alliance
Environmental Services

Alliance Environmental Services Ltd

Report and Financial Statements

For the year ended 31 March 2020

OFFICIAL

Registered Number: 10760856

Corporate Information

For the Year Ended 31 March 2020

Directors:

K Melling, Managing Director
G Baggott, Chairman
A Stokes
S Baker (Resigned 27/02/2020)
M Trillo (Appointed 27/02/2020)
J Thomason

Registered office:

Environmental Hub
C/O Ansa Environmental Services Ltd
Cledford Lane
Middlewich
Cheshire
CW10 0JR

Company Registration Number:

10760856 (England and Wales)

Auditors:

Grant Thornton UK LLP
Chartered Accountants and Statutory Auditor
4 Hardman Square
Spinningfields
Manchester
M3 3EB

Bankers:

Barclays Bank plc
6th Floor
One Snowhill
Snowhill Queensway
Birmingham
B4 6GN

Contents

Strategic Report	1-6
Directors` Report	7-10
Independent Auditor's Report	11-13
Statement of Comprehensive Income	14
Statement of Changes in Equity	15
Statement of Financial Position	16
Notes to the Financial Statements	17-40

Strategic Report

The Directors present their strategic report for the trading year ended on 31 March 2020.

Principal activities

The principal activities of the Company during the year were management and operation of:
- Waste and Recycling Collection / Disposal for Household and Commercial properties
- Fleet Management.

Business Review

Alliance Environmental Services Ltd (AES) was incorporated on 9 May 2017 and commenced trading on 7th August 2017, following the transfer of employees from Veolia Ltd and High Peak Borough Council (HPBC). With effect from 1st July 2018, AES expanded its principal activities across the Staffordshire Moorlands area with employees transferring across from Staffordshire Moorlands District Council (SMDC).

AES has continued to perform strongly in its third year of trading, recording a £32,000 profit (2019: £88,000) from its operations, after tax. Whilst results are lower than originally targeted (£0.125m) the Board had agreed in year to affect some positive amendments to staff terms and conditions plus the refurbishment of some fleet vehicles as an intermediate step until new vehicles have been re-procured.

AES key financial and other performance indicators during the year were as follows:

	Year to 31 March 2020	**Year to 31 March 2019**
	£M	£M
Turnover	7.641	6.073
Operating profit	0.041	0.080
Profit for the financial year	**0.032**	**0.088**
Liquid Ratio	112%	101%
Average number of employees	125	83

Turnover

AES turnover is mainly derived from the contracted management fee for services provided to High Peak Borough Council and Staffordshire Moorlands District Council, supplemented by income from the sale/processing of recyclable materials and fleet workshop services. The increase in management fee reflects the following:

- a full 12 months operation for the provision of Waste Collection and Fleet Services to High Peak Borough Council and a full 12 months operation of Waste Collection, and Fleet Services to Staffordshire Moorlands District Council (9 months in 2018-19).
- Additional management fee from HPBC and SMDC for additional service costs incurred in year associated Waste Collection vehicle costs, additional Waste Contract costs due to the impact on the global markets for the price of recyclable materials and impacts of COVID-19 on the services provided under the services contracts during March 2020.

Strategic Report (continued)

Profit for the Year

Operating profit for the year at £0.41m has decreased compared to March 2019 and the target set of £0.125m. This is due mainly to Alliance incurring additional costs in year with regard to agreed staff terms & conditions changes, increased vehicle repairs across its Waste and Grounds fleet plus additional spend above target on Household bins reflecting Housing Growth and Trade Waste Growth.

Other performance indicators

The Company's "liquid ratio" as at 31 March 2020 is 112%. The payment mechanism/cash-flow funding provision within the services contract with HPBC ensures that the Company has the ability to meet its liabilities (creditors due).

The total average number of employees during 2019/20 is 125 reflecting the expansion of services and Parks & Horticulture employees transferring from SMDC from 1st April 2019.

Future developments

AES will continue to deliver Waste Collection and Fleet Services. From 1/4/20 AES has extended the environmental services delivered across the HPBC and SMDC areas to include Street Cleansing, Parks and Horticulture services. AES with its parent company Ansa Environmental Services Limited (Ansa), seek to create new opportunities to consolidate performance, engender culture change and deliver increased efficiencies and economies of scale.

Principal risks and uncertainties

Robust governance and stewardship mechanisms are in place and AES has delivered performance improvements each year against its contractual KPIs. Regular internal and external assessments all indicate that AES is a well-managed business, dealing effectively with both threats and opportunities. Even where risks have come to fruition, AES has dealt with these well, minimising their impact on the wider business. AES has adopted a multi-pronged approach to assurance and quality management using the three lines of defence model which incorporates operational assurance, oversight functions and independent assurance.

AES use a number of methodologies to assess operational and strategic risk. We measure risk in terms of our vulnerability and exposure to it and its likely consequences for our desired outcomes as set out in our Strategy. Risk is reviewed at monthly Business Update meetings and at each Quarterly Strategic Review Board meeting to check the direction of travel of the risk and whether the treatment chosen for each risk is still appropriate.

AES considers its vulnerability and exposure to risk against four main areas: customer, finance, people and processes.

Customer Risks

HPBC and SMDC are the current major customers for AES and there is a 15-year contract. This provides certainty around management fee income streams and cash-flow whilst maintaining efficiency plans and providing a stable operating platform. In the year to 31 March 2020 AES has

Strategic Report (continued)

exceeded expectations against contractual KPIs and has delivered real efficiencies back to its clients.

Finance - Exposure to credit, liquidity and cash flow risk

Please refer also to the notes 13 and 14 in the Notes to the Accounts.

AES is financed predominantly by management fees paid to it by HPBC and SMDC. The management fee is paid in line with a profile that matches the forecast expenditure of the Company. Consequently, careful monitoring of the cash position together with a prudent approach to cash flow management of payables, receivables and inventories should protect the Company from any risk to its cash flow.

The Company contracts with fleet and waste recycling/processing providers. These contracts contain clauses linked to general and sector specific variations in price index.

Consequently, in the event of any material increases in general prices or fuel costs, the Company could be exposed to cost pressures. However, efficient monitoring of contract costs and prudent procurement of contracts enables AES to mitigate the impact on the Company's financial performance.

At this early stage in the Company's development the principal risks associated with income recovery (credit risk) and cash flow are seen as low due to the contractual terms secured with the Company's major customers HPBC and SMDC. As the Company expands, further consideration will be given to emerging risks and any necessary controls. However, risk associated with price and supply chain increases are seen as a greater threat, but the associated risk management processes have helped to remove some of the uncertainty.

COVID19 pandemic, economic slowdown and financial risks

AES adopts an agile approach to dealing with emerging risks and issues helping to mitigate them at an early stage. AES is dealing well with the COVID pandemic maintaining essential services throughout while adopting regulatory guidance on social distancing measures and cleansing requirements. COVID19 measures have led to increased operational running costs for AES and increased demand across its municipal waste activities has resulted in increased charges for its primary clients, HPBC and SMDC. However, the national lockdown and emerging home working patterns has depressed external 'trade' income. Although this is a concern, the increased demand across our domestic waste operations has enabled AES to maintain and expand its resources during this difficult period.

People

Employees are vital to AES's success in delivering environmental services. We embrace diversity and draw on different perspectives to add value to the business. AES invests in its employees to enhance their performance, develop skills, strengthen retention and build a customer focused culture. AES supports the communities in which it operates and recruits locally where practical.

Strategic Report (continued)

Measures to ensure staff retention and engagement include newsletters, an employee App, text messaging, Trade Union involvement and employee recognition. Company policy reviews, increased company wellbeing initiatives and a wide range of employee salary sacrifice initiatives all contribute to reducing employee relations' risks.

Processes - Legislative Risks

AES contracts with HPBC and SMDC to provide services in line with current Council policy and national legislation. Where legislation results in a requirement to change the specification or delivery method for the services commissioned, AES is confident that the terms of the contract will ensure that any material financial impact will be mitigated either by additional funding being provided or certain services being re-scoped within the commissioned services schedules. By virtue of the nature of the services delivered, AES operates in a regulated environment that requires thorough and detailed operational processes to manage. The Company's activities are regulated by the Environment Agency, the Driver and Vehicle Standards Agency (DVSA), Transport Commission and the Planning Authority. Additionally, the Health and Safety Executive (HSE) have responsibility for independently investigating any serious accidents and incidents.

The above demonstrates some of the positive controls being pursued to reduce risk.

HEALTH & SAFETY

This part of the report provides a summary of the Company's health and safety performance and key activities in the year to 31 March 2020.

Policy

The Board maintains an unwavering commitment to safeguarding the health and safety of its employees, people who could potentially be affected by our activities and protecting the environment in which we operate. We are committed to promoting high standards of health, safety and welfare on all of its sites, premises, and in all of its activities.

Management Control

To achieve the Policy aims, the Board works closely with the management team to create a culture where employees are encouraged and feel able to discuss all aspects of health and safety within the Company. We continue to ensure compliance with all relevant legal duties in respect of health and safety at work legislation and provide adequate resources for planning, provision and maintenance of safe working conditions and a safe system of work.

The Managing Director has overall responsibility for the health and safety policy and performance and is supported in this task by the Health & Safety Officers. Operational management at all levels retain responsibility for delivering and improving upon current health and safety performance.

Health & Safety Objectives

The Company's objective is to plan, control and monitor activities, such that they do not to harm anyone, whether directly or indirectly employed, visitors or members of the public. To achieve this, in the year to 31 March 2020 we have:

Strategic Report (continued)

- Held regular joint Management and Trade Union SHEQ Forum meetings providing further opportunities for issues and suggestions to be raised, and acting on these
- Audited our health and safety management systems and implemented improvements
- Conducted regular and planned health and safety site inspections, implemented, improved and provided feedback to issues raised
- Implemented a computerised health and safety reporting system to provide more timely, accurate and meaningful information regarding accidents, incidents, near misses, site assessments and improvement plans

ENVIRONMENTAL REVIEW

Corporate Responsibility

AES prides itself on its sustainable and creative approach to doing business. Our public sector ethos is demonstrated in the range of added-value, community activities we support and our commitment to recruitment in the local area. AES has placed sustainability at the core of its vision and we actively engage with a wide variety of stakeholders, seeking to work together to find creative solutions. Focus areas include:

As highlighted in the earlier 'People' section, AES is passionate about delivering high quality, safe and efficient recycling and waste collection services to all of our end users. We aspire to be a quality employer; operating a profitable and ethical business with corporate social responsibility at our heart. AES has strong company values reflecting our desire to act positively and responsibly within the communities we serve, reflecting the best of our public sector heritage. Examples of how we live our values include:

- The majority of AES employees live within Staffordshire Moorland and High Peak, demonstrating the company's positive contribution to the local economy.
- We support the communities in which we operate and recruit locally where practical and offer apprenticeships, work experience and on the job training initiatives.
- We support payroll giving to charities as well as facilitating our employees in charitable volunteering and fundraising efforts.

As at 31 March 2020 AES employed 114 employees with circa 95 % of them living within High Peak and Staffordshire Moorland's borders. In addition to complying with relevant environmental, quality and general performance standards as set out in legislation or regulatory guidance, AES aspires to enhance its environment both through its employees and by engaging with local communities and partner organisations.

AES has placed sustainability at the core of its vision and we actively engage with a wide variety of stakeholders, seeking to work together to find creative solutions. Focus areas include:

Employees are fundamental to our success and we believe that drawing on their different perspectives and experience adds value to how we do business. AES is committed to investing in its employees to enhance their performance, develop skills, strengthen retention and build a

Strategic Report (continued)

customer focused culture. We support the communities in which we operate and seek to recruit locally where practical as well as offering apprenticeships, work experience and on the job training initiatives. We encourage and facilitate opportunities for our employees to donate to charity directly through payroll as well as promoting and participating in voluntary activities which support local and national charities.

Resources

AES currently operates a recycling and waste collection services on behalf of High Peak Borough Council and Staffordshire Moorlands District Council from two sites with three main recycling/waste streams: co-mingled recyclate, green garden waste and residual waste. This is supported by two small fleet maintenance workshops providing fleet services for Waste, Street Cleansing and Grounds related services also.

By order of the Board

Kevin Melling

K Melling – Managing Director

Date: 17/12/2020

Directors' Report

Registered No: 10760856

Chairman's Foreword – Delivering Transformation during a Global Pandemic

"Once again, none of this would have been possible without the commitment and dedication of our employees who have worked relentlessly over this third trading year to ensure the success of AES."

Geoff Baggott
Chairman

Over the course of the last operating period, AES has faced a considerable number of challenges; some have been greater than anything we have experienced before and will have profound implications on how we operate for many years to come as the impacts of the global pandemic become truly known.

We commenced the year with great excitement, knowing that preparations were continuing to complete the formation of the Company with the final phase's "Go-Live" date being scheduled for the early part of 2020. This would be the pinnacle of our extensive transformation programme that had commenced back in 2017 when we began delivering waste collection services in the High Peak area of Derbyshire. Concluding all phases has been crucial to our business development strategies ever since.

We were in touching distance of combining all the former Environmental Operational Services of High Peak Borough Council along with those of Staffordshire Moorlands District Council into one commercial operating entity. In many respects, I now look back and feel relieved that the team worked extremely hard, holding their nerve and maintaining their focus on achieving this goal. Crucially, concluding the full Company set-up during the emergence of a global pandemic in February 2020. Not something you would plan for and had this not been our approach, the impact of the pandemic event would have caused considerable delay. Unlike anything any business has ever experienced before, the impact of the Pandemic came as a great shock along with the speed with which we had to adapt to the ever changing conditions during the latter part of 2019/20. The actions taken by AES during those early stages enabled the company to sustain its operations whilst at the same time conclude its preparations for combining the remaining employees and other resources that would complete the final phase of the Company set-up. I am pleased to say the final phase was successfully launched on 1st April 2020.

Once again on the back of what has turned out to be a very difficult operational period, we have achieved our financial returns whilst delivering quality and valued services to our customers. As quoted in previous statements, our success is totally attributable to the commitment and dedication of our employees and on behalf of all Board members, I am truly grateful for their contribution, making this another successful year for AES even during these uncertain times.

Geoff Baggott – Chairman

Date: 17/12/2020

OFFICIAL

Directors' Report (Continued)

Directors of the Company - The current directors and those who served during the year are shown on the Corporate Information page.

Results – The Company was incorporated on 9 May 2017 and started trading on 7th August 2017. The profit after tax for the year ended 31 March 2020 is £32,000 (year ended 31 Mar 2019 £88,000).

Matters covered in the Strategic Report

The principal activities of the Company, financial risk management objectives and policies, principal risks and uncertainties and key performance indicators have been included in the strategic report.

Company Business Development

From 1 April 2020, AES expanded as planned to provide further additional environmental service operations such as street cleansing, parks and horticulture activities for both High Peak Borough Council and Staffordshire Moorlands District Council. This concluded the final phase of activities to be delivered for the Councils, an achievement made possible despite the pandemic as a consequence of the extensive planning throughout the 2019/20 year.

Events since the balance sheet date

The Covid-19 Pandemic is an adjusting post balance sheet event and is referred to in Note 22. A non-adjusting event regarding Phase 3 of the joint arrangements with SMDC and HPBC commenced on 1 April 2020 – this is also referred to in Note 22.

Disabled Employees

AES is positive about employing and developing people with disabilities. The Company gives full consideration to applications for employment from people with disabilities where the candidate's individual aptitudes and abilities are consistent with adequately meeting the requirements of the job. Opportunities for training, career development and promotion are available for all employees including those with disabilities.

It is our policy to provide continuing employment for employees who become disabled wherever practicable in the same position or if necessary, by redeploying into an alternative position.

Equality and Diversity

We recognise that our employees are fundamental to our success and believe that drawing on their different perspectives and experience adds value to how we do business. We are conscious that there is more work to be done and have committed to reviewing our Equality, Diversity and Inclusion policy early in the next Financial Year. AES is committed to investing in its employees to enhance their performance, develop skills, strengthen retention and build a customer focused culture.

- We offer support to disabled applicants including a guaranteed interview where they meet the minimum criteria. We provide on-going support to recruits with disabilities, existing employees with disabilities and employees who become disabled during their career by making reasonable adjustments.

Directors' Report (Continued)

- AES regularly monitors its Equality Statistics to ensure that we are representative of our locality.

Employee Involvement

AES operates a framework for employee information and consultation which complies with the requirements of the Information and Consultation of Employees Regulations 2005. The Company has introduced a multi-layered approach to providing employees with information including information relating to the economic and financial factors affecting the performance of the Company. This is achieved through team briefings, Company newsletter, Quarterly Public Reports and sending "bite-sized" details on corporate texts.

Regular meetings are held between management and Trade Union representatives, and we encourage a free flow of information and ideas. Local managers also meet with employees to hold Toolbox Talks (front line operational updates). This year AES has introduced its own employee App as a further way to provide timely and important information.

Directors' Liabilities & Interests

The directors of the Company have indemnity insurance for any personal liability in relation to the Company itself. Directors' interests are reported in note 18 of the notes to the Accounts.

Going Concern

The Company's business activities, together with the factors likely to affect its future development, its financial position, financial risk management objectives, details of its financial instruments, and its exposures to price, credit, liquidity and cash flow risk are described in the Strategic Report on pages 1 to 6.

The company has a long-term contract in place with HPBC and SMDC. The company is operating profitably and is expected to continue to do so. The company has received assurances from High Peak Borough Council (HPBC) and Staffordshire Moorlands District Council (SMDC) that sufficient resources will be made available to enable the company to meet its liabilities as they fall due, for a period of at least 12 months from the date of approval of these financial statements.

The directors have considered the impact of Covid-19 on the company. COVID19 measures have led to increased costs for both AES and its primary customers, HPBC and SMDC and in addition the effects of the national lockdown in March 2020 have impacted on operation costs. The Covid-19 emergency started to impact the Company's finances in late March 2020, resulting in an increase in costs of £32k which related wholly to service impacts on behalf of HPBC and SMDC. The costs incurred have been fully paid by HPBC and SMDC and are reflected in these Financial Statements therefore the impact in 2019/20 has not affected the Company's out-turn or reserves position.

The ongoing impacts of the COVID-19 pandemic continue into 2020/21 with AES working closely with HPBC/SMDC to regularly report on the financial impacts in 2020/21 associated with the delivery of services on behalf of the two authorities and future periods. The forecast financial impacts in 2020/21 against the council's services are forecast at £252k. The robust monitoring and reporting in place have enabled in year claims and reimbursement of the costs incurred. In seeking assurances from HPBC and SMDC, AES has provided forecast projections on a quarterly basis for

2020/21 out-turn and a full year budget forecast for 2021/22 as part of its financial reporting to its Commissioning Board. The directors therefore have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future, being a period of not less than 12 months from the date of approval of these financial statements. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

Auditors

A resolution to re-appoint Grant Thornton UK LLP will be put to the members at the Annual Shareholder Meeting.

Directors' Statement as to disclosure of information to auditors

The directors confirm that:

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

Statement of Directors' responsibilities

The directors are responsible for preparing the Strategic Report, 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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law including FRS 101 "Reduced Disclosure Framework"). 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 and profit or loss of the Company for that period.

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

- ➢ Select suitable accounting policies and then apply them consistently;
- ➢ Make judgements and estimates that are reasonable and prudent; and
- ➢ State whether applicable UK Accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- ➢ Prepare the Financial Statements on a Going Concern basis.

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.

By order of the Board

Kevin Melling

K. Melling – Managing Directors Date: 17/12/2020

OFFICIAL

Grant Thornton

Independent auditor's report to the members of Alliance Environmental Services Limited

Opinion

We have audited the financial statements of Alliance Environmental Services Limited (the 'company') for the year ended 31 March 2020, which comprise the Statement of Comprehensive Income, the Statement of Changes in Equity, the Statement of Financial Position 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 101 'Reduced Disclosure Framework (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 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. 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.

The impact of macro-economic uncertainties on our audit

Our audit of the financial statements requires us to obtain an understanding of all relevant uncertainties, including those arising as a consequence of the effects of macro-economic uncertainties such as Covid-19 and Brexit. All audits assess and challenge the reasonableness of estimates made by the directors and the related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the company's future prospects and performance.

Covid-19 and Brexit are amongst the most significant economic events currently faced by the UK, and at the date of this report their effects are subject to unprecedented levels of uncertainty, with the full range of possible outcomes and their impacts unknown. We applied a standardised firm-wide approach in response to these uncertainties when assessing the company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company associated with these particular events.

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.

Grant Thornton

In our evaluation of the directors' conclusions, we considered the risks associated with the company's business, including effects arising from macro-economic uncertainties such as Covid-19 and Brexit, and analysed how those risks might affect the company's financial resources or ability to continue operations over the period of at least twelve months from the date when the financial statements are authorised for issue. In accordance with the above, we have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

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 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 10**, 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.

Grant Thornton

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.

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. 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
Manchester
Date: 17/12/2020

OFFICIAL

Statement of Comprehensive Income

For the year ended 31 March 2020

	Note	Year ended 31 March 2020	Year ended 31 March 2019
		£'000	£'000
Turnover	2	7,641	6,073
Cost of sales		(6,748)	(5,430)
Gross profit		**893**	**644**
Administrative Expenses		(852)	(564)
Operating profit	3	**41**	**80**
Interest Receivable & similar income		1	-
Interest Payable & similar charges		(10)	(9)
Profit on ordinary activities before taxation		**32**	**71**
Taxation	6	-	17
Profit for the financial year		**32**	**88**
Other comprehensive income for the year			
		-	-
Other comprehensive period for the year		-	-
Total comprehensive income for the year		**32**	**88**

The notes on pages 17 to 40 form part of these financial statements.

Statement of changes in equity

For the year ended 31 March 2020

	Share capital £'000	Retained Earnings £'000	Total Equity £'000
Balance as at 1.4.2019	-	126	**126**
IFRS16 adoption adjustment	-	(8)	**(8)**
Revised Balance as at 1.4.2019	-	118	**118**
Profit for the year	-	32	**32**
Total Comprehensive Income for the year	**-**	**32**	**32**
Balance for the year ended 31.03.2020	**-**	**150**	**150**

For the year ended 31 March 2019

	Share capital £'000	Retained Earnings £'000	Total Equity £'000
Balance as at 1.4.2018	-	38	**38**
Profit for the year	-	88	**88**
Total Comprehensive Income for the year	**-**	**88**	**88**
Balance for the year ended 31.03.2019	**-**	**126**	**126**

The notes on pages 17 to 40 form part of these financial statements.

Statement of Financial Position

At 31 March 2020

Registered Number: 10760856

	Note	2020 £'000	2019 £'000
Fixed Assets			
Tangible fixed assets	8	91	219
Total Fixed Assets		**91**	**219**
Current assets			
Stocks	9	139	127
Debtors	10	746	856
Cash at bank and in hand		73	484
Total Current Assets		**958**	**1,467**
Creditors: amounts falling due within one year			
Creditors	11	(792)	(1,324)
Lease liabilities due in less than 1 year	12	(60)	(129)
Total Creditors: amounts falling due within one year		**(852)**	**(1,453)**
Net current assets		**106**	**14**
Total Assets less current liabilities		**197**	**233**
Creditors: amounts falling due after one year			
Lease liabilities due after more than 1 year	12	(47)	(107)
Total Creditors: amounts falling due after more than 1 year		**(47)**	**(107)**
Net Assets		**150**	**126**
Capital and Reserves			
Share capital	15	-	-
Retained Earnings	16	150	126
Total Equity		**150**	**126**

The financial statements were approved and authorised by the Board and were signed on its behalf on 17/12/2020 .

Kevin Melling

K Melling

Managing Director

The notes on pages 17 to 40 form part of these financial statements

Notes to the financial statements

At 31 March 2020

1. Authorisation of the financial statements and compliance with FRS101

Alliance Environmental Services Ltd (AES) is a Private Company limited by shares and incorporated in England & Wales under the Companies Act 2006. The address of the registered office is Environmental Hub, c/o Ansa Environmental Services Ltd, Cledford Lane, Middlewich, Cheshire, CW10 0JR. The nature of the Company's operations and its principal activities are set out in the Strategic Report and Directors Report on pages 1-9.

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS101) and in accordance with applicable accounting standards. The financial statements cover the 12 month period ended 31 March 2020.

The Company's financial statements are presented in sterling and all values are rounded to the nearest thousand pounds (£000) except when otherwise indicated.

The principal accounting policies adopted by the Company are set out in note 2.

2. Accounting Policies

Basis of Preparation

The financial statements have been prepared in accordance Financial Reporting Standard 101 (Reduced Disclosure Framework) in accordance with recognition, measurement and disclosure requirements of International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU). The statements have been prepared on a going concern basis using the historical cost convention, except for the revaluation of certain financial instruments and comply with the Companies Act 2006.

The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 31 March 2020.

In producing the Accounts the following accounting concepts are applied:

- **Consistency**
  The Company will review its accounting polices each year and the impact of any significant change in policies will be declared in the accounting statements so that fair comparisons can be made on a consistent basis.

- **Materiality**
  The concept that any omission from, or inaccuracy in, the statement of accounts should not be so large as to affect the understanding of those statements by a reader, either in terms of the nature of the transactions or their value.

Notes to the financial statements
At 31 March 2020

2. Accounting Policies (continued)

- **Going Concern**

The Company's business activities, together with the factors likely to affect its future development, its financial position, financial risk management objectives, details of its financial instruments, and its exposures to price, credit, liquidity and cash flow risk are described in the Strategic Report on pages 1 to 5.
The company has a long-term contract in place with HPBC and SMDC. The company is operating profitably and is expected to continue to do so. The company has received assurances from High Peak Borough Council (HPBC) and Staffordshire Moorlands District Council (SMDC)that sufficient resources will be made available to enable the company to meet its liabilities as they fall due, for a period of at least 12 months from the date of approval of these financial statements.

The directors have considered the impact of Covid-19 on the company. COVID19 measures have led to increased costs for both AES and its primary customers, HPBC and SMDC and in addition the effects of the national lockdown in March 2020 have impacted on operation costs. The Covid-19 emergency started to impact the Company's finances in late March 2020, resulting in an increase in costs of £32k which related wholly to service impacts on behalf of HPBC and SMDC. The costs incurred have been fully paid by HPBC and SMDC and are reflected in these Financial Statements therefore the impact in 2019/20 has not affected the Company's out-turn or reserves position.

The ongoing impacts of the COVID-19 pandemic continue into 2020/21 with AES working closely with HPBC/SMDC to regularly report on the financial impacts in 2020/21 associated with the delivery of services on behalf of the two authorities and future periods. The forecast financial impacts in 2020/21 against the council's services are forecast at £252k. The robust monitoring and reporting in place have enabled in year claims and reimbursement of the costs incurred. In seeking assurances from HPBC and SMDC, AES has provided forecast projections on a quarterly basis for 2020/21 out-turn and a full year budget forecast for 2021/22 as part of its financial reporting to its Commissioning Board.

The directors therefore have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future, being a period of not less than 12 months from the date of approval of these financial statements. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

<u>Disclosure exemptions adopted</u>

In preparing these statements the Company has taken advantage of some disclosure exemptions conferred by FRS101. Therefore, these financial statements do not include:

Notes to the financial statements

At 31 March 2020

2 Accounting Policies (continued)

Disclosure exemptions adopted - continued

- A statement of cash flows and related notes;
- Presentation of comparative reconciliation of the number of shares outstanding at the beginning and at the end of the period;
- The effect of future accounting standards not adopted;
- The aggregate cost for key management personnel.

Judgements and key sources of estimation and uncertainty

These financial statements have been prepared in accordance with the accounting policies, set out below. The preparation of financial statements in conformity with generally accepted accounting policies requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company accounting policies. Although these judgements and estimates are based on management's best knowledge of the amount, event or actions, actual results may ultimately differ from these.

Newly effective accounting standards implemented in the year

AES adopted the new accounting pronouncements which have become effective this year, and are as follows:

IFRS16 "Leases"

IFRS16 "Leases" replaces IAS17 "Leases" along with three other Interpretations (IFRIC 4 Determining whether an Arrangement contains a Lease", SIC 15 "Operating Leases-Incentives" and SIC 27 `Evaluating the Substance of Transactions Involving Legal Form of a lease').
The adoption of this new Standard has resulted in AES recognising a right of use asset and related lease liability in connection with all former operating leases except those identified as low value or having a remaining lease term of less than 12 months from the date of initial application.

The new standard has been applied using the modified retrospective approach, with the cumulative effect of adopting IFRS16 being recognised in equity as an adjustment to the opening balance of retained earnings for the current period. Prior periods have not been restated.

For Contracts in place at the date of initial application, AES has elected to apply the definition of a lease from IAS17 and IFRIC4 and has not applied IFRS16 to arrangements that were previously identified as a lease under IAS17 and IFRIC4.

AES has elected not to include initial direct costs in the measurement of the right of use asset for operating leases in existence at the date of initial application of IFRS16, being 1 April 2019. At this date, the company has also elected to measure the right of use assets as an amount

Notes to the financial statements

At 31 March 2020

2. Accounting Policies (continued)

equal to the lease liability adjusted for any prepaid or accrued lease payments that existed at the date of transition.

Instead of performing an impairment review on the right of use assets at the date of initial application, AES has relied on its historic assessment as to whether leases were onerous immediately before the date of initial application of IFRS16.

On transition, for leases previously accounted for as operating leases with a remaining lease term of 12 months and for leases of low value assets AES has applied the optional exemptions to not recognise right of use assets but to account for the lease expense on a straight line basis over the remaining lease term.

For those leases previously classified as finance leases, the right of use asset and lease liability are measured at the date of initial application at the same amounts as under IAS17 immediately before the date of initial application.

On transition to IFR16 the weighted average incremental borrowing rate applied to lease liabilities recognised under IFRS16 was 5.245%.

AES has benefitted from the use of hindsight for determining the lease term when considering options to extend and terminate leases.

The following is a reconciliation of the financial statement line items from IAS17 to IFRS 16 at 31 March 2019:

	Carrying amount at 31 Mar 2019 £'000	Re-classification £'00	Re-measurement £'000	IFRS16 carrying amount at 1 April 19 £'000
Property, Plant and Equipment	219	-	(8)	211
Lease liabilities	(219)	-	-	(219)
Total	-	-	(8)	(8)

The following is a reconciliation of total operating lease commitments as 31 March 2019 (as disclosed in the financial Statements to 31 March 2019) to the lease liabilities recognised at 1 April 2019.

Notes to the financial statements

At 31 March 2020

2. Accounting Policies (continued)

Total operating lease commitments disclosed 31 March 2019		0
Operating leases identified at 1.4.2019		5
Recognition exemptions: - Leases of low value assets	(5)	
		(5)
Finance lease obligations		(219)
Total lease liabilities recognised under IFR16 as at 1 April 2019		(219)

Significant Accounting Policies

a) Tangible Fixed Assets

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Company and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

The Company applies a capital expenditure de minimis level of £10,000.

Assets are initially measured at cost, comprising the purchase price, and any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended. Assets are then carried in the Statement of Financial Position.

Depreciation is provided on all plant & equipment on a straight line basis over its expected useful life.

Notes to the financial statements

At 31 March 2020

2. Accounting Policies (continued)

b) Provisions for liabilities

Provisions are recognised when the Company has a present obligation as a result of a past event, and it is probable that the Company will be required to settle that obligation. Provisions are measured at the Directors' best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value where the effect is material.

c) Leases – Company as Lessee

For any new contracts entered into on or after 1 January 2019, AES considers whether a contract is, or contains a lease. A lease is defined as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration. To apply this definition AES assesses whether the contract meets three key evaluations which are whether:

- The contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Company
- The Company has the right to use to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract
- The Company has the right to direct use of the asset throughout the period of use. The Company assesses whether it has the right to direct "how and for what purpose" the asset is used throughout the period of use.

Measurement and recognition of leases as a lessee

At the lease commencement date, the Company recognises a right of use asset and a lease liability on the balance sheet. The right of use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the company, an estimate of any costs to dismantle and remove the asset at the end of the lease and any lease payments made in advance of the lease commencement date.

The company depreciates the right of use assets on a straight line basis from the lease commencement date to the earlier of the end of the useful life of the right of use asset or the end of the lease term. The company also assesses the right of use asset for impairment when such indicators exist.

At the commencement date, the company measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the Company's incremental borrowing rate.

Notes to the financial statements

At 31 March 2020

2. Accounting Policies (continued)

Lease payments included in the measurement of the lease liability are made up of fixed payments, variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest (if applicable). It is re-measured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments.

When the lease liability is re-measured, the corresponding adjustment is reflected in the right of use asset, or profit and loss if the right of use asset is already reduced to zero.

The Company has elected to account for short term leases and lease of low value assets using the practical expedients. Instead of recognising right of use asset and lease liability, the payments in relation to these are recognised as an expense in profit or loss on a straight line basis over the lease term.

On the statement of financial position, right of use assets have been included in property, plant and equipment and lease liabilities have been included in trade and other payables.

d) Financial Instruments

Financial Assets

Financial assets within the scope of IFRS9 are classified as financial assets at fair value through profit or loss or as receivables. The Company determines the classification of its financial assets at initial recognition. All financial assets are recognised initially at fair value. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognised on the trade date i.e. the date that the Company commits to purchase or sell the asset. The Company's financial assets include cash, trade and other receivables.

Receivables:

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method (EIR), less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are integral part of the EIR. The EIR amortisation is included in finance revenue in the income statement. Losses arising from impairment are recognised in the income statement in other operating expenses.

Notes to the financial statements

At 31 March 2020

2. Accounting Policies (continued)

Financial Liabilities

Financial liabilities within the scope of IFRS9 are classified as financial liabilities at fair value through profit or loss. The Company determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognised initially at fair value.

e) Stocks

Stocks are stated at the lower of cost or net realisable value and where appropriate are stated net of provisions for slow moving and obsolete inventory. Cost comprises direct materials only, no direct labour or overheads have been incurred in bringing inventories to their present location and condition.

f) Trade & other debtors

Income is accounted for on an accruals basis, i.e. recorded in the year the activity takes place rather than when cash is paid or received. Income is recorded in the year in which it is earned. Therefore, debtors are recorded in the accounts at the time payment is due.

Therefore, trade debtors, which generally have a 30-day term, are recognised and carried at the lower of their original invoiced value and recoverable amount. Where the time value of money is material, receivables are carried at amortised cost. Provision for impairment is made through profit or loss when there is objective evidence that the Company will not be able to recover balances in full. Balances are then written off when the probability of recovery is assessed as being remote.

g) Cash at bank and in hand

Cash and short term deposits in the balance sheet comprise cash at bank and in hand and short term deposits with an original maturity of three months or less.

h) Pensions and other post employment benefits

AES employees participate in three Pensions Schemes, the Derbyshire Local Government Pension Scheme (DCC LGPS), Staffordshire Local Government Pension Scheme (SCC LGPS) and The Peoples Pension (TPP).

DCC & SCC LGPS: The LGPS provides defined benefits to members (retirement lump sums and pensions) based on membership earned during the time that the employee was a member of the scheme. Under the agreement with HPBC and SMDC, the Company is required to pay contributions to the schemes at an agreed percentage for the life of the agreement and, as a consequence, these are treated as contributions to a defined contribution scheme in accordance with IAS19.

Notes to the financial statements

At 31 March 2020

2. Accounting Policies (continued)

Pensions and other post employment benefits continued.
TPP: The TPP is a defined contribution scheme offered to existing employees not in the LGPS Scheme and all new employees of AES. The Company pays contributions to the scheme at the current statutory rate.

i) Parent owned assets used in the course of business

The Company conducts its ordinary activities from and utilises the tangible assets (e.g. properties) that are owned by HBPC and SMDC. With respect to the properties, HPBC and SMDC acts as corporate landlords and are responsible for insuring the properties and all aspects of maintenance and utility costs; in this respect premises are provided free of charge to the Company.

j) Revenue recognition

Revenue represents the income receivable in the ordinary course of business for goods and services provided, excluding value added tax and trade discounts. Revenue is recognised to the extent that it is highly probable that a reversal shall not occur. Revenue is not recognised until the performance obligation has been satisfied. Due to the nature of the entity's contractual arrangements, then all performance obligations have been deemed to be satisfied as at the year end.

k) Operating profit

Operating profit is stated after charging cost of sales and operating expenses against revenue recognised in the period but before finance charges and finance income.

l) Insurance

All insurance is currently arranged through Cheshire East Borough Council (CEBC), ultimate parent of Ansa Environmental Services Ltd, being the majority shareholder of AES. CEBC can extend its existing insurance approach and policies to cover the majority of the insurance requirement of its wholly owned companies and their subsidiaries.

m) Overheads & Support Services

Some management and support services are provided by Ansa Environmental Services Limited (Ansa), e.g. Management, HR and Procurement. Other support services are provided externally by CEBC. These external support services are provided in accordance with agreed charges set out in the contracts between the Company and HPBC/SMDC.

Notes to the financial statements

At 31 March 2020

2. Accounting Policies (continued)

n) VAT

Income and expenditure excludes any amounts related to VAT, as all VAT collected is payable to HM Revenue & Customs and all VAT paid is recoverable from them. At the year end any amounts outstanding are represented by a debtor or creditor in the Statement of Financial Position.

o) Events after the Balance Sheet Date

Events after the balance sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Accounts are authorised for issue. Two types of events can be identified:

- Those that provide evidence of conditions that existed at the end of the reporting period – the Accounts are adjusted to reflect such events;

- Those that are indicative of conditions that arose after the reporting period – the Accounts are not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the Notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Accounts.

2. Turnover

Turnover recognised in the income statement is analysed as follows:

	Year ended 31 March 2020	Year ended 31 March 2019
	£'000	£'000
Sale of Goods	5	34
Rendering of services	7,636	6,039
Turnover from continuing operations	**7,641**	**6,073**

In the year to 31 March 2020 turnover was principally derived from the main services contract with HPBC/SMDC; the Company operates in the following areas of activity:

Notes to the financial statements

At 31 March 2020

Turnover (continued)

	Year ended 31 March 2020 £'000	Year ended 31 March 2019 £'000
Services Contract with HPBC/SMDC	6,794	5,414
Other services provided to parent	495	113
Other activity	352	547
	7,641	**6,073**

Other services provided to the parent comprises primarily fleet (fuel) services & grounds maintenance staff costs. Other activity comprises: waste income and fleet services income. All turnover arose within the United Kingdom.

3. Operating Profit

This is stated after charging/(crediting):

	Year ended 31 March 2020 £'000	Year ended 31 March 2019 £'000
Depreciation of vehicles -	153	31
Cost of stocks recognised as an expense (included in cost of sales)	132	94

4. Auditors Remuneration

The Company recognises the following amounts in respect of the audit of the financial statements and for other services provided to the Company.

	Year ended 31 March 2020 £'000	Year ended 31 March 2019 £'000
Fees payable to the company's auditor for the audit of the company's accounts	12	10
Total	**12**	**10**

Notes to the financial statements

At 31 March 2020

5. Staff costs and directors' remuneration

Staff costs, including directors' remuneration, were as follows:

(a) Staff costs

	Year ended 31 March 2020 £'000	Year ended 31 March 2019 £'000
Wages and salaries	2,714	1,985
Social security costs	235	170
Pension costs	273	203
	3,222	**2,358**

The average monthly number of employees during the period was made up as follows:

	Year ended 31 March 2020 No.	Year ended 31 March 2019 No.
Waste Collection	88	65
Management and Admin	17	10
Fleet	3	3
Grounds Maintenance	17	5
	125	**83**

No directors received remuneration from the Company during the year.
There were no directors in AES accruing benefits under defined benefit schemes.

6. Taxation

AES have been granted an exemption from corporation tax by HMRC with reference to their transactions with its Council member as these transactions do not amount to trading under the requirements for Arms Length Management Organisations (ALMOs). The Company is however still liable to Corporation Tax in respect of transactions with third parties or other Group companies. On that basis provision has been made for any potential corporation tax liability on transactions with third party and other Group companies.

Notes to the financial statements
At 31 March 2020

Taxation (continued)

	Year ended 31 March 2020 £'000	Year ended 31 March 2019 £'000
(a)Tax charged in the income statement:		
UK Corporation tax	(1)	17
Total current income tax on continuing operations	**(1)**	**17**
(b)Reconciliation of the total tax charge:		
Profit from continuing operations before taxation	32	71
• Tax calculated at UK standard rate of corporation tax 19%	(6)	(13)
• Adjustment for Non-Taxable income	6	13
• 2017-18 Tax refund calculated at standard rate of corporation tax 19%	-	17
Total tax refund/(expense) reported in the income statement	**-**	**17**

7. Depreciation expense

Depreciation and amortisation expense consists of the following:

	Year ended 31 March 2020 £'000	Year ended 31 March 2019 £'000
Depreciation of right of use assets (Note 8)	(153)	(22)
Total Depreciation	(153)	(22)

Notes to the financial statements

At 31 March 2020

8. Tangible Fixed Assets
For the period ended 31 March 2020

Plant & Equipment	Year ended 31 March 2020 £'000
Cost or fair value	
At 1 April 2019	242
Adjustment on transition to IFRS16	-
Additions in year	32
Disposals	-
At 31 March 2020	**274**
Depreciation	
At 1 April 2019	(22)
Adjustment on transition to IFRS 16	(8
Provided during the year	(153
Disposals	-
At 31 March 2020	**(183)**
Carrying amount at 31 March 2020	**91**

Included in the above line items are right of use assets over the following :

	£'000
Vehicles	91

The deprecation charged on these assets was £153k (2018/19: £22k)

Plant & Equipment	Year ended 31 March 2019 £'000
Cost or fair value	
At 1 April 2018	242
Additions in year	-
Disposals	-
At 31 March 2019	**242**
Depreciation	
At 1 April 2018	-
Provided during the year	(22)
Disposals	
At 31 March 2019	**(22)**
Carrying amount at 31 March 2019	**219**

Notes to the financial statements

At 31 March 2020

9. Stocks

	Year ended 31 March 2020 £'000	Year ended 31 March 2019 £'000
Stock	139	127
	139	**127**

10. Debtors

	Year ended 31 March 2020	Year ended 31 March 2019
Due within one year:	£'000	£'000
Trade debtors	7	43
Other debtors	74	154
Amounts owed by group undertakings	610	396
Taxation - VAT	-	212
Taxation – Corporation Tax	10	10
Prepayment and deferred income	45	41
	746	**856**

11. Creditors

	Year ended 31 March 2020 £'000	Year ended 31 March 2019 £'000
Due within one year:		
Trade creditors	(210)	(300)
Amounts owed to group undertakings	(213)	(785)
Taxation and social security	(49)	(46)
Taxation – VAT	(83)	-
Other creditors	(26)	(11)
Accruals and deferred income	(211)	(182)
	(792)	**(1,324)**

Amounts owed to group undertakings are unsecured. No interest is charged on these balances.

Notes to the financial statements

At 31 March 2020

12. Leases

AES has leases for vehicles and equipment. Vehicle leases are predominantly for Refuse Collection Vehicles plus some light commercial vehicles. With the exception of short term leases and leases of low value underlying assets, each lease is reflected on the balance sheet as a right of use asset and a lease liability. AES classifies its right of use assets in a consistent manner to its property, plant and equipment (see Note 7).

Leases of vehicles (Refuse Collection and Light Commercials) are generally limited to a lease term of 7 or 5 years respectively. The current finance leases for AES are for second hand vehicles acquired on the demise of a former operator in early 2019, these vehicles have therefore been leased for a period of 1 – 3 years.

Each lease generally imposes a restriction that, unless there is a contractural right for AES to sublet the asset to another party, the right of use asset can only be used by the company. Leases are mainly non-cancellable or may only be cancelled by incurring a substantive termination fee. Some leases contain an option to purchase the underlying asset outright at the end of the lease, or to extend the lease for a further term. The Company is prohibited from selling or pledging the underlying leased assets as security. Further, the company must insure items of property, plant and equipment and incur maintenance fees on such items in accordance with the lease contracts.

The table below describes the nature of AES's leasing activities by type of right of use asset recognised on balance sheet:

Right of use asset (RoU)	No.of RoU assets leased	Range of remaining term	Average remaining lease term	No of leases with extension options	No of leases with options to purchase	No of leases with variable payments linked to an index	No of leases with termination options
Vehicles	14	0 - 23 months	12 months	3	0	0	3

Right of use assets

Additional information on the right of use assets by class of assets is as follows:

	Asset £'000	Carrying Amount £'000	Additions £'000	Depreciation £'000	Impairment £'000
Vehicles	91	242	32	(183)	-

The right of use assets are included in the same line item as where corresponding underlying assets would be presented if they were owned.

Notes to the financial statements

At 31 March 2020

Leases (continued)

Lease Liabilities

Lease liabilities are presented in the statement of financial position as follows:

	31 March 2020 £'000	31 March 2019 £'000
Current	(60)	(129)
Non Current	(47)	(107)

Additional information on lease liabilities and amounts in respect of possible future lease termination options not recognised as a liability are as follows:

Right of Use asset	Lease liability £'000	Lease termination options recognised as part of a lease liability £'000	Lease termination options not recognised as a liability £'000	Historical rate of exercise of termination options %	Number of leases with an extension option that is not considered reasonably certain of exercise (No)	Additional lease liabilities that would be incurred were it to become reasonably certain that the extension would be exercised £'000
Vehicles	(107)	0	4	0%	1	1

At 31 March 2020 AES had not committed to any new leases which had not yet commenced.

Lease liabilities are secured by the related underlying assets. The undiscounted maturity analysis of lease liabilities at 31 March 2020 is as follows:
Minimum lease payments due:

	Within 1 year £'000	2 years £'000	3 years £'000
31 March 2020			
Lease Payments	(60)	(47)	-
Finance Charges	5	2	-
Net Present Values	(55)	(45)	-

	Within 1 year £'000	2 years £'000	3 years £'000
31 March 2019			
Lease Payments	(60)	(60)	(47)
Finance Charges	8	5	2
Net Present Values	(52)	(55)	(45)

Notes to the financial statements
At 31 March 2020

Lease payments not recognised as a liability

AES has elected not to recognise a lease liability for short term leases (leases of expected term of 12 months or less) or for leases of low value assets. Payments made under such leases are expenses on a straight line basis. In addition, certain variable lease payments are not permitted to be recognised as lease liabilities are expensed as incurred.

The expense relating to payments not included in the measurement of a lease liability is as follows:

	31 March 2020 £'000
Short term leases	-
Leases of low value assets	(5)

13. Nature and extent of risks arising from Financial Instruments

The identification, understanding and management of risk are, by necessity, a major part of the Company's financial management activities. The current key risks are liquidity risk and credit risk

Liquidity Risk
This is the risk that the Company will not have sufficient cash resources to meet its obligations to its creditors and employees as they fall due for payment. The Company's primary contracts are with HPBC & SMDC and it is currently paid quarterly in advance for its contracted management fees; therefore the Company forecasts and manages its day-to-day cash flow through the management fee arrangements.

Nature and extent of risks arising from Financial Instruments continued

Credit Risk
This is the risk that AES will not be repaid in full when it invests money with other financial institutions (counterparties). Credit risk is being reduced by using surplus cash balances to avoid the need to raise any loans to finance expenditure.

AES ordinarily makes provision for bad/doubtful debts over 6 months old. The table below shows likely impact of non-recovery of debtors based on experience over the last 12 months.

	Amount deposited At 31 March 2020 £'000	Experience of Default %	Maximum exposure to default £'000
Trade Debtors	7	0	0
Group Debtors	610	0	0
Other Debtors	74	0	0

Notes to the financial statements

At 31 March 2020

The Company generally allows its trade debtors credit of 1 month, reported as current debt. The aged debt profile is analysed below:

Age of invoiced debt:	£'000
Current debt (not overdue)	2
Less than 3 months overdue	5
3 to 6 months overdue	0
6 months +	0

14. Financial Instruments

An explanation of the Company's financial instrument risk management position is set out in note 12 above.

Liquidity Risk
The table below summarises the maturity profile of the Company's financial liabilities at 31 March 2020 based on contracted undiscounted payments.

Year ended 31 March 2020

Non-derivative financial liabilities

	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
Trade & other creditors	(140)	(634)	(18)			(792)

Finance lease obligations and trade and other creditors mainly originate from the financing of assets used in the Company's ongoing operations such as plant and equipment and working capital such as stocks. These assets are considered as part of the Company's overall liquidity risk.

Fair value of financial assets and financial liabilities
Set out below is a comparison by category of carrying amounts and fair value of all the Company's financial instruments.

Notes to the financial statements

At 31 March 2020

Financial Instruments continued

	Year ended 31 March 2020 Carrying amount £'000	Year ended 31 March 2020 Fair Value £'000
Financial assets		
Cash	73	73
Trade and other debtors	81	81
Amounts owed by group undertakings	610	610
Prepayments and deferred income	45	45
Financial liabilities		
Trade and other creditors	(368)	(368)
Accruals and deferred income	(211)	(211)
Amounts owed to group undertakings	(213)	(213)

The carrying value of short term receivables and payables are assumed to approximate their fair values where discounting is not material.

15. Authorised, issued and called up share capital

	2020 No	2020 £
Allotted, called up, not yet paid		
Ordinary shares of £1 each	200	£200

Called-up share capital represents the nominal value of shares that have been issued.

16. Retained Earnings

Retained earnings include all current and prior year period retained profits.

Notes to the financial statements

At 31 March 2020

17. Pensions Commitments

AES employees participate in two Local Government Pensions Schemes (LGPS-DCC and LGPS-SCC) and The Peoples Pension (TPP).

LGPS - DCC: The LGPS is a defined benefit scheme operated via High Peak Borough Council (HPBC); the Council accounts for all assets and liabilities related to the scheme. The LGPS is a funded Scheme administered by the Derbyshire Pension Fund.

LGPS - SCC: The LGPS is a defined benefit scheme operated via Staffordshire Moorlands District Council (SMDC); the Council accounts for all assets and liabilities related to the scheme. The LGPS-SCC is a funded Scheme administered by the Staffordshire Pension Fund.

Under the Services Contracts with HPBC and SMDC there are specific requirements in place with the Company in respect of employee benefits resulting from membership of the Derbyshire County Council Local Government Pension Scheme (LGPS-DCC) and the Staffordshire County Council Local Government Pension Scheme (LGPS-SCC). AES is required to pay contributions to the schemes at an agreed percentage for the life of the agreement and, as a consequence, these are treated as contributions to a defined contribution scheme in accordance with International Accounting Standard IAS19.

The Derbyshire Pension Fund and Staffordshire Pension Fund commission an actuarial valuation of the Schemes every three years. The main purpose of the valuation is to determine the financial position of the Schemes in order to address the level of future contributions required so that the Schemes can meet its obligations as they fall due.

LPGS-DCC

The last formal valuation of the LGPS-DCC Scheme was carried out as at 31 March 2019 by Hymans Robertson LLP (the Scheme's independent Actuary) using the Projected Unit Method. The market value of the Derbyshire Scheme's assets as at the valuation date was £4,929m. The valuation showed a shortfall of assets compared with the value of liabilities of £5,092m, equivalent to a past service funding level of 97%.

The employer's contribution for the year was £0.089m (2019: £0.088m). As at 31 March 2020, there were 20 active members of the Scheme employed by AES (2019: 22). The annual pensionable payroll in respect of these members was £0.530m (2019: £0.535m).

LGPS-SCC

The last formal valuation of the LGPS-SCC Scheme was carried out as at 31 March 2019 by Hymans Robertson LLP (the Scheme's independent Actuary) using the Projected Unit Method. The market value of the Staffordshire Scheme's assets as at the valuation date

Notes to the financial statements

At 31 March 2020

Pension commitments continued

was £5,131m. The valuation showed a shortfall of assets compared with the value of liabilities of £5,204m, equivalent to a past service funding level of 99%.

The employer's contribution for the year was £0.166m (2019: £0.133m). As at 31 March 2020, there were 46 (2019: 51) active members of the Scheme employed by AES. The annual pensionable payroll in respect of these members was £0.999m (2019: £0.795m).

TPP: TPP is a defined contribution scheme.

The employer's contribution for the year was £0.019m (2019: £0.009m). As at 31 March 2020, there were 32 active members of the Scheme employed by AES (2019: 22). The annual pensionable payroll in respect of these members was £0.655m (2019: £0.443m)

18. Directors interests

Mr Kevin Melling, Managing Director, is also a director of the following companies which are wholly owned/controlled by Cheshire East Council:

- Ansa Environmental Services Limited
- Orbitas Bereavement Services Limited
- Transport Service Solutions Limited

Mrs Jane Thomason, was a senior officer of the Ansa Environmental Services Limited, a company wholly owned/controlled by Cheshire East Council, in the 2019/20 year.

Mr Geoff Baggott is also a director of Ansa Environmental Services Limited in the 2019/20 year.

Mr Andrew Stokes was a senior officer of Staffordshire Moorlands District Council in the 2019/20 year.

Mr Simon Baker was a senior officer of High Peak Borough Council & Staffordshire Moorlands District Council in the 2019/20 year until 27/02/2020.

Mr Mark Trillo was a senior officer of High Peak Borough Council & Staffordshire Moorlands District Council in the 2019/20 year.

Transactions between fellow wholly owned subsidiaries are reported below in note 20.

19. Off balance sheet arrangements

There are no off balance sheet arrangements now as IFRS16 requires that all such arrangements are recognised. Please refer to the Leases note 12.

Notes to the financial statements

At 31 March 2020

20. Related party transactions

During the year the Company entered into transactions, in the ordinary course of the business, with other related parties. There are no transactions with directors to disclose. Transactions entered into, and trading balances outstanding at 31 March with other related parties, are shown below.

AES undertakes significant transactions with High Peak Borough Council (HPBC) and Staffordshire Moorlands District Council (SMDC). These relate to waste collection and fleet services provided to HPBC and SMDC under Services Contract agreements for an agreed management fee (see Turnover note). AES also made payments to HPBC and SMDC during the period for other Cost of Sales charges which are largely fleet related, as well as for salary charges for a seconded employee. Both HPBC and SMDC have 12.5% shareholdings in AES.

AES also makes payments to Ansa Environmental Services Limited (Ansa) and Cheshire East Council (CEBC) in relation to management and support services provided (see Ansa and CEBC shareholding in AES under note 21.) In addition, Ansa also provided training services to AES as well as HR system licences and long service award vouchers.

Year ended 31 March 2020	Sales to related party	Purchases from related party	Amounts owed by related party	Amounts owed to related party
	£'000	£'000	£'000	£'000
High Peak Borough Council	(3,531)	19	(155)	60
Staffordshire Moorlands District Council	(3,734)	23	(435)	2
Ansa Environmental Services Limited	(14)	155	(10)	2
Cheshire East Borough Council	(10)	173	(10)	149
Skills and Growth Company*	-	-	-	-
	(7,289)	**370**	**(610)**	**213**

**In the 19-20 financial year, tax relief due to SAGC totalled £501. Due to the small value this is not displayed in the note above.*

Notes to the financial statements

At 31 March 2020

Related party transactions continued

Year ended 31 March 2019	Sales to related party	Purchases from related party	Amounts owed by related party	Amounts owed to related party
	£'000	£'000	£'000	£'000
High Peak Borough Council	(3,123)	224	(130)	207
Staffordshire Moorlands District Council	(2,649)	181	(266)	190
Ansa Environmental Services Limited	-	344		215
Cheshire East Borough Council	-	158		173
	(5,772)	**907**	**(396)**	**785**

21. Parent undertaking

Alliance Environmental Services Ltd ownership comprises 75% holding by Ansa Environmental Services Limited (Ansa Ltd) with the 25% minority interest remaining held equally by High Borough Council (HPBC) and Staffordshire Moorlands District Council (SMDC).
Ansa Ltd is a 100% subsidiary of Cheshire East Residents First Limited and Cheshire East Borough Council. ANSA and AES accounts are consolidated and included within the Cheshire East Borough Council Group accounts, which are publically available.

22. Events since the Balance Sheet date

The Covid-19 Pandemic is an adjusting event since the balance sheet date that will have an impact on the accounts presented. COVID19 measures have led to increased costs for both AES and its owners and primary customers HPBC and SMDC, in addition the effects of the national lockdown commencing in March 2020 have impacted on operating costs. The Covid-19 emergency started to impact the Company's finances in late March 2020, resulting in an increase in costs of £32k which related wholly to services impacts on behalf of HPBC and SMDC. The costs incurred have been fully paid by HPBC and SMDC and are reflected in these Financial Statements, therefore the impact in 2019/20 has not affected the Company's out-turn or reserves position.

There have been no significant adjusting events or material transactions since the balance sheet date that will have an impact on the accounts presented. However as mentioned in the Strategic and Directors report, with effect from 1 April 2020 Phase 3 of the Joint Venture with Staffordshire Moorlands and High Peak Councils commenced, expanding wider environmental services (including other functions provided by Ansa in the area of Cheshire East) across both boroughs.