any premium or discount is included in finance costs/income.

Financial instruments are classified and accounted for, according to the substance of the contractual arrangement, as financial assets, financial liabilities or equity instruments. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Where shares are issued, any component that creates a financial liability of the Company is presented as a liability in the statement of financial position.

The corresponding dividends relating to the liability component are charged as interest expense in the statement of comprehensive income.

Impairment of assets

At each statement of financial position date financial and non-financial assets not carried at fair value are assessed to determine whether there is an indication that the assets may be impaired. If there is such an indication the recoverable amount of the asset is compared to the carrying amount of the asset.

The recoverable amount of the asset is the higher of the fair value less costs to sell and value in use. Value in use is defined as the present value of the future cash flows before interest and tax obtainable as a result of the asset's continued use. The cash flows are discounted using a pre-tax discount rate that represents the current market risk-free rate and the risks inherent in the asset.

If the recoverable amount of the asset is estimated to be lower than the carrying amount, the carrying amount is reduced to its recoverable amount and an impairment loss is recognised in the statement of comprehensive income.

Cash and cash equivalents

Cash and cash equivalents include cash In hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less and bank overdrafts.

1. Accounting policies (continued)

Property, plant and equipment
Property, plant and equipment are stated at historical cost less depreciation and any provision for impairment.

Assets under construction
Assets under construction are not amortised / depreciated and recorded separately in the property, plant and equipment and intangible assets until such time as they are fully commissioned and able to be used by the business in which case they are transferred to the relevant fixed asset category and depreciated / amortised according to the depreciation / amortisation policy.

Depreciation
Depreciation is calculated to allocate the cost or revalued amounts of property, plant and equipment to their residual values over their estimated useful lives or when contracts are due to expire whichever is sooner, as follows:

Freehold property	25 years
Plant & Machinery	1-16 years
Fixtures & Fittings	1-10 years
Equipment	1-10 years

Intangible assets
Intangible assets are stated at historical cost less amortisation and any provision for impairment. Amortisation is calculated to allocate the cost to their residual values over their estimated useful lives or when contracts are due to expire whichever is sooner.

Software	1-5 years

Foreign currency translations
Items included in the financial statements of the company are measured using the currency of the primary economic environment in which the company operates ("the functional currency"). The financial statements are presented in Pounds Sterling (£), which is also the company's functional currency.

Foreign currency translations are translated into functional currency using the exchange rates prevailing at the dates of the translations. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translations of year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income, except when deferred in other comprehensive income.

Share capital
Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

1. **Accounting Policies (continued)**

Interest income
Interest income is recognised using the effective interest method.

Dividend distribution
Final dividends to the company's shareholders are recognised as a liability in the financial statements in the period in which the dividends are approved by the company's shareholders. Interim dividends are recognised when paid.

Current and deferred tax
The tax expense for the period comprise current and deferred tax. Tax is recognised in the statement of comprehensive income, except to the extent that it relates to items recognised in other comprehensive income or directly in shareholders' funds. In this case, the tax is also recognised in other comprehensive income or directly in shareholders' funds, respectively.

The current tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the statement of financial position date in the countries where the company operates and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognised if they arise from initial recognition of goodwill, or arise from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit nor loss. Deferred tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the statement of financial position date and are expected to apply when the related deferred tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority.

Inventories
Inventories which relate to consumable materials used for plant maintenance are stated at the lower of cost or net realisable value. Cost is determined using the average cost method.

Leasing
Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of fixed payments (including in-substance fixed payments), less any lease incentives receivable variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date; and payments of penalties for terminating the lease, if the lease term reflects the company exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability. The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the company, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

1. **Accounting policies (continued)**

Leasing (continued)
Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following: the amount of the initial measurement of lease liability; any lease payments made at or before the commencement date less any lease incentives received; any initial direct costs; and restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the company is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss.

Employee benefits
The company operates various post-employment benefit schemes, including both defined benefit and defined contribution pension plans.

A defined contribution plan is a pension plan under which the company pays fixed contributions into a separate entity. The company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

A defined benefit plan is a pension plan that is not a defined contribution plan. The defined benefit plan defines an amount of pension benefit that an employee will receive on retirement, usually dependant on one or more factors such as age, years of service and compensation.

The asset recognised in the statement of financial position in respect of defined pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash flows using interest of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation. Where there is no deep market in such bonds, the market rates on government bonds are used.

Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to shareholders' funds in other comprehensive income in the period in which they arise.

The amount charged or credited to finance costs is a net interest amount calculated by applying the liability discount rate to the net defined benefit liability or asset. Past service costs are recognised immediately in the statement of comprehensive income.

For defined contribution plans, the company pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The company has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

1. **Accounting Policies (continued)**

Provisions
Provisions are recognised when the company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Provisions are measured at the value of the expenditure expected to be required to settle the obligation. The increase in the provision due to passage of time is recognised as interest expense.

Critical accounting estimates and assumptions
Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of the assets and liabilities within the next financial year are as indicated below:

a) Defined benefit pension scheme

The company has an obligation to pay pension benefits to certain employees. The cost of these benefits and the present value of the obligation depend on a number of factors, including, life expectancy, salary increases, asset valuations and the discount rate on corporate bonds. Management estimates these factors in determining the net pension obligation in the statement of financial position. The assumptions reflect historical experience and current trends.

b) Revenue recognition

Revenue is recognised over time and in the accounting period in which the work is performed. Estimated amounts of revenue yet to be invoiced are included in accrued income within trade debtors and based on the work delivered under the operating contracts.

c) Provision for liabilities

The provision for repairs and maintenance is estimated based on the perceived condition of major plant and equipment and the contractual obligation to ensure the plant is being maintained as part of the operation and maintenance contract and therefore these costs will be determined by the expected time for major overhaul / replacement and the estimated cost. This is reviewed annually and items may be added or removed based on the annual assessment of the condition of the plant and equipment against what was anticipated.

The contractual stock obligation provision is based on the fact that free issue stock provided at the start of the contract will need to be returned or compensated at the end of the contracts. The contractual stock obligations are indexed annually using a CHAY index. The uncertainty lies in the fact that the amount to be paid back will be determined by how much stock will be available at the end of the contracts.

d) Inventory provisioning

When calculating the inventory provision, management considers the nature and condition of the inventory, as well as applying assumptions around future usage of raw materials and consumables.

2. Finance income

	2020	2019
	£	£
Bank interest receivable	**135**	201
Loan interest receivable	**270**	5,312
Other interest	**37,000**	41,074
	37,405	46,587

3. Finance costs

	2020	2019
	£	£
Other interest payable	**241**	758
Indexation of contractual stock provision (note 16)	**7,431**	15,325
	7,672	16,083

4. Operating profit

This is stated after charging / (crediting)

	2020	2019
	£	£
Auditors' remuneration	**34,120**	27,620
Depreciation of owned fixed assets (note 8)	**270,936**	212,195
Amortisation of intangible assets (note 7)	**6,591**	6,591
Depreciation charge right of use assets (note 9)	**7,907**	-
Profit on disposal of fixed assets	**(17,790)**	(337)
Net loss on foreign currency translation	**28,801**	4,626
Inventory recognised as an expense	**848,008**	904,543

Auditors' remuneration relates to the statutory audit only.

5. Staff costs

	2020	2019
	£	£
Wages and salaries	**3,923,245**	4,406,015
Social security costs	**396,507**	446,619
Other pension costs (note 17)	**198,071**	250,535
	4,517,823	5,103,169

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

	2020	2019
	No.	No.
Production	**78**	84
Administrative	**24**	25
	102	109

The directors of the company are paid through CNIM Groupe SA and received a management charge of £139,661 (2019: £153,934) in relation to their services. This is considered by the directors to be a fair apportionment of their overall salary based on their time spent working on the company.

6. Tax on profit
(a) Tax on profit

The tax charge is made up as follows:

	2020	2019
	£	£
Current tax:		
UK corporation tax	**273,646**	425,247
Adjustments in respect of prior periods	**-**	-
Total current tax	**273,646**	425,247
Deferred tax:		
Origination and reversal of timing differences	**159,237**	155,610
Adjustment in respect of prior periods	**12,917**	-
Total deferred tax	**172,154**	155,610
Tax on profit	**445,800**	580,857

The differences are reconciled below:	2020	2019
	£	£
Profit before tax	**2,235,101**	3,063,400
Profit multiplied by the standard rate of corporation tax of 19% (2019: 19%)	**424,669**	582,046
Disallowed expenses and non-tax deductible income	**6,124**	14,458
Adjustments in respect of prior periods	**12,917**	-
Employee pension contributions	**2,090**	2,660
Differing tax rates	**-**	(18,307)
Total tax	**445,800**	580,857

(b) **Factors affecting total tax charge**
The tax assessed on the profit for the year is higher (2019: lower) than the standard rate of corporation tax in the UK of 19% (2019 19%)

Factors that may affect future tax charges

In the Spring Budget 2021, the Government announced that from 1 April 2023 the corporation tax rate will increase to 25%. Since the proposal to increase the rate to 25% had not been substantively enacted at the balance sheet date, its effects are not included in these financial statements. However, it is likely that the overall effect of the change, had it been substantively enacted by the balance sheet date, would be to increase the tax expense for the period by £88,615 and to increase the deferred tax liability by £88,615.

7. Intangible assets

	Software	Assets under construction	Total
	£	£	£
Cost:			
At 1 January 2020	39,855	-	39,855
At 31 December 2020	**39,855**	**-**	**39,855**
Accumulated amortisation:			
At 1 January 2020	24,809	-	24,809
Provided during the year	6,591	-	6,591
At 31 December 2020	**31,400**	**-**	**31,400**
Net Book Value:			
At 31 December 2020	**8,455**	**-**	**8,455**
At 31 December 2019	15,046	-	15,046

8. Property, plant and equipment

	Freehold property	Plant and machinery	Fixtures and fittings	Equipment	Assets under construction	Total
	£	£	£	£	£	£
Cost:						
At 1 January 2020	671,606	1,648,224	45,682	152,283	-	2,517,795
Additions	6,005	76,181	-	8,550	27,301	118,037
Reclassified	-	27,301	-	-	(27,301)	-
Disposals	-	(78,410)	-	(13,453)	-	(91,863)
At 31 December 2020	**677,611**	**1,673,296**	**45,682**	**147,380**	**-**	**2,543,969**
Accumulated depreciation:						
At 1 January 2020	537,349	853,058	34,140	147,911	-	1,572,458
Provided during the year	52,835	210,103	3,885	4,113	-	270,936
On disposals	-	(78,410)	-	(13,453)	-	(91,863)
At 31 December 2020	**590,184**	**984,751**	**38,025**	**138,571**	**-**	**1,751,531**
Net Book Value:						
At 31 December 2020	**87,427**	**688,545**	**7,657**	**8,809**	**-**	**792,438**
At 31 December 2019	134,257	795,166	11,542	4,372	-	945,337

9. Right of Use Assets

	Buildings	*Total*
	£	£
Cost:		
At 1 January 2020	-	-
Additions	18,977	18,977
Disposals	-	-
At 31 December 2020	**18,977**	18,977
Accumulated depreciation:		
At 1 January 2020	-	-
Provided during the year	7,907	7,907
On disposals	-	-
At 31 December 2020	**7,907**	**7,907**
Net Book Value:		
At 31 December 2020	**11,070**	**11,070**

10. Deferred tax liability

The recognition of deferred tax liabilities is based upon whether it is more likely than not that sufficient taxable profits will be available in the future against which the reversal of temporary differences can be deducted. To determine the future taxable profits, reference is made to the latest available profit forecasts.

	2020	2019
	£	£
Deferred tax to be recovered after more than 12 months	**(82,461)**	(85,483)
Deferred tax to be recovered within 12 months	**(198,154)**	(24,308)
	(280,615)	(109,791)

	Accelerated tax depreciation	Deferred tax on Freehold property	Other	Total
	£	£	£	£
At 1 January 2020	(79,110)	(6,373)	(24,308)	(109,791)
Charged directly to equity	-	-	1,330	1,330
Charged to the statement of comprehensive income	3,205	(183)	(175,176)	(172,154)
At 31 December 2020	**(75,905)**	**(6,556)**	**(198,154)**	**(280,615)**

11. Inventories

	2020	2019
	£	£
Raw materials and consumables	**1,545,543**	1,658,431

Inventories are stated after provisions for impairment of £269,000 (2019: £243,000).

12. Trade and other receivables

	2020	2019
	£	£
Trade debtors	**7,943,891**	588,031
Amounts owed by group undertakings	**1,830,822**	1,538,897
Amounts owed by related undertakings	-	5,045,232
Prepayments	**678,198**	736,762
Corporation tax	**1,107**	-
	10,454,018	7,908,922

Credit quality

Amounts owed by trade and other receivables

There is no bad debt provision (2019: £nil) as the expected credit loss provision is immaterial. Included in amounts owed by rélated undertaking is a loan receivable with an interest rate of 9.03% of £nil (2019: £19,124) with a current portion of £nil (2019: £19,124).

Amounts owed by group undertakings include a £1,800,0000 (2019: £1,500,000) group cash pool balance with CNIM Groupe SA. See note 1 for presentational reclassification.

13. Creditors: Amounts falling due within one year

	2020	2019
	£	£
Trade creditors	**1,301,676**	1,009,279
Amounts owed to group undertakings (note 14)	**94,051**	118,247
Amounts owed to related undertakings (note 14)	-	605,833
Corporation tax	-	225,247
Other taxes and social security	**607,180**	1,388,972
Accruals and deferred income	**3,815,881**	1,766,852
Lease liabilities	**11,120**	-
	5,829,908	5,114,430

14. Related party transactions and balances

	2020	2019
	£	£
Purchases from related companies	**1,709,824**	2,469,156
Sales to related companies	**11,878,378**	19,170,328
Amounts due to group and related companies	**94,051**	724,080
Amounts due from group and related companies	**1,830,822**	6,584,129

CNIM Groupe SA no longer has a shareholding in the owner of the three waste to energy plants and so purchases and sales in 2020 are only for part of the year versus a full year in 2020.

15. Dividends

	2020	2019
	£	£
Equity dividends on ordinary shares:		
Paid £440 per share (2019 nil per share)	**2,200,000**	-

16. Provisions for liabilities

	Contractual stock obligation	*Deferred tax liability*	*Provision for operating lease repairs & maintenance*	*Total*
	£	*£*	*£*	*£*
At 1 January 2020	701,224	109,791	1,401,203	2,212,218
Utilised	-	-	(739,898)	(739,898)
Charged to statement of comprehensive income	7,431	170,824	133,687	311,942
At 31 December 2020	**708,655**	**280,615**	**794,992**	**1,784,262**

The contractual stock obligations are related to the original spare parts listing provided at the start of two of the contracts that must be retained by the plants and either handed back to the owner at the end of the contract or the owner is compensated for their value plus indexation. Therefore, this contractual obligation will be indexed on an annual basis. The expected utilisation date is February 2023.

The provision for operating lease repairs and maintenance is estimated based on the perceived condition of major plant and equipment and the contractual obligation to ensure the plant is being maintained as part of the operation and maintenance contract and therefore these costs will be determined by the expected time for major overhaul / replacement and the estimated cost. This is reviewed annually and items may be added or removed based on the annual assessment of the condition of the plant and equipment against what was anticipated.

17. Post-employment benefits

The company operates one defined contribution pension scheme, one government auto enrolment scheme and one defined benefit pension scheme for its employees (the MES Environmental Limited Pension Scheme). The assets of the scheme are held separately from those of the company in an independently administered fund. The unpaid contributions outstanding at the year-end are £52,333 (2019: £87,185). The total cost of providing pension benefits to employees in 2020 comprised contributions of £167,172 for the defined contribution scheme, £7,785 for the government auto enrolment scheme and £23,114 for the defined benefit scheme totalling £198,071 (see note 5) (2019 defined contribution scheme £169,542, £5,435 for the government auto enrolment scheme and defined benefit scheme £75,558 being a combined total of £250,535).

The company has taken legal advice as to whether it has an unconditional right to a refund of any surplus on wind-up of the scheme. Based on the legal advice received the company believes that it has an unconditional right to a potential future refund of surplus from the scheme in the context of IFRIC 14 paragraphs 11(b) and 12 and therefore there is no impact on the Company's IAS 19 results in respect of the scheme.

17. Post-employment benefits (continued)

Furthermore, it is following the exposure draft in June 2015, which proposed to amend IFRIC14 in respect to clarifying the position of the powers of trustees in two key areas in which the company could not have an unconditional right to a refund namely:

i. A unilateral trustee wind-up power; and
ii. A unilateral trustee benefit improvement power

The Trustees do not have these powers in the MES Environmental Pension Scheme and therefore under this definition the company has recognised that it has an available asset surplus. In late 2016 an IFRS staff paper suggested to change the wording of third parties to wind up a plan to being able to settle in full the plan liabilities in a single event. The IASB decided at its 20 September 2017 meeting that it would undertake further analysis on the IFRIC Staff's recommendations before committing. If the proposed wording is accepted by the IASB board, then this would effectively change the perspective of what constitutes an unconditional right and MES Environmental Limited would no longer be able to show a pension surplus and any agreed commitments between the company and the trustees would need to be shown as a liability.

The major assumptions used for the valuation of the defined benefits scheme obligations were:

	2020	2019
	%	%
Main assumptions		
Rate of increases in salaries	**3.00**	3.05
Rate of increase in pensions payment	**2.85**	2.85
Discount rate	**1.30**	2.00
Inflation assumption	**3.00**	3.05
Rate of increase in deferred pensions	**2.10**	2.15

Death after retirement: In accordance with the standard mortality tables S2PXA with improvements in mortality in accordance with the core CMI mortality projection model CMI_2017, with long term rates of improvement of 1.25% per annum and a smooth factor of 7.5.

Based on the above mortality models, the expected ages of death are as follows:

Males aged 65 now 87.1 (2019: 87.0) Males aged 65 in 20 years' time 88.5 (2019: 88.4)
Females aged 65 now 89.0 (2019: 88.9) Females aged 65 in 20 years' time 90.5 (2019: 90.4)

The weighted average duration for the scheme at 31 December 2020 is 17 years (2019: 17 years)

Sensitivity analysis

The effect of changes to the principal actuarial assumptions on the value of funded defined benefit obligations disclosed is summarized below:

Change to assumption	*Resulting benefit obligation value*	
Discount rate increased by 0.25%	£5,071,680	(2019: £4,516,800)
Discount rate decreased by 0.25%	£5,494,320	(2019: £4,893,200)
RPI and associated assumptions increased by 0.25%	£5,441,490	(2019: £4,846,150)
RPI and associated assumptions decreased by 0.25%	£5,124,510	(2019: £4,563,850)
Mortality members live 1 year longer	£5,494,320	(2019: £4,893,200)

The assets valued below are in the form of an insurance policy invested in the with-profits and unit-linked managed funds with Mobius Life. The value of assets held in the managed fund has been taken as the value of units at bid price on 31 December 2020. The balances held in one trustee bank account on 31 December 2020 have also been taken into account.

17. Post-employment benefits (continued)

An analysis of the defined benefit cost for the year ended 31 December is as follows:

	2020	2019
	£	£
Current service cost	(76,000)	(92,000)
Total operating charge	(76,000)	(92,000)

Movements in amounts recognised in the statement of financial position are as follows:

	2020	2019
	£	£
Opening net pensions asset	1,720,400	1,131,400
Employer pension charge	(39,000)	(51,000)
Pension contributions	269,000	643,000
Remeasurement gains recognised in OCI	4,000	(3,000)
Closing net pension asset	1,954,400	1,720,400

Amounts recognised in the statement of financial position are as follows:

	2020	2019
	£	£
Fair value of plan assets	7,237,400	6,425,400
Define benefit obligation	(5,283,000)	(4,705,000)
Net pension asset	1,954,400	1,720,400

	2020	2019
Changes in the present value of the defined benefit obligations are as follows:	£	£
Opening defined benefit obligations	4,705,000	4,232,000
Current service cost	76,000	92,000
Interest cost	92,000	114,000
Benefits paid	(184,000)	(127,000)
Participant contributions	11,000	14,000
Actuarial losses	583,000	380,000
Closing defined benefit obligation	5,283,000	4,705,000

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

	2020	2019
Opening fair value of plan assets	6,425,400	5,363,400
Expected return	129,000	155,000
Remeasurement gains / (losses)	587,000	391,000
Participant contributions	11,000	14,000
Contributions	269,000	629,000
Benefits paid	(184,000)	(127,000)
Closing fair value of plan assets	7,237,400	6,425,400

17. Post-employment benefits (continued)

The major categories of scheme assets as a percentage of total assets are as follows:

	2020	2019
	£	£
Diversified growth fund	-	2,762,922
Total return credit	**2,315,968**	-
Index linked government bonds	**651,366**	578,286
Multi asset credit	**2,388,342**	1,606,350
LDI (Liability Driven Investments)	**1,809,350**	1,349,334
Cash	**72,374**	128,508
Closing fair value of plan assets	**7,237,400**	6,425,400

55.5% of active members' salaries are also being paid in respect of future accrual (includes the employee share). In addition, the company expects to pay death in service premiums and any expenses (including the Pension Protection Fund levy).

During 2017 the pension trustees changed the investment strategy moving away from equities to lower risk investments in government bonds, multi asset credit and liability driven investments. This should reduce the impact of changes in inflation and interest rate expectations on liability values. The company has almost effectively been able to eliminate the pension deficit as valued on its technical provisions on March 2020. This has meant that during 2020, the company has changed its investment strategy from diversified growth funds to total return credits in order to further reduce volatility and provide a steadier return, now that the pension is in an almost funded position.

Guaranteed Minimum Pensions (GMPs)

The High Court ruled on 26 October 2018 in the landmark Lloyds Banking Group case on Guaranteed Minimum Pensions (GMPs). The judgment requires equalisation between men and women for the effect of unequal GMPs accrued between 1990 and 1997 (i.e. for defined benefit pension schemes like the Fund that were "contracted out" between May 1990 and April 1997) and describes the applicable ways in which the benefit entitlements should be equalised. An estimate of the impact of the resulting increase in defined benefit obligation has been treated as a £40,000 past service cost in 2018. There have been no updates made to the estimates included in the calculation in prior year and hence no further impact of GMP equalisation has been included in the current year.

On 20 November 2020 the High Court ruled that past transfer values should be reviewed to consider whether they need topping-up to address any inequalities as a result of differences in accrual and hence benefits awarded to members from GMP. This applies to all transfers where a member has any service in between 17 May 1990 and 5 April 1997. The impact is not likely to be material, but any such additional liability will be recognised as a past service cost.

18. Called up share capital

	2020	2019
	£	£
Allotted called up and fully paid		
5,000 ordinary shares of £1 each (2019: 5,000)	**5,000**	5,000

19. Capital disclosure

The company considers the capital it manages to be the amount it has in cash. The company's objective in managing capital is maximize shareholder returns and to continue as a going concern. As at 31 December 2020, the company had £1,753,774 (2019: £4,400,379) of cash on hand, along with a £1,800,000 (2019: £1,500,000) group cash pool balance.

20. Subsequent events

The directors welcome the announcement on 21 October 2021 by CNIM Groupe SA, the current ultimate parent undertaking and controlling party, of the finalisation of its second financial restructuring, following the satisfaction of the conditions set out in the conciliation agreement approved by the Paris Commercial Court on 13 August 2021.

Since July 2021, issues have arisen in relation to the company obtaining full insurance cover for the three waste for energy plants. Discussions continue to resolve the situation, but this is expected to result in cost increases. This is a non-adjusting post balance sheet event.

21. Ultimate parent company and controlling party

On the 28 May 2020 CNIM UK Limited sold its shares in MES Environmental Limited to CNIM Environment and Energie O&M.

At 31 December 2020, MES Environmental Limited was a wholly owned subsidiary undertaking of CNIM Environment and Energie O&M. which is itself a wholly owned subsidiary of Constructions Industrielles de la Mediterranee S.A. (CNIM Groupe SA) who was the ultimate parent and controlling party, a company incorporated in France which is the only group in which the results of MES Environmental Limited are consolidated. CNIM Groupe SA shares are listed on the Paris Stock Exchange. The principal place of business of CNIM Groupe SA is at 64 rue Anatole France, 92300 Levallois-Perret, France at which address the consolidated financial statements of this group are available to the public.