

# Financial Statements

## Liverpool Streetscene Services Limited

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For the year ended 31<sup>st</sup> March 2019



Registered number: 04161448

**Company Information**

<b>Directors</b>	Ms S Connor
	Ms W A Simon
	Mr R Odunaiya
<b>Registered Number</b>	04161448
<b>Registered Office</b>	Newton Road
	Liverpool
	Merseyside
	L13 3HS
<b>Independent Auditor</b>	Grant Thornton UK LLP
	Chartered Accountants & Senior Statutory Auditor
	Royal Liver Building
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	L2 1TD
<b>Solicitors</b>	DWF LLP
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## Strategic Report

For the period ended 31 March 2019

The Directors present their strategic report for Liverpool Streetscene Services Limited (LSSL) for the year ended 31 March 2019.

This report will provide a record of the Company's financial position and performance.

LSSL is a wholly owned Company of Liverpool City Council established by the City Council in 2016 as a Local Authority Trading Company (LATCO). The Company was established to enable services to be delivered more effectively providing the City Council with savings by way of reduced management fees, enhanced performance and increased productivity.

The public realm services LSSL deliver include:

- Refuse and recycling collection
- Grounds maintenance of highways, parks, green spaces and cemeteries
- Street cleansing
- Highways services

The benefits of the above services being delivered by a LATCO for Liverpool City Council (the Council) are:

- Provide greater control but at the same time flexibility in the contracts, enabling amendments to specifications and working practices more easily to meet current and future requirements.
- Generate efficiency savings, providing the Council a reduction in costs
- Improve value for money through a formal contractual relationship allowing for efficiencies to be redistributed to the Council or reinvested in frontline operations to improve service delivery further.
- Promote Mayoral priorities by working in partnership with the Council and local stakeholders.
- Generate income through trading with the ability to make a profit to subsidise operational costs.

## Strategic Report (continued)

For the period ended 31 March 2019

### Business review

The Statement of Comprehensive Income for the year ending 31 March 2019 is set out on page 12 and shows a turnover of £31.913m (2018: £25.708m) and a loss after tax of £0.751m (2018: £0.615m). The loss includes £0.677m (2017: £0.620m) defined benefit pension scheme liability costs.

Revenue in the period ended 31 March 2019 of £31.913m was £6.205m higher than the previous year. The increase is primarily as a result of the full year impact of the Highways Contract and the part year impact of the Parks and Cemeteries grounds maintenance contract. The associated expenditure to delivering the additional contracted works has had a similar effect on the costs of the business.

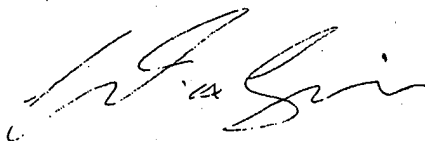
### Principal risks and uncertainties

The Company uses various financial instruments and these include cash and other items such as trade debtors, trade creditors and intercompany trading balances that arise directly from its operations. The main purpose of these financial instruments is to raise finance for the Company's operations.

### Liquidity risk

The Company seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably. Short term flexibility is achieved through intra group funding and support.

This report was approved by the board and signed on its behalf.



Ms W A Simon

Director

Date: 18/12/19

## Directors' Report

### For the year ended 31 March 2019

The Directors present their report and the financial statements for the year ended 31 March 2019.

#### Principal activity

The principal activity of the Company is supplying Public Realm Services to the Council. From November 2018 the services expanded to include grounds maintenance services for parks, green spaces and cemeteries. During the year, the Company has provided grounds maintenance for highways, street cleansing and refuse collection services for the Council under long-term contracts. A short term arrangement is in place to deliver highways related services, comprising Gulley works, road markings, street lighting and alleygate maintenance.

#### Results and dividends

The loss for the year, after taxation, amounted to £0.751m (2018- loss £0.615m).

The overall deficit as at 31 March 2019 for the defined benefit pension scheme is £10.816m (£8.592m, 2018).

The Directors do not recommend the payment of a dividend in respect of the year ended 31 March 2019 (£nil, 2018).

#### Directors

The Directors who served during the year and subsequent to the year-end were:

Mr S P Munby (Resigned 1<sup>st</sup> August 2018)

Ms A M L O'Byrne (Resigned 1<sup>st</sup> August 2018)

Mr R Odunaiya

Ms W A Simon (Appointed 1<sup>st</sup> August 2018)

Mr J E Noakes (Appointed 1<sup>st</sup> August 2018; Resigned 30<sup>th</sup> September 2019)

Miss S Connor (Appointed 30<sup>th</sup> September 2019)

#### Future developments

The Company has progressed from the initial mobilisation, transition stage following the change in ownership and is now moving to grow the business with a detailed business plan developed, with its parent, to cover the next 5 year period. The Business Plan is reviewed annually against a backdrop of ever decreasing Public Sector budgets, it focuses on improving the levels of service across its core Public Sector business areas, whilst exploring the opportunities for increasing additional commercial revenue streams. Ten year contracts have been awarded for all services and the next stage of the fleet replacement strategy is currently under development, with delivery of twenty compressed natural gas refuse vehicles taking place in August 2019.

## Directors' Report (continued)

For the year ended 31 March 2019

### Disabled employees

The company gives full consideration to applications for employment from disabled persons where the candidate's particular aptitudes and abilities are consistent with adequately meeting the requirements of the job. Opportunities are available to disabled employees for training, career development and promotion.

### Directors' responsibilities statement

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law, the Directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. 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 for the Company's financial statements and then apply them consistently;
- Make judgements and accounting estimates that are reasonable and prudent;
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's 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.

### Disclosure of information to auditor

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

- So far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware, and
- The Director has taken all the steps that ought to have been taken as a Director in order to be aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

## Directors' Report (continued)

For the year ended 31 March 2019

### Going Concern

Notwithstanding the loss for the year, the net current liability position and the shareholders' deficit as at 31 March 2019, the Directors consider that it is appropriate to prepare the financial statements on a going concern basis. The Directors are satisfied that the Company has adequate resources having received confirmation of support of its parent entity, Liverpool City Council, for a period of at least twelve months from the date of approval of these financial statements to enable it to continue trading for the foreseeable future.

### Auditor

Grant Thornton UK LLP will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

### Post balance sheet events

Authorisation was obtained from the Board of Directors for LSSL on the 17th December 2018 to enter into a loan agreement with Liverpool City Council to purchase twenty Compressed Natural Gas Refuse Vehicles. The vehicles have been purchased and taken delivery of in August 2019.

This report was approved by the Board and signed on its behalf.

Ms W A Simon

Director

Date: 18/12/19

A handwritten signature in black ink, appearing to be 'W A Simon', written over a horizontal line.



## Independent auditor's report

### Opinion

We have audited the financial statements of Liverpool Streetscene Services Limited (the 'company') for the year ended 31 March 2019, which comprise the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity, the Statement of Cash Flows and notes to the financial statements, 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 Financial Reporting Standard 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 state of the company's affairs as at 31 March 2019 and of its loss 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. 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.

### Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our 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

## **Independent auditor's report (continued)**

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 this 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 the directors' report have been prepared in accordance with applicable legal requirements.

### **Matter on which we are required to report under the Companies Act 2006**

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 the directors' report.

### **Matters on which we are required to report by exception**

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 for the financial statements**

As explained more fully in the directors' responsibilities statement set out on page 7, 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 auditor's report (continued)

### 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: [www.frc.org.uk/auditorsresponsibilities](http://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.

Grant Thornton UK LLP

Michael Lowe

Senior Statutory Auditor

for and on behalf of Grant Thornton UK LLP

Statutory Auditor, Chartered Accountants

Liverpool

Date: 18 December 2019

## Statement of Comprehensive Income

For the year ended 31 March 2019

	Note	2019 £000's	2018 £000's
Turnover	4	31,913	25,708
Cost of Sales		(30,860)	(24,931)
<b>Gross Profit</b>		<b>1,053</b>	<b>777</b>
Administrative expenses		(1,464)	(1,142)
<b>Operating Loss</b>	5	<b>(411)</b>	<b>(365)</b>
Interest payable and similar charges	8	(340)	(250)
<b>Loss before tax</b>		<b>(751)</b>	<b>(615)</b>
Tax on Profit/Loss	9	0	0
<b>Loss for the period</b>		<b>(751)</b>	<b>(615)</b>
<b>Other comprehensive income for the year</b>			
Actuarial (losses)/gains on defined pension scheme in year	22	(1,547)	(676)
<b>Other comprehensive income for the year</b>		<b>(1,547)</b>	<b>(676)</b>
<b>Total comprehensive income for the year</b>		<b>(2,298)</b>	<b>(1,291)</b>

There were no recognised gains and losses for 2019 or 2018 other than those included in the statement of comprehensive income.

All amounts relate to continuing operations

The notes on pages 15 to 33 form part of these financial statements.

**Balance Sheet**

As at 31 March 2019

	Note	2019 £000's	2018 £000's
<b>Fixed assets</b>			
Tangible assets	10	<u>3,238</u>	<u>3,859</u>
		<b>3,238</b>	<b>3,859</b>
<b>Current assets</b>			
Stocks	11	467	407
Debtors: amounts falling due within one year	12	3,364	2,301
Cash at bank and in hand	13	<u>218</u>	<u>1,473</u>
		<b>4,049</b>	<b>4,181</b>
Creditors: amounts falling due within one year	14	<u>(7,942)</u>	<u>(8,207)</u>
<b>Net current liabilities</b>		<b>(3,893)</b>	<b>(4,026)</b>
<b>Total assets less current liabilities</b>		<b>(655)</b>	<b>(167)</b>
Creditors: amounts falling due after more than one year	15	(2,412)	(2,827)
Pension liability	22	(10,816)	(8,592)
<b>Net liabilities</b>		<b>(13,883)</b>	<b>(11,586)</b>
<b>Capital and reserves</b>			
Called up share capital	17	100	100
Capital contributions reserve	18	700	700
Profit and loss account	18	<u>(14,683)</u>	<u>(12,386)</u>
		<b>(13,883)</b>	<b>(11,586)</b>

The financial statements were approved and authorised for issue by the board and were signed on 18/12/19 its behalf by:

**Ms W A Simon**

**Director**

**Date:**

The notes on pages 15 to 33 form part of these financial statements.

## Statement of Changes in Equity

For the period ended 31 March 2019

	Called up share capital £000's	Capital contribution reserve £000's	Profit and loss account £000's	Total Equity £000's
<b>As at 31 March 2018</b>	<b>100</b>	<b>700</b>	<b>(12,386)</b>	<b>(11,586)</b>
<b>Comprehensive income for the year</b>				
Loss for the year	-	-	(751)	(751)
Actuarial losses on pension scheme in year	-	-	(1,547)	(1,547)
Total comprehensive income for the year	-	-	(2,298)	(2,298)
<b>Total Transactions with owners</b>	-	-	-	-
<b>As at 31 March 2019</b>	<b>100</b>	<b>700</b>	<b>(14,683)</b>	<b>(13,883)</b>

	Called up share capital £000's	Capital contribution reserve £000's	Profit and loss account £000's	Total Equity £000's
<b>As at 31 March 2017</b>	<b>100</b>	<b>700</b>	<b>(11,095)</b>	<b>(10,295)</b>
<b>Comprehensive income for the year</b>				
Loss for the year	-	-	(615)	(615)
Actuarial losses on pension scheme in year	-	-	(676)	(676)
Total comprehensive income for the year	-	-	(1,291)	(1,291)
<b>Total Transactions with owners</b>	-	-	-	-
<b>As at 31 March 2018</b>	<b>100</b>	<b>700</b>	<b>(12,386)</b>	<b>(11,586)</b>

## Statement of Cash Flows

For the period ended 31 March 2019

	31 March 2019 £000's	31 March 2018 £000's
<b>Cash flows from operating activities</b>		
Loss for the financial period	(751)	(615)
<b>Adjustments for:</b>		
Depreciation of tangible assets	895	737
Interest paid	128	61
Decrease/(increase) in stock	(60)	(319)
Decrease/(increase) in debtors	(104)	129
Decrease/(increase) in amounts owed by groups	(959)	(957)
(Decrease)/increase in creditors	321	(1,240)
Defined benefit pension scheme costs less contributions payable	459	431
Defined benefit pension scheme finance costs	218	189
Increase in amounts owed to groups	(1,001)	1,642
(Decrease)/increase in amounts owed to participating interests	0	(230)
<b>Net cash generated from operating activities</b>	<b>(855)</b>	<b>(172)</b>
<b>Cash flow from investing activities</b>		
Purchase of tangible fixed assets	(273)	(3,352)
<b>Net cash from investing activities</b>	<b>(273)</b>	<b>(3,352)</b>
<b>Cash flows from financing activities</b>		
Interest paid	(128)	(61)
Capital contribution received	0	0
<b>Net cash used in financing activities</b>	<b>(128)</b>	<b>(61)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>(1,255)</b>	<b>(3,585)</b>
Cash and cash equivalents at beginning of period	1,473	5,058
<b>Cash and cash equivalents at end of period</b>	<b>218</b>	<b>1,473</b>
<b>Cash and cash equivalents at the end of period comprise:</b>		
Cash at bank and in hand	218	1,473
	<b>218</b>	<b>1,473</b>

## Notes to the Financial Statements

For the period ended 31 March 2019

### 1. General Information

Liverpool Streetscene Services Limited is a limited Company incorporated in the United Kingdom. The registered office is Newton Road, Liverpool, Merseyside, L13 3HS. The principal activity of the Company is supplying Public Realm Services to Liverpool City Council.

### 2. Accounting policies

#### 2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policies (see note 3).

The following principal accounting policies have been applied:

#### 2.2 Going concern

Notwithstanding the loss for the year, the net current liability position and the shareholders' deficit as at 31 March 2019, the Directors consider that it is appropriate to prepare the financial statements on a going concern basis. The Directors are satisfied that the Company has adequate resources having received confirmation of support of its parent entity, Liverpool City Council, for a period of at least twelve months from the date of approval of these financial statements to enable it to continue trading for the foreseeable future.

#### 2.3 Stocks

Stocks and work in progress is valued at the lower of cost and net realisable value.

#### 2.4 Revenue

Revenue is stated net of VAT. Revenue from the supply of services represents the value of services provided under contracts to the extent that there is a right to consideration and is recorded at the value of the consideration due. Where a contract has only been partially completed at the balance sheet date revenue represents the value of the service provided to date based on a proportion of the total contract value. Where payments from customers are received in advance of services provided, the amounts are recorded as deferred income and included as part of the creditors: amounts falling due within one year.



## Notes to the Financial Statements (Continued)

For the period ended 31 March 2019

### 2. Accounting policies (continued)

#### 2.5 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulate impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation is charged so as to allocate the cost of the assets less their residual value over their estimated useful lives, using the straight-line method.

The estimated remaining useful lives are as follows:

Plant & Machinery	- Between 3 Years and 8 years
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The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Statement of Comprehensive Income.

#### 2.6 Impairment of fixed assets

Assets that are subject to depreciation or amortisation are assessed at each balance sheet date to determine whether there is any indication that the assets are impaired. Where there is any indication that an asset may be impaired, the carrying value of the asset (or cash-generating unit to which the asset has been allocated) is tested for impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Non-financial assets that have been previously impaired are reviewed at each balance sheet date to assess whether there is any indication that the impairment losses recognised in prior periods may no longer exist or may have decreased.

#### 2.7 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

#### 2.8 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

## Notes to the Financial Statements (Continued)

For the period ended 31 March 2019

### 2. Accounting policies (continued)

#### 2.9 Interest income

Interest income is recognised in the Statement of Comprehensive Income using the effective interest method.

#### 2.10 Financial instruments

The Company only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable with one year, typical trade debtors and creditors, are measured, initially and subsequently, at an undiscounted amount of the cash or other consideration expected to be paid or received.

Financial assets are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Statement of Comprehensive Income.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate, which is an approximation of the amount that the Company would receive for the asset if it were to be sold at the balance sheet date.

Financial assets and liabilities are offset and the net amount reported in the Balance Sheet when there is an enforceable right to set off the recognised amounts; and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

#### 2.11 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

#### 2.12 Finance costs

Finance costs are charged to the Statement of Comprehensive Income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

## Notes to the Financial Statements (Continued)

For the period ended 31 March 2019

### 2. Accounting policies (continued)

#### 2.13 Taxation

Tax is recognised in the Statement of Comprehensive Income, except that a charge attributable to an item of income and expense recognised as other comprehensive income, or to an item recognised directly in equity is also recognised in other comprehensive income, or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the Company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and law that have been enacted or substantively enacted by the balance sheet date.

## Notes to the Financial Statements (Continued)

For the period ended 31 March 2019

### 2. Accounting policies (continued)

#### 2.14 Pensions

##### Defined contribution pension plan

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity, once the contributions have been paid the Company has no further payment obligations.

The contributions are recognised as an expense in the Statement of Comprehensive Income when they fall due. Amounts not paid are shown in accruals as a liability in the Balance Sheet. The assets of the plan are held separately from the Company in independently administered funds.

##### Defined benefit pension plan

The Company operates a defined benefit plan for certain employees. A defined plan defines the pension benefit that the employee will receive on retirement, usually dependent upon several factors including but not limited to age, length of service and remuneration. A defined benefit plan is a pension plan that is not a defined contribution plan.

Pre 2016 this has been accounted for as if it were a defined contribution scheme as the assets and liabilities could not be identified due to it being a multi-employer scheme. The Company have now been able to separate these balances and account for the scheme as a defined benefit scheme in line with FRS102.

The liability recognised in the Balance Sheet in respect of the defined benefit plan is the present value of the defined benefit obligation at the end of the balance sheet date, less the fair value of plan assets at the balance Sheet date (if any) out of which the obligations are to be settled.

The defined benefit obligation is calculated using the projected credit method. The Company engaged independent actuaries to calculate the obligation. The present value is determined by discounting the estimated future payments using market yields on high quality corporate bonds that are denominated in sterling and that have terms approximating to the estimated period of the future payments ('discount rate')

The fair value of plan assets is measured in accordance with the FRS102 fair value hierarchy and in accordance with the Company's policy for similarly held assets. This includes the use of appropriate valuation techniques.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income. These amounts together with the return on plan assets, less amounts included in net interest, are disclosed as 'Actuarial gains/ (losses) on defined benefit pension scheme'.

## Notes to the Financial Statements (Continued)

For the period ended 31 March 2019

### 2. Accounting policies (continued)

#### 2.14 Pensions (continued)

The cost of the defined benefit plan, recognised in profit or loss as component costs of pension liability, except where included in the cost of an asset, comprises:

- The increase in net pension benefit liability arising from employee service during the period; and
- The cost of plan introductions, benefit changes, curtailments and settlements.

The net interest on pensions is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is recognised in profit and loss as a finance expense.

### 3. Judgements in applying accounting policies and key sources of estimation uncertainty

Preparation of the financial statements requires management to make significant judgements and estimates. The items in the financial statements where these judgements and estimates have been made include a bad debt provision, depreciation and the net realisable value of fixed assets and are based on management's previous experience in these areas. The estimation of the net pension liability depends on a number of complex and interrelated actuarial assumptions and judgements i.e. rate of inflation, rate of increase in salaries, age of retirement, rate of increase in pensions, mortality rates and expected returns on pension's assets. A firm of actuaries, Mercer Ltd, is engaged to provide expert advice about the assumptions to be applied.

As a result there is inevitably some uncertainty concerning the value of the net pension liability in the financial statements. Changes in the assumptions can give rise to major changes in the liability within the year and across years i.e. actuarial gains and losses.

### 4. Turnover

The whole of the turnover is attributable to the principal activity of the Company and all turnover arose within the United Kingdom.

## Notes to the Financial Statements (Continued)

For the period ended 31 March 2019

### 5. Operating Loss

The operating loss is stated after charging:

	2019 £000's	2018 £000's
Depreciation of tangible fixed assets	895	737
Auditor's Remuneration	21	20
Pension Costs	1,453	1,074

During the period, no Director received any emoluments (2018 - £NIL)

### 6. Employees

Staff costs were as follows:

	2019 £000's	2018 £000's
Wages and salaries	16,828	13,534
Social security costs	1,462	1,094
Pension costs	1,453	1,074
	19,744	15,702

The average monthly number of employees, including the Directors, during the period was as follows:

	2019 No.	2018 No.
Production	585	494
Administration	46	36
	631	530

## Notes to the Financial Statements (Continued)

For the period ended 31 March 2019

### 7. Directors' remuneration

Remuneration of nil with nil pension contributions (2018: nil).

### 8. Interest payable and similar charges

	2019 £000's	2018 £000's
Loans from group undertakings	122	70
Defined benefit pension scheme finance costs	218	189
	<u>340</u>	<u>259</u>

### 9. Taxation

	2019 £000's	2018 £000's
Total current tax	-	-
<b>Deferred tax</b>	-	-
Origination and reversal of timing differences	-	-
<b>Total deferred tax</b>	-	-
<b>Taxation on profit on ordinary activities</b>	-	-

#### Factors affecting tax charge for the period/year

The Company has tax losses of £11.417m (2018: £9.119m) available to utilise against future profits however is not recognising a deferred tax asset at this time, due to uncertainty over when the losses will be utilised.

## Notes to the Financial Statements (Continued)

For the period ended 31 March 2019

### 10. Tangible fixed assets

	Plant and machinery £000's
<b>Cost</b>	
At 31 March 2018	6,860
Additions	273
Disposals	-
At 31 March 2019	<u>7,133</u>
<b>Depreciation</b>	
At 31 March 2018	3,000
Charge for the period on owned assets	895
Disposals	-
At 31 March 2019	<u>3,895</u>
<b>Net Book Value</b>	
At 31st March 2019	<u>3,238</u>
At 31st March 2018	<u>3,859</u>

A fixed charge is held over certain vehicles with a NBV of £2.683m (2017: £3.437m) as security for a loan.

### 11. Stocks

	31 March 2019 £000's	31 March 2018 £000's
Consumables	<u>467</u>	<u>407</u>
	<u>467</u>	<u>407</u>

There were no recognised impairment losses in respect of stock in 2019 or 2018.



## Notes to the Financial Statements (Continued)

For the period ended 31 March 2019

### 12. Debtors

	31 March 2019 £000's	31 March 2018 £000's
Trade Debtors	284	175
Amounts owed by group undertakings	2,873	1,914
Prepayments and accrued income	207	212
	<u>3,364</u>	<u>2,301</u>

There was no recognised impairment loss against debtors during the year (2018: £0.077m)

### 13. Cash and cash equivalents

	31 March 2019 £000's	31 March 2018 £000's
Cash at bank and in hand	218	1,473
	<u>218</u>	<u>1,473</u>

Cash includes nil (2018: £0.250m) held in an Escrow account and managed by the Company's solicitors.

### 14. Creditors: Amounts falling due within one year

	31 March 2019 £000's	31 March 2018 £000's
Trade creditors	1,421	1,294
Amounts owed to group undertakings	4,772	5,359
Taxation and social security	1,251	976
Accruals and deferred income	498	578
	<u>7,942</u>	<u>8,207</u>

## Notes to the Financial Statements (Continued)

For the period ended 31 March 2019

### 15. Creditors: Amounts falling due after more than one year

	31 March 2019 £000's	31 March 2018 £000's
Amounts owed to group undertakings	2,412	2,827
	<u>2,412</u>	<u>2,827</u>

### Secured loans

The amounts owed to group undertakings are secured by way of a fixed charge against the assets to which they relate with an interest rate at 4% and a final repayment date August 2027.

### 16. Financial instruments

#### Financial assets

Financial assets measured at amortised through profit or loss	218	1,473
Financial assets that are debt instruments measured at amortised cost	3,156	2,089
	<u>3,374</u>	<u>3,562</u>

#### Financial liabilities

Financial liabilities measured at amortised cost	(9,246)	(10,058)
	<u>(9,246)</u>	<u>(10,058)</u>

Financial assets measured at amortised cost through profit and loss comprise trade debtors and amounts owed by group undertakings.

Financial liabilities measured at amortised cost comprise trade creditors, amounts owed to group undertakings, other creditors, accruals and deferred income.

## Notes to the Financial Statements (Continued)

For the period ended 31 March 2019

### 17. Share capital

	31 March 2019 £000's	31 March 2018 £000's
<b>Shares classified as equity</b>		
<b>Allotted, called up and fully paid</b>		
100,000 Ordinary shares, shares of £1 each	100	100
	<u>100</u>	<u>100</u>

### 18. Reserves

#### Capital contribution reserve

£0.700m was received during the period ended 30 March 2016 and was a capital contribution.

#### Profit and loss account

The profit and loss account includes all current and prior period retained profits and losses.

### 19. Contingent Assets

The Parent entity Liverpool City Council provides a guarantee to Merseyside Pension Fund that it will pick up the pension liabilities in the event the company cannot meet its obligation due to early contract termination or contract failure. The scheme actuary would calculate the liabilities at the time of transfer.

### 20. Contingent liabilities

The Directors have confirmed that there were no contingent liabilities which should be disclosed at the end of 31 March 2019.

### 21. Capital commitments

The Directors have confirmed that there were no capital commitments which should be disclosed at the end of 31 March 2019.

## Notes to the Financial Statements (Continued)

For the period ended 31 March 2019

### 22. Pension commitments

The Company provides two pension schemes for the employees.

#### Defined contribution pension plan

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payment obligations.

The contributions are recognised as an expense in the Statement of Comprehensive Income when they fall due. Amounts not paid are shown in accruals as a liability in the Balance Sheet.

The assets of the scheme are held separately from those of the Company in an independently administered fund. The pension cost charge represents contributions payable by the Company to the fund and amounted to £0.455m (2018: £0.257m).

#### Defined benefit pension plan

The Company participates in a local government, multi-employer defined benefit pension scheme for certain employees. A defined benefit plan defines the pension benefit that the employee will receive on retirement, usually dependent upon several factors including but not limited to age, length of service and remuneration. A defined benefit plan is a pension plan that is not a defined contribution plan.

Pre 2016 the Company has been unable to identify its share of the assets of the plan and was treated as a defined contribution scheme in accordance with FRS 102 Section 28.11. In order to report with a consistent accounting basis with its parent and other subsidiaries in the group, the Company obtained valuations from the actuary to identify the pension liability.

The pension cost and provision for the year ended 31 March 2019 are based on the advice of a professionally qualified actuary. This shows an overall deficit of £10.816m for the demographic profile of 174 active members and 22 pensioners. The pension cost charge represents contributions payable by the Company to the fund and amounted to £1.008m (2018: £0.817m) including pension strain fees for curtailments.

## Notes to the Financial Statements (Continued)

For the period ended 31 March 2019

### 22. Pension commitments (continued)

#### Reconciliation of present value of plan liabilities:

	31 March 2019 £000's	31 March 2018 £000's
At the beginning of the year	43,809	35,536
Current service cost	1,439	1,073
Interest on pension liabilities	1,183	958
Member contributions	292	209
Actuarial losses/(gains)	2,824	(1,740)
Curtailments	0	208
Benefits paid	(241)	(373)
Business combinations	0	7,938
<b>At the end of the year</b>	<b>49,306</b>	<b>43,809</b>

#### Reconciliation of present value of scheme assets:

	31 March 2019 £000's	31 March 2018 £000's
At the beginning of the year	35,217	28,240
Administration expenses	(22)	(16)
Interest cost	965	769
Actuarial gains/(losses)	1,277	(254)
Contributions by employer	1,002	866
Benefits paid	(241)	(373)
Members contributions	292	209
Business combinations	0	5,776
<b>At the end of the year</b>	<b>38,490</b>	<b>35,217</b>

## Notes to the Financial Statements (Continued)

For the period ended 31 March 2019

### 22. Pension commitments (continued)

#### Composition of plan assets:

	31 March 2019 £000's	31 March 2018 £000's
Equities	18,898	18,564
Bonds	6,105	5,645
Property	3,675	3,138
Cash	1,122	940
Other	8,690	6,930
<b>Total plan assets</b>	<b>38,490</b>	<b>35,217</b>

#### Amounts recognised in Balance Sheet

	31 March 2019 £000's	31 March 2018 £000's
Fair value of plan assets	38,490	35,217
Present value of plan liabilities	(49,306)	(43,809)
<b>Net pension scheme liability</b>	<b>(10,816)</b>	<b>(8,592)</b>

The amounts recognised in profit or loss and other comprehensive income are detailed on the following page.

## Notes to the Financial Statements (Continued)

For the period ended 31 March 2019

### 22. Pension commitments (continued)

	31 March 2019 £000's	31 March 2018 £000's
<b>Profit or loss</b>		
Interest on obligation	1,183	958
Interest income	(965)	(769)
Current service cost	1,439	1,073
Employer Contributions	(1,002)	(866)
Curtailments	0	208
Administration expenses	22	16
<b>Total finance cost</b>	<b>677</b>	<b>620</b>
<b>Other comprehensive income</b>		
Actuarial (gains)/losses on plan assets	(1,277)	254
Actuarial losses/(gains) on plan liabilities	2,824	(1,740)
<b>Total actuarial (losses)/gains</b>	<b>(1,547)</b>	<b>1,486</b>

The actual return on plan assets for the year was £2.243m (£0.515m in 2018).

The Company expects to contribute £1.089m to its defined benefit pension scheme in 2020.

## Notes to the Financial Statements (Continued)

For the period ended 31 March 2019

### 22. Pension commitments (continued)

Principal actuarial assumptions at the Balance Sheet date (expressed as weighted averages):

	31 March 2019	31 March 2018
Discount rate	2.5%	2.7%
Future salary increases	3.7%	3.6%
Inflation assumptions (CPI)	2.2%	2.1%
Increase in pensions in payment/deferment	2.3%	2.2%
Mortality rates:		
- for a male aged 65 now	22.2	22.0
- future male pensioner age 65 in 20 years time	25.2	25.0
- for a female aged 65 now	25.0	24.8
- future female pensioner age 65 in 20 years time	27.9	27.8

Defined benefit pension scheme amounts:

	31 March 2019 £000's	31 March 2018 £000's
Defined benefit obligation	(49,306)	(43,809)
Scheme assets	38,490	35,217
<b>Deficit</b>	<b>(10,816)</b>	<b>(8,592)</b>



## **Notes to the Financial Statements (Continued)**

**For the period ended 31 March 2019**

### **23. Related party transactions**

The Company is wholly owned by Liverpool City Council and has taken exemption under FRS 102 Section 33.1A from disclosing transactions with its parent.

Key management are considered to be the senior management team. The cost of remunerating key management for the year was £0.159m (2018: £0.121m).

### **24. Controlling party**

At 31 March 2019 the ultimate parent and controlling entity was Liverpool City Council.

## Detailed profit and loss account

For the period ended 31 March 2019

	31 March 2019 £000's	31 March 2018 £000's
Turnover	31,913	25,708
Cost of Sales	(30,860)	(24,931)
<b>Gross Profit</b>	<b>1,053</b>	<b>777</b>
<b>Less: overheads</b>		
Administration expenses	(1,464)	(1,142)
<b>Operating Profit</b>	<b>(411)</b>	<b>(365)</b>
Interest Payable	(340)	(250)
<b>Loss for the Period/year</b>	<b>(751)</b>	<b>(615)</b>
Actuarial (losses)/gains on defined pension scheme in year	(1,547)	(676)
Other comprehensive income for the year	(1,547)	(676)
<b>Total comprehensive income for the year</b>	<b>(2,298)</b>	<b>(1,291)</b>

## Schedule to Detailed Accounts

For the period ended 31 March 2019

	31 March 2019 £000's
<b>Turnover</b>	
Sales	(31,913)
	<u>(31,913)</u>
	31 March 2019 £000's
<b>Cost of sales</b>	
Purchases	2,335
Wages and salaries	17,195
National insurance	1,462
Staff pension costs	1,453
Hire and repair of plant and equipment	5,921
Depreciation of plant and equipment	895
Vehicle running costs	890
Tipping fees	229
Establishment costs	479
	<u>30,860</u>
	31 March 2019 £000's
<b>Administration expenses</b>	
Staff salaries	1,162
Staff training	29
Printing and stationery	80
Telephone	16
Computer costs	35
General office expenses	136
Sundry expenses	7
	<u>1,464</u>

## Schedule to Detailed Accounts (Continued)

For the period ended 31 March 2019

	31 March 2019 £000's
<b>Interest Payable</b>	
Group interest payable	122
Defined benefit pension scheme finance costs	218
	<hr/> 340 <hr/>
	31 March 2019 £000's
<b>Other</b>	
Defined benefit pension scheme costs less contributions payable	1,547
	<hr/> 1,547 <hr/>