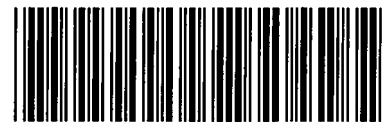


COMPANY REGISTRATION NUMBER: 12973716

North Somerset Environment Company Ltd
Financial Statements
31 March 2022

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North Somerset Environment Company Ltd

Financial Statements

Period from 26 October 2020 to 31 March 2022

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North Somerset Environment Company Ltd

Strategic Report

Period from 26 October 2020 to 31 March 2022

Business review

The Company was formed in October 2020, during the first 6 months, the only payroll costs related to the MD who was employed from the beginning of December 2020. All other costs incurred up until the Company began trading on the 27th March 2021 related to the mobilisation and set up of the Company.

NSEC took over the Contract to deliver the Waste and Recycling Services to North Somerset Council from the previous incumbent, Biffa. The contract was terminated after 4 years of a 7-year term due to service failures being unable to be rectified.

The first 6 months accounts only feature 4 days actual trading at the end of March 2021 so the Company applied to Companies House to extend our accounting deadline and include these six months within the first full year's accounts ending 31st March 2022.

During the initial set up phase and consequent first year of trading the Company faced multiple challenges on an unprecedented scale.

Initially the COVID 19 Pandemic, followed by the 'Pingdemic', both of which impacted negatively on the business in the following manner:

- Multiple staff presenting repeat periods of 14-day absences from the workplace, multiple staff self-isolating due to medical conditions
- Whilst incurring sick pay the workers had to be covered by Agency staff therefore more than doubling the salary costs
- Business efficiency was negatively impacted due to the introduction of inexperienced temporary workers
- The impact was felt across all Business areas as HR, Payroll and Operational Management experienced increasingly challenging workloads
- Financially the Business incurred significant overspend on the Agency Budget and being publicly funded were not able to claim any COVID support payments whatsoever
- A further mitigating action taken by NSEC was to reconfigure elements of the existing owned fleet by hiring supplemental 7.5 Tonne Vehicle to reduce the reliance on HGV Drivers and maintain service delivery. This action has incurred significant additional cost for Vehicle Hire which the Company will aim to reduce during early 22/23 financial Year.

The other major factor out of our control and having a severe impact on the Business was the National shortage of HGV Drivers. The Company inherited over 10% Driver vacancies from the previous incumbent Contractor.

The shortage is well documented and came about for several reasons:

- HGV Driver workforce has an average age of 54 which is high among other professional roles, consequently there is a steady stream of retirees from the profession
 - Leavers were increased during 2019/20 due to the Brexit arrangements which led to high numbers of migrant HGV Drivers returning to their country of origin as immigration status changes took place
 - The COVID pandemic then led to a 16 Month hiatus in training and qualification of any new
-

North Somerset Environment Company Ltd

Strategic Report *(continued)*

Period from 26 October 2020 to 31 March 2022

HGV Drivers into the profession leading to an already challenging situation becoming a major crisis

- Another significant factor to take into account has been the shift from bricks and mortar retailing to home shopping progressively over the last 5 years which has inordinately increased the demand on both HGV and Light Goods Vehicle Drivers

Combining all these factors has created a perfect storm and a severe shortfall in the number of HGV Drivers required by industry across the UK.

The Company has developed innovative recruitment techniques in an attempt to mitigate the shortfall in driver numbers. In addition, we have created our own Driver sponsorship programme to recruit, employ, train and qualify HGV Class 2 drivers into the Business since the DVLA and Testing Centres opened for Business again in July 2021. The number of recruits to the programme are 15 and 5 have successfully qualified to date.

Principle risks and uncertainties

The principal risks facing the business are:

- A continued shortage of staff, which is set out above;
- The potential for cost inflation, which, with an annual renewal of the company's contract, may limit the company's ability to recover the increase in costs. The company constantly manages its costs, and seeks to negotiate with its customer to mitigate this impact.
- Reliance on one customer, North Somerset Council. The directors continue to have support of their key customer.

Financial key performance indicators

The main financial performance indicator is the financial loss for the year, which is reported as £339,429. The directors are satisfied with the level of trading seen by the business during the year.

North Somerset Environment Company Ltd

Strategic Report *(continued)*

Period from 26 October 2020 to 31 March 2022

Future developments and outlook

The situation remains extremely challenging as we currently still run with 10% driver vacancies against establishment, all our efforts having maintained the same position over the last 12 months but failed to move us forward, under the circumstances this is deemed a positive achievement.

NSEC continue the journey of improving service delivery of the main contract and are achieving the planned resilience of service as evidenced by continuous improvements of the KPI suite reported monthly during client review meetings.

The Board is also undergoing development with the planned recruitment of a Non-Executive Chair and 2 Non-Executive Directors to add to and complement the existing Board make up. The aim is to have all in post by the end of July 22.

On-going improvement of Employee relations remains a key objective of the Company as evidenced following 10 months of negotiation with the GMB Union concluding in a Ballot voting in favour of a 3 Year Pay deal, avoiding any industrial action and providing stability until April 2024.

The Business Management Structure has been developed in line with the Business Plan during 21/22 and is now well placed to effectively deliver the current needs but also has the capacity required to deliver continuous improvement as well as future growth objectives.

Business opportunities continue to be developed closely with the Shareholders governance to ensure they remain achievable and low risk. The 5 Year Business Plan is agreed in principal and in the stages of final ratification.

The directors monitor the availability of cash and access to short-term borrowing facilities, including:

- The ability of customers to pay debts as they fall due - our main contract income and the supplementary sales initially being achieved are through North Somerset Council and therefore considered secure
- the entity's ability to meet its current liabilities and, if necessary, to renegotiate credit terms - our net 14 days payment from invoice keep NSEC in a positive cashflow position
- the access to additional funding from existing finance providers or other sources of long-term finance - NSEC have an agreed borrowing facility at preferential rates for future Capital Expenditure subject to Shareholder approval through North Somerset Council

Given the rapidly changing environment and level of uncertainty, preparing detailed forecasts will often be challenging but the company have created a detailed Finance Budget and Forecasting Model that enables monthly live reporting to the Board of Directors and the Shareholder Board.

Careful attention will be paid to key judgements and assumptions used in the preparation of the forecasts to ensure that they are reasonable and supportable. A greater range of scenarios than usual will be assessed when forecasting especially surrounding the Business Plan. This will not be a straightforward task and will require consideration of both sector specific and broader economic issues.

The directors have also obtained written confirmation from North Somerset Council that they will continue to provide support to the company, to enable it to meet its liabilities and continue as a going concern for the foreseeable future. As such, the board of directors believe the company to be a going concern, and have prepared the financial statements on that basis.

North Somerset Environment Company Ltd

Strategic Report *(continued)*

Period from 26 October 2020 to 31 March 2022

This report was approved by the board of directors on ...22/07/22... and signed on behalf of the board by:



Mr B Veale
Director

Registered office:
Unit 6 Westland Business Centre
Winterstoke Road
Weston-super-Mare
England
BS24 9AD

North Somerset Environment Company Ltd

Directors' Report

Period from 26 October 2020 to 31 March 2022

The directors present their report and the financial statements of the company for the period ended 31 March 2022.

Directors

The directors who served the company during the period were as follows:

Mr B Veale	(Appointed 6 January 2021)
Mrs S Smith	(Appointed 26 October 2020)
Mr S Jellings	(Appointed 22 March 2021)
Mrs G Dando	(Appointed 23 April 2021)

Dividends

The directors do not recommend the payment of a dividend.

Directors' responsibilities statement

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 period. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and the profit or loss of the company for that period.

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

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

Auditor

Each of the persons who is a director at the date of approval of this report confirms that:

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

North Somerset Environment Company Ltd

Directors' Report *(continued)*

Period from 26 October 2020 to 31 March 2022

This report was approved by the board of directors on22/01/22..... and signed on behalf of the board by:



Mr B Veale
Director

Registered office:
Unit 6 Westland Business Centre
Winterstoke Road
Weston-super-Mare
England
BS24 9AD

North Somerset Environment Company Ltd

Independent Auditor's Report to the Members of North Somerset Environment Company Ltd

Period from 26 October 2020 to 31 March 2022

Opinion

We have audited the financial statements of North Somerset Environment Company Ltd (the 'company') for the period ended 31 March 2022 which comprise the statement of comprehensive income, statement of financial position, statement of changes in equity, statement of cash flows and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2022 and of its loss for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- 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

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

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

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

Other information

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

North Somerset Environment Company Ltd

Independent Auditor's Report to the Members of North Somerset Environment Company Ltd (continued)

Period from 26 October 2020 to 31 March 2022

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 period 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.

Matters on which we are required to report by exception

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

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, 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.

North Somerset Environment Company Ltd

Independent Auditor's Report to the Members of North Somerset Environment Company Ltd *(continued)*

Period from 26 October 2020 to 31 March 2022

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.

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

- We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and through discussion with the directors. We communicated identified laws and regulations throughout our team, and remained alert to any indications of non-compliance throughout the audit.
- The company is subject to laws and regulations that govern the preparation of the financial statements, including financial reporting legislation, and other companies legislation. The company is also subject to other laws and regulations where the consequences of non-compliance could have a material impact on the amounts or disclosures within the financial statements including health and safety laws and regulations, environmental laws, employment laws and regulations and certain aspects of companies legislation.
- Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. In any audit, there remains a higher risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. We are not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations.

As part of an audit in accordance with ISAs (UK), we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
 - Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.
 - Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
 - Conclude on the appropriateness of the directors' use of the going concern basis of accounting
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North Somerset Environment Company Ltd

Independent Auditor's Report to the Members of North Somerset Environment Company Ltd *(continued)*

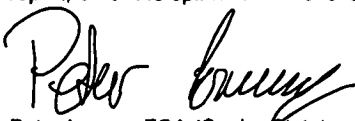
Period from 26 October 2020 to 31 March 2022

and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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.



Peter Lomax, FCA (Senior Statutory Auditor)

For and on behalf of
Thomas Westcott LLP
Chartered Accountants & statutory auditor
Tallford House
38 Walliscote Road
Weston-super-Mare
North Somerset
BS23 1LP

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North Somerset Environment Company Ltd

Statement of Comprehensive Income

Period from 26 October 2020 to 31 March 2022

		Period from 26 Oct 20 to 31 Mar 22 £
Turnover	Note 4	13,162,812
Cost of sales		8,944,814
Gross profit		4,217,798
Distribution costs		504,520
Administrative expenses		4,052,707
Operating loss	5	(339,429)
Loss before taxation		(339,429)
Tax on loss		-
Loss for the financial period		(339,429)

All the activities of the company are from continuing operations.

The company has no other recognised items of income and expenses other than the results for the period as set out above.

The notes on pages 15 to 21 form part of these financial statements.

North Somerset Environment Company Ltd

Statement of Financial Position

31 March 2022

	Note	31 Mar 22 £
Fixed assets		
Tangible assets	7	99,643
Current assets		
Stocks	8	112,565
Debtors	9	857,159
Cash at bank and in hand		2,076,397
		<u>3,046,121</u>
Creditors: amounts falling due within one year	10	3,485,192
Net current liabilities		<u>439,071</u>
Total assets less current liabilities		<u>(339,428)</u>
Net liabilities		<u>(339,428)</u>
Capital and reserves		
Called up share capital	12	1
Profit and loss account	13	(339,429)
Shareholders deficit		<u>(339,428)</u>

These financial statements were approved by the board of directors and authorised for issue on 22/07/22....., and are signed on behalf of the board by:



Mr B Veale
Director

Company registration number: 12973716

The notes on pages 15 to 21 form part of these financial statements.

North Somerset Environment Company Ltd

Statement of Changes in Equity

Period from 26 October 2020 to 31 March 2022

	Called up share capital £	Profit and loss account £	Total £
At 26 October 2020	—	—	—
Loss for the period	—	(339,429)	(339,429)
Total comprehensive income for the period	—	(339,429)	(339,429)
Issue of shares	1	—	1
Total investments by and distributions to owners	1	—	1
At 31 March 2022	1	(339,429)	(339,428)

The notes on pages 15 to 21 form part of these financial statements.

North Somerset Environment Company Ltd

Statement of Cash Flows

Period from 26 October 2020 to 31 March 2022

	31 Mar 22 £
Cash flows from operating activities	
Loss for the financial period	(339,429)
<i>Adjustments for:</i>	
Depreciation of tangible assets	10,189
Accrued expenses	786,651
<i>Changes in:</i>	
Stocks	(112,565)
Trade and other debtors	(857,159)
Trade and other creditors	674,705
Cash generated from operations	162,392
Net cash from operating activities	162,392
Cash flows from investing activities	
Purchase of tangible assets	(109,832)
Net cash used in investing activities	(109,832)
Cash flows from financing activities	
Proceeds from issue of ordinary shares	1
Proceeds from loans from group undertakings	2,023,836
Net cash from financing activities	2,023,837
Net increase in cash and cash equivalents	2,076,397
Cash and cash equivalents at beginning of period	—
Cash and cash equivalents at end of period	2,076,397

The notes on pages 15 to 21 form part of these financial statements.

North Somerset Environment Company Ltd

Notes to the Financial Statements *(continued)*

Period from 26 October 2020 to 31 March 2022

1. General Information

The company is a private company limited by shares, registered in England and Wales. The address of the registered office is Unit 6 Westland Business Centre, Winterstoke Road, Weston-Super-Mare, England, BS24 9AD

The principal activity of the company during the year was the collection of waste and other waste management services.

2. Statement of compliance

These financial statements have been prepared in compliance with FRS 102, 'The Financial Reporting Standard applicable in the UK and the Republic of Ireland'.

3. Accounting policies

Basis of preparation

The financial statements have been prepared on the historical cost basis, as modified by the revaluation of certain financial assets and liabilities and investment properties measured at fair value through profit or loss.

The financial statements are prepared in sterling, which is the functional currency of the entity.

Going concern

The financial statements have been prepared on the going concern basis.

The directors monitor the availability of cash and access to short-term borrowing facilities, including:

- The ability of customers to pay debts as they fall due - our main contract income and the supplementary sales initially being achieved are through North Somerset Council and therefore considered secure
- the entity's ability to meet its current liabilities and, if necessary, to renegotiate credit terms - our net 14 days payment from invoice keep NSEC in a positive cashflow position
- the access to additional funding from existing finance providers or other sources of long-term finance - NSEC have an agreed borrowing facility at preferential rates for future Capital Expenditure subject to Shareholder approval through North Somerset Council

Given the rapidly changing environment and level of uncertainty, preparing detailed forecasts will often be challenging but the company have created a detailed Finance Budget and Forecasting Model that enables monthly live reporting to the Board of Directors and the Shareholder Board.

Careful attention will be paid to key judgements and assumptions used in the preparation of the forecasts to ensure that they are reasonable and supportable. A greater range of scenarios than usual will be assessed when forecasting especially surrounding the Business Plan. This will not be a straightforward task and will require consideration of both sector specific and broader economic issues.

The directors have also obtained written confirmation from North Somerset Council that they will continue to provide support to the company, to enable it to meet its liabilities and continue as a going concern for the foreseeable future. As such, the board of directors believe the company to be a going concern, and have prepared the financial statements on that basis.

North Somerset Environment Company Ltd

Notes to the Financial Statements *(continued)*

Period from 26 October 2020 to 31 March 2022

3. Accounting policies *(continued)*

Judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported. These estimates and judgements are continually reviewed and are based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Significant judgements

The judgements (apart from those involving estimations) that management has made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognised in the financial statements are as follows:

Stocks are measured at the lower of cost and estimated selling price less costs to complete and sell.

Key sources of estimation uncertainty

Accounting estimates and assumptions are made concerning the future and, by their nature, will rarely equal the related actual outcome. The key assumptions and other sources of estimation uncertainty that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

Depreciation is based on the estimated useful life of the relevant asset.

Revenue recognition

Turnover is measured at the fair value of the consideration received or receivable for goods supplied and services rendered, net of discounts and Value Added Tax.

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership have transferred to the buyer (usually on despatch of the goods); the amount of revenue can be measured reliably; it is probable that the associated economic benefits will flow to the entity; and the costs incurred or to be incurred in respect of the transactions can be measured reliably.

Operating leases

Lease payments are recognised as an expense over the lease term on a straight-line basis. The aggregate benefit of lease incentives is recognised as a reduction to expense over the lease term, on a straight-line basis.

Tangible assets

Tangible assets are initially recorded at cost, and subsequently stated at cost less any accumulated depreciation and impairment losses. Any tangible assets carried at revalued amounts are recorded at the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

North Somerset Environment Company Ltd

Notes to the Financial Statements *(continued)*

Period from 26 October 2020 to 31 March 2022

3. Accounting policies *(continued)*

Tangible assets *(continued)*

An increase in the carrying amount of an asset as a result of a revaluation, is recognised in other comprehensive income and accumulated in equity, except to the extent it reverses a revaluation decrease of the same asset previously recognised in profit or loss. A decrease in the carrying amount of an asset as a result of revaluation, is recognised in other comprehensive income to the extent of any previously recognised revaluation increase accumulated in equity in respect of that asset. Where a revaluation decrease exceeds the accumulated revaluation gains accumulated in equity in respect of that asset, the excess shall be recognised in profit or loss.

Depreciation

Depreciation is calculated so as to write off the cost or valuation of an asset, less its residual value, over the useful economic life of that asset as follows:

Long leasehold property	- 3 year straight line basis, unless above £15,000 then 5 year.
Plant and machinery	- 3 year straight line basis, unless above £15,000 then 5 year.
Equipment	- 3 year straight line basis, unless above £15,000 then 5 year.

Impairment of fixed assets

A review for indicators of impairment is carried out at each reporting date, with the recoverable amount being estimated where such indicators exist. Where the carrying value exceeds the recoverable amount, the asset is impaired accordingly. Prior impairments are also reviewed for possible reversal at each reporting date.

For the purposes of impairment testing, when it is not possible to estimate the recoverable amount of an individual asset, an estimate is made of the recoverable amount of the cash-generating unit to which the asset belongs. The cash-generating unit is the smallest identifiable group of assets that includes the asset and generates cash inflows that largely independent of the cash inflows from other assets or groups of assets.

For impairment testing of goodwill, the goodwill acquired in a business combination is, from the acquisition date, allocated to each of the cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the company are assigned to those units.

Stocks

Stocks are measured at the lower of cost and estimated selling price less costs to complete and sell. Cost includes all costs of purchase, costs of conversion and other costs incurred in bringing the stock to its present location and condition.

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand, demand deposits with banks and other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. In the statement of financial position, bank overdrafts are shown within borrowing or current liabilities.

North Somerset Environment Company Ltd

Notes to the Financial Statements *(continued)*

Period from 26 October 2020 to 31 March 2022

3. Accounting policies *(continued)*

Financial instruments

A financial asset or a financial liability is recognised only when the entity becomes a party to the contractual provisions of the instrument.

Basic financial instruments are initially recognised at the transaction price, unless the arrangement constitutes a financing transaction, where it is recognised at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Debt instruments are subsequently measured at amortised cost.

Financial assets that are measured at cost or amortised cost are reviewed for objective evidence of impairment at the end of each reporting date. If there is objective evidence of impairment, an impairment loss is recognised in profit or loss immediately.

Defined contribution plans

Contributions to defined contribution plans are recognised as an expense in the period in which the related service is provided. Prepaid contributions are recognised as an asset to the extent that the prepayment will lead to a reduction in future payments or a cash refund.

When contributions are not expected to be settled wholly within 12 months of the end of the reporting date in which the employees render the related service, the liability is measured on a discounted present value basis. The unwinding of the discount is recognised as a finance cost in profit or loss in the period in which it arises.

4. Turnover

Turnover arises from:

	Period from 26 Oct 20 to 31 Mar 22 £
Sale of goods	3,028,662
Contract income	10,133,950
	<u>13,162,612</u>

The whole of the turnover is attributable to the principal activity of the company wholly undertaken in the United Kingdom.

5. Operating profit

Operating profit or loss is stated after charging:

	Period from 26 Oct 20 to 31 Mar 22 £
Depreciation of tangible assets	<u>10,189</u>

North Somerset Environment Company Ltd

Notes to the Financial Statements *(continued)*

Period from 26 October 2020 to 31 March 2022

6. Staff costs

The average number of persons employed by the company during the period, including the directors, amounted to:

	31 Mar 22
	No.
Production staff	201
Administrative staff	20
	<u>221</u>

The aggregate payroll costs incurred during the period, relating to the above, were:

	Period from 26 Oct 20 to 31 Mar 22 £
Wages and salaries	5,504,704
Social security costs	488,679
Other pension costs	116,094
	<u>6,089,477</u>

7. Tangible assets

	Long leasehold property £	Plant and machinery £	Equipment £	Total £
Cost				
At 26 October 2020	—	—	—	—
Additions	10,667	94,509	4,656	109,832
At 31 March 2022	<u>10,667</u>	<u>94,509</u>	<u>4,656</u>	<u>109,832</u>
Depreciation				
At 26 October 2020	—	—	—	—
Charge for the period	1,737	8,230	222	10,189
At 31 March 2022	<u>1,737</u>	<u>8,230</u>	<u>222</u>	<u>10,189</u>
Carrying amount				
At 31 March 2022	<u>8,930</u>	<u>86,279</u>	<u>4,434</u>	<u>99,643</u>

8. Stocks

	31 Mar 22 £
Raw materials and consumables	<u>112,585</u>

North Somerset Environment Company Ltd

Notes to the Financial Statements *(continued)*

Period from 26 October 2020 to 31 March 2022

9. Debtors

	31 Mar 22
	£
Trade debtors	451,512
Amounts owed by group undertakings	371,539
Called up share capital not paid	1
Prepayments and accrued income	34,107
	<u>857,159</u>

10. Creditors: amounts falling due within one year

	31 Mar 22
	£
Trade creditors	425,496
Amounts owed to group undertakings	2,023,836
Accruals and deferred income	786,651
Social security and other taxes	247,716
Credit card	1,493
	<u>3,485,192</u>

11. Employee benefits

Defined contribution plans

The amount recognised in profit or loss as an expense in relation to defined contribution plans was £116,094.

12. Called up share capital

Issued and called up

	31 Mar 22	
	No.	£
Ordinary shares of £1 each	<u>1</u>	<u>1</u>

Shares issued and partly paid

	31 Mar 22	
	No.	£
Ordinary shares - £- paid of £1 each	<u>1</u>	<u>-</u>

13. Reserves

Profit and loss account - This reserve records retained earnings and accumulated losses.

North Somerset Environment Company Ltd

Notes to the Financial Statements *(continued)*

Period from 26 October 2020 to 31 March 2022

14. Analysis of changes in net debt

	At 26 Oct 2020 £	Cash flows £	At 31 Mar 2022 £
Cash at bank and in hand	-	2,076,397	2,076,397
Debt due within one year	-	(2,023,836)	(2,023,836)
	-	<u>52,561</u>	<u>52,561</u>

15. Operating leases

The total future minimum lease payments under non-cancellable operating leases are as follows:

	31 Mar 22 £
Not later than 1 year	15,815
Later than 1 year and not later than 5 years	<u>36,767</u>
	<u>52,582</u>

16. Related party transactions

The Company are wholly owned by North Somerset Council (NSC). In the year there were transactions with North Somerset Council.

The net value of income invoiced to NSC was as follows:

- Contract income - £10,133,950
- Reimbursement of material disposal costs - £519,289
- Other - £152,184
- Total = £10,805,423

The net value of expenses owed to NSC were as follows:

- Payroll - £5,818,192
- Reimbursement of materials sales - £2,402,690
- Premises Rent - £166,859
- Other - £493,715
- Total = £8,881,457

At the year-end the outstanding balances between the Company and NSC were as follows:

- Invoices owed by the Company to NSC - £2,023,836
- Invoiced owed to the Company by NSC - £371,939
- Accruals - £692,565
- Prepayments - £10,619

North Somerset Environment Company Ltd

Management Information

Period from 26 October 2020 to 31 March 2022

The following pages do not form part of the financial statements.

North Somerset Environment Company Ltd

Detailed Statement of Comprehensive Income

Period from 26 October 2020 to 31 March 2022

	Period from 26 Oct 20 to 31 Mar 22 £
Turnover	
Contract income	10,133,950
Recycling material sales income	2,404,592
Sales	99,302
Material disposal cost recovery	519,289
Other revenue	5,479
	<u>13,162,612</u>
Cost of sales	
Recycling material sales cost - NSC income recovery	2,402,689
Recycling material disposal costs	519,628
Cost of goods sold	144
Wages and salaries	4,910,196
Social security costs	418,062
Pension costs - defined contribution	103,556
Agency staff	590,539
	<u>8,944,814</u>
Gross profit	<u>4,217,798</u>
Gross profit percentage	32.04%
Overheads	
Distribution costs	504,520
Administrative expenses	4,052,707
	<u>4,557,227</u>
Operating loss	<u>(339,429)</u>
Operating loss percentage	-2.57%
Loss before taxation	<u>(339,429)</u>

North Somerset Environment Company Ltd

Notes to the Detailed Statement of Comprehensive Income

Period from 26 October 2020 to 31 March 2022

	Period from 28 Oct 20 to 31 Mar 22 £
Distribution costs	
Hire costs (non-operating leases)	504,520
Administrative expenses	
Wages and salaries	594,508
Staff national insurance contributions	50,617
Staff pension contributions - defined contribution	12,538
Rent	166,859
Rates and water	118,979
Light and heat	52,523
Insurance	519,284
Repairs and maintenance (allowable)	275,009
Cleaning costs	18,314
Motor expenses	864,582
Travel and subsistence	762,753
Telephone	16,077
Printing postage and stationery	20,411
Staff training	67,179
Sundry expenses	375,191
Charitable donations (allowable)	850
Advertising	8,438
Entertaining	1,865
Legal and professional fees (allowable)	69,149
Accountancy fees	18,682
Depreciation of tangible assets	10,189
Bank charges	30,750
	<u>4,052,707</u>
