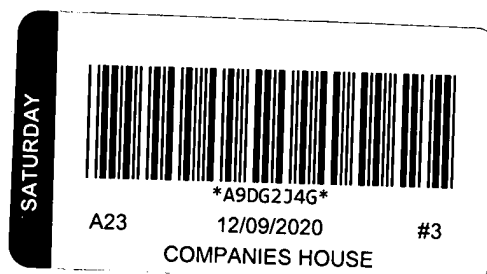


Company Registration No. 00988844

FCC Waste Services (UK) Limited

**Annual report and financial statements
for the year ended 31 December 2019**



FCC Waste Services (UK) Limited

Annual report and financial statements 2019

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FCC Waste Services (UK) Limited

Annual report and financial statements 2019

Officers and professional advisers

Directors

P Taylor
V F Orts-Llopis
A Serrano Minchan

Registered Office

Ground Floor West
900 Pavilion Drive
Northampton Business Park
Northampton
NN4 7RG

Auditor

Deloitte LLP
Statutory Auditor
1 City Square
Leeds
LS1 2AL
United Kingdom

FCC Waste Services (UK) Limited

Strategic report

The Directors present their strategic report on the affairs of FCC Waste Services (UK) Limited ("the Company") for the year ended 31 December 2019.

Overview of Group

The Company is an indirect subsidiary of FCC Environment (UK) Limited and its ultimate parent is Fomento de Construcciones y Contratas, S.A. ("FCC"). FCC is a significant multi-national business listed on the Madrid stock exchange with operations in Europe, America, Africa and the Middle East. FCC's principal activities cover Environmental Services (including water and waste management), Construction, Cement and Real Estate.

FCC's financial capacity and depth of experience in the European waste infrastructure sector is backed by over 100 years of experience in operating municipal services contracts. This complements both the position of the Company and FCC Environment (UK) Limited and its 45 subsidiaries (together the "Group" or "FCC E UK") as a leading waste management, recycling and renewable energy business, and the Group's ambition to maintain its position as a significant player in establishing the next generation of waste treatment infrastructure in the UK. The core services provided by the Group are fully aligned with FCC's strategic growth plans and it is ideally placed to take advantage of local opportunities to provide the services and infrastructure required by the UK to meet existing legislative framework and emerging proposals to create a circular economy by recognising the true value of the materials we handle. The Board continues to look forward to the opportunities that are presented to the Group and its employees by virtue of FCC's plans to expand and embed its operations in the UK.

The Board's strategy is to "Own the Waste" where possible and to maximise the value of resource, produce renewable energy and to provide 360 degree solutions to its customers. The Board sees the development of major waste infrastructure to support sustainable waste management and strategic long term partnerships as key to the Group's future business growth. It anticipates continuous activity and deployment of Group resources into recycling facilities, renewable energy projects, the development of innovative waste treatment solutions and the provision of regional waste management services and facilities. The Board remains of the view that Energy from Waste ("EfW") will be a key component of the UK's waste and resource strategy and, in combination with other treatment, recycling and recovery operations, backed up by landfill disposal for residues, is a strategy that represents a long term sustainable solution for meeting the Group's clients' diversion targets and to reduce our carbon footprint.

Principal activities

The principal activity of the Company during the year ended 31 December 2019 was handling, recycling and disposal of waste materials.

The activities, strategies and risks affecting the Company are inextricably similar to, and dependent on, those of the Group, and consequently it is appropriate that the following narrative applies to the Group in its entirety.

The Group is a key player within the municipal waste management sector, with over 60 Local Authority clients across England, Wales and Scotland.

The Group provides a diverse range of cost effective and sustainable waste processing, recycling, treatment, disposal and energy recovery services for Local Authority and private commercial customers. During 2019, the Group received, treated, recycled and disposed of 8.0million (2018: 8.7million) tonnes of household, commercial and industrial waste and managed more than 160 operational waste management facilities. Through innovative solutions, the Group is committed to working with its Local Authority partners and industrial and commercial customers to respond to often complex and far-reaching waste management strategies, to meet the challenges of increased regulation from the UK and EU, and to improve upon waste management targets.

The Company undertakes activities in the following divisions of FCC E UK:

- Recycling – comprising mechanical treatment plants ("MTP"), transfer stations, composting and household waste recycling centre ("HWRC") operations; and
- Waste Processing – comprising landfill, hazardous waste treatment (including solid and liquid wastes) and clinical waste solutions.

FCC Waste Services (UK) Limited

Strategic report

Future trends and developments

Covid-19 was declared a global pandemic on 11 March 2020 by the World Health Organisation and measures taken by governments around the world including the UK to combat this public health emergency have had far reaching implications on peoples' lives, economies and businesses. As a designated 'Key Worker' and provider of essential public services, the Group is well placed to weather the current period of uncertainty. Further details of the measures taken by the Group to mitigate the crisis are described in the principal risks and uncertainties section on pages 4-5 whilst further details of the Directors' careful considerations of the impact on future trading are set out in the going concern considerations in note 2.

The Directors consider that the waste industry has to constantly adapt to an ever-changing environment, due to the prevailing budgetary conditions of the municipal sector, the pace of changes needed to satisfy society's concerns on sustainability and the subsequent legislative initiatives impacting our industry.

The ever changing political horizon, including the long term impact from Brexit and the effects of local authorities' budgetary constraints, continues to challenge the waste management industry. The industry's outlook however, still has many positive opportunities available, arising from an increase in national demand for waste processing infrastructure and technological innovations in the sector.

The UK Government's Clean Growth Strategy and 25 year environment plan, calling for low carbon initiatives in the sector are fully recognised by the Board, which continues to focus on the Group's strategy of utilising value from existing assets where possible and ensuring that it continues to offer the best value and quality of service for sustainable waste management in both the municipal and commercial sectors, whilst continuing to reduce costs.

The Group will also continue to pursue its stated strategy of owning the waste, maximising the value of resource and investment in alternative waste treatment infrastructure and energy recovery technology, whilst promoting the reduction of our carbon footprint.

Business review

The Directors consider that the Company's operating performance was satisfactory during the year. Details of performance are given in the Results, dividends and key performance indicators section below.

Results, dividends and key performance indicators

The results for the year ended 31 December 2019 are set out on page 17. The profit (2018: profit) for the financial year ended 31 December 2019 amounted to £3.6million (2018: £3.6million profit). The Company did not pay an interim dividend during the year (2018: £nil) and furthermore, the Directors do not recommend the payment of a final dividend (2018: £nil). The profit for the financial year (2018: profit) has been transferred to (2018: transferred to) reserves, resulting in a corresponding increase (2018: increase) in total equity.

For the year ended 31 December 2019, revenue from continuing activities increased by 7.9% to £146.0million (2018: £135.2million). Landfill revenues grew, with pricing gains offsetting the continuing expected trend of declining active rate landfill tonnes processed. A further contributory factor was the commencement of a new operating and maintenance contract with FCC (E&M) Limited, a fellow FCC subsidiary, in connection with the Edinburgh and Midlothian PFI.

Operating profit in 2019 was £4.3million (2018: £5.6million profit). 2019 reflects the flow through of revenue growth whilst 2018 benefitted from an exceptional provisions release of £5.0million.

The Company's overall results have further been impacted by the exceptional impairment of certain assets during the year amounting to £0.7million (2018: £1.1million). The impairment mainly related to the earlier than expected closure of the Company's landfill assets which was a result of a sustained decline in both the quantity and quality of active waste landfilled in the UK and the move towards recycling and recovery. Conversely, the Company has also recorded exceptional impairment reversals on certain of its landfill property, plant and equipment assets totalling £0.8million (2018: £0.5million) where trading circumstances affecting those assets have either improved or the life of the site extended compared with the assumption in earlier years.

FCC E UK manages its operations on a divisional basis and information regarding key performance indicators is included within the FCC E UK annual report. For this reason, the Company's Directors believe that the disclosure of further financial and non-financial key performance indicators for the Company is not appropriate for an understanding of the development, performance or position of the business. Copies of the FCC E UK annual report can be obtained from the address in note 22.

FCC Waste Services (UK) Limited

Strategic report

Principal risks and uncertainties

Operating in the UK's highly regulated waste management market provides a clear legal framework as well as presenting numerous risks and uncertainties to the Group. The Directors regard the following to be the principal risks and uncertainties affecting the Group and their approach to managing these risks and uncertainties is considered below:

- **Covid-19:** Covid-19 was declared a global pandemic on 11 March 2020 by the World Health Organisation and measures taken by governments around the world including the UK to combat this public health emergency have had far reaching implications on peoples' lives, economies and businesses. As a designated 'Key Worker' and provider of essential public services, the Group is well placed to weather the current period of uncertainty. In response to the crisis, the Group has established a Covid-19 committee consisting of the Group's executive management team whilst the Group also participates in a wider FCC global response committee. The team has had regular virtual meetings during the crisis with the welfare of employees, customers, suppliers and other stakeholders visiting our sites, the primary concern. The committee has considered and ensured the practical implementation of government guidelines and also managed the operational and financial implications for the business. Consideration of the impact on the Company's going concern status is set out in note 2.
- **Environmental risks:** The Group's environmental risks are tightly controlled under environmental legislation enforced principally by the Environment Agency ("EA"), Scottish Environment Protection Agency ("SEPA") and Natural Resources Wales ("NRW"). Compliance with all environmental legislation pertinent to the Group's activities is a minimum requirement. A dedicated in-house team prepare regular reports on environmental compliance at the Group's sites for the Board's review. Environmental objectives are reviewed annually and highlighted within the Group's Safety Health Environment and Quality (SHEQ) Policy Statement. In addition to this there are detailed environmental procedures to enable compliance with environmental legislation.
- **Health and safety:** Health and safety is a key issue for the Group due to the nature of its operations, including the use of heavy plant equipment and difficult working conditions. The Group is continually improving in this area as a result of ongoing consultation with the relevant authorities and the monitoring of best practice initiatives. Whenever an area is highlighted for improvement, the Group seeks to implement such improvement expeditiously: through bulletins, on-line training courses and tool-box briefings. The Group's Incident Review Panel meets quarterly, at which senior management review significant health and safety incidents that have occurred at Group sites to identify improvements and lessons for the business. All employees undertake a rigorous health and safety training programme, which is underpinned by the latest UK legislation, detailed policies and procedures. The Group's executive management receive regular, detailed reports on health and safety performance affecting the Group's operations and it employs a dedicated team, led by the Group Safety, Health, Environment and Quality Manager, to monitor and promote high standards. All employees are expected to recognise their role in achieving acceptable standards of health and safety and to exhibit such understanding through their approach and attitude to work.
- **Business continuity:** The Group, as part of its risk management programme, has developed business continuity planning for its operations. As part of this planning, the Group has developed a bespoke emergency plan for each operational facility (including the diversion of waste from single or multiple sites in the event of major disruption or disaster affecting a site or region). The Group's IT systems are outsourced to a specialist IT services company and are covered by an IT disaster recovery plan, to ensure business continuity.
- **Legislation:** The Group monitors forthcoming and current legislation to ensure full compliance and to anticipate and assess the impact upon its operations, including the significant opportunities it can present. The waste management industry is subject to extensive government regulation which has a substantial impact on the Group's business, FCC E UK therefore actively lobbies for its interests at European, national and regional levels through trade associations and federations.

FCC Waste Services (UK) Limited

Strategic report

Principal risks and uncertainties (continued)

- **Economic:** The Group has exposure to reduced economic activity, and in the current year has seen waste volumes reduce where lower economic output has been a factor. Reduced global demand for recyclates continues to suppress pricing and Brexit effects on exchange rates has impacted pricing of Refuse Derived Fuel (RDF) exports into mainland Europe. In addition, the decision to leave the European Union has resulted in a period of uncertainty for the UK economy and increased volatility in financial markets. A no deal Brexit scenario could influence consumer confidence, which in turn could affect and lead to lower sales volumes. We have reviewed the potential impacts and consider that we have sufficient mitigations in place. The Group's strategy is focused on growing through recycling and EfW where margins are generally higher than traditional landfill.
- **Litigation:** The Group is subject to litigation from time to time. The outcome of legal action is always uncertain and there is a risk that it may prove more costly and time consuming than expected. There is also a risk that litigation could be instigated in the future that could materially impact the Group. In some liability cases legal expenses are covered by the Group's liability insurance. This risk is mitigated through continued monitoring and employing an experienced and dedicated in-house legal team.
- **Competitive risk:** The Group operates in highly competitive markets in which competitors' service offerings may react faster to legislative and market dynamics than those of the Group. To mitigate this risk the Group ensures that its asset, cost and capital base is regularly reviewed and flexed to meet changes in customers' demands and to maximise cash generation.
- **Employees:** The loss of key employees or the inability to hire experienced management personnel could have a materially adverse effect on the business. To manage this risk, succession planning for senior positions within the Group is undertaken. In addition, the Group has the benefit of being able to draw on wider resources from within the FCC Group.
- **Technology:** The Group relies on a variety of information technology platforms for the efficient delivery of its services and has therefore employed a structured IT support team, using internal and external resources. In addition, as there are a wide variety of technologies available to the waste management industry, there is a risk that the technologies employed by the Group might fail to deliver expected performance levels or end products for its customers and so the Group has made a significant investment into establishing a dedicated technical and development team. This team review and assess the available technologies before any are adopted to ensure they will meet the needs of the business and those of its customers.

Financial risk management objectives and policies

The Company's activities expose it to a number of financial risks including credit risk, liquidity risk and interest rate risk. The Company does not use derivative financial instruments for speculative purposes.

Credit and liquidity risk:

The Company's exposure to credit and liquidity risk is reduced as it is a wholly owned subsidiary of FCC E UK and participates in a cash-pooling agreement with the other members of the Group. Credit risk arises from the risk of having credit exposures to customers, including outstanding receivables. The Company reviews the credit ratings of all significant customers regularly and continues to monitor the quality of debtor balances on an ongoing basis. Liquidity risk is the risk that the Company does not have sufficient cash resources to meet its commitments. The Company prepares and reviews cash flow forecasts frequently to ensure that it has sufficient resources to meet its cash flow commitments.

Interest rate risk:

The Company's exposure to changes in market interest rates arises primarily from the Company's revolving bank credit facility. The risk is mitigated due to the short term nature of the obligation.

FCC Waste Services (UK) Limited

Strategic report

Going concern

The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis in preparing the annual financial statements.

Further details regarding the adoption of the going concern basis can be found in note 2 to the financial statements.

Section 172 Statement

Section 172 of the Companies Act 2006 requires each director to act in the way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole, and in doing so have regard, amongst other matters, to:

- the likely consequences of any decision in the long term;
- the interests of the Company's employees;
- the need to foster the Company's business relationships with suppliers, customers and others;
- the impact of the Company's operations on the community and the environment;
- the Company's reputation for high standards of business conduct; and
- the need to act fairly as between members of the Company

The Board directors have complied with these requirements. Details of the Board's decisions in 2019 to promote long-term success, and how it engaged with stakeholders and considered their interests when making those decisions, can be found throughout this Strategic report and in the Directors' report.

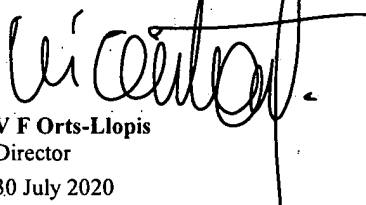
Details of our strategy are set out on page 2 of the Strategic report and page 8 of the Directors' report. The Strategic report highlights performance in the year against that strategy together with future trends and developments.

The employees section of the Directors' report describes actions taken by the Board to promote the interests of its employees together with the Board's attitude to maintaining the highest standards of honesty, openness and accountability of its employees to ensure that high standards of business conduct are maintained. The Group is also subject to the Code of Ethics issued by its parent company FCC which sets out guidelines for conduct including in relation to corruption and bribery.

Open, constructive dialogue with our employees and other key stakeholders is critical to inform the Board's decisions. Details of how the Group has engaged with its stakeholders are set out on pages 10-12 of the Directors' report. Whilst the Board has overall responsibility for managing relationships with all our stakeholders, the day to day relationships are mainly managed through divisional senior management teams supervised principally through monthly management meetings between the divisional senior management teams and the UK based executive directors.

Operating within the UK's highly regulated waste management market, the Board's regard to the environment as well as the health and safety of all persons entering its sites is of paramount importance. How the Group addresses environmental and health and safety risk is set out on page 4.

Approved by the Board and signed on its behalf by:



V F Orts-Llopis
Director
30 July 2020

FCC Waste Services (UK) Limited

Directors' report

The Directors present their report and the audited financial statements of the Company for the year ended 31 December 2019. Information on the Company's going concern status, financial risk management policies and dividends are disclosed in the strategic report.

Directors

The following individuals served as Directors of the Company during the year ended 31 December 2019 and up to the date of this report:

P Taylor

V F Orts-Llopis

A Serrano Minchan

Directors' indemnities

During the financial year, qualifying third party indemnity provisions for the benefit of all Directors of the Company were in force and continue to be in force at the date of this report. Such provisions were made by FCC.

Future developments

The future developments of the Company are considered in detail in the Strategic report on page 3.

Employees

The professionalism and commitment shown by the Group's employees over the last year continues to be a major contribution to its operations. The Board would again like to thank all employees for their hard work, dedication and loyalty during the year.

FCC E UK continues to be committed to ensuring that its policies and practices reflect human resource best practice. The Group's policy of equal opportunity gives all employees the same chance to succeed, irrespective of age, race, nationality, ethnic origin, disability, membership of a trade union, sex or marital status.

The Directors recognise the importance of communication with employees and members of the executive management team regularly visit sites and discuss matters of current interest and concern to the business with staff.

In 2019, continuing our employee engagement programme we launched a recognition portal (in addition to our ABCD awards) whereby employees could be thanked and rewarded for the smaller day to day achievements. It is a peer to peer recognition scheme whereby anyone can be recognised in the following categories - good job, helping hand, great idea or great teamwork. Managers have perk privileges which include awarding gift cards, chocolates, coffees etc. Employees are able to 'like' recognitions and all recognitions are on a scroll feed on the employee benefits portal. We have had massive take up on this and is a way of saying thank you to reward the everyday achievements and tasks that people perform over and above their normal duties.

The Group aims to put its people first when it comes to their health, safety and wellbeing. In order to measure this, we use an independent survey software to run monthly engagement surveys. Our scores, from these surveys have averaged 7.7/10 during 2019, which puts us in the top 25% of energy and utility businesses for employee satisfaction.

We have implemented a number of new initiatives in 2019, including company sick pay for all, company maternity pay for women, more employee benefits choices such as company car or car allowance. We continue with our wellbeing initiatives – health and finances for example.

We believe our employee value proposition is one that makes us a "go to" company to work for and this is reflected in how satisfied our employees continue to be overall.

The Board is dedicated to maintaining the highest standards of honesty, openness and accountability and recognise that employees have an important part to play in achieving this goal. All employees are encouraged to report any concerns they may have over wrongdoing at work via an independent confidential reporting (whistleblowing) service that employees can access should they feel uncomfortable in approaching management.

Training continues to be a high priority for the Group and it recognises that it is vital that its employees have the relevant skills to take up the new and exciting roles that are being created as the industry, and therefore the business, evolves. We invested our highest amount ever in training and development during 2019. We have paid particular attention to succession planning in the business and developing our future leaders and bringing new talent into the business by way of apprenticeships and graduate programmes.

FCC Waste Services (UK) Limited

Directors' report

Statement of Corporate Governance

Section 172 Companies Act 2006 recognises the position of trust that a director holds with regards to broader stakeholder interests when carrying out their duties to promote the success of the company.

For the year ended 31 December 2019, under The Companies (Miscellaneous Reporting) Regulations 2018, the Board has applied the Wates Corporate Governance Principles for Large Private Companies published by the Financial Reporting Council ('FRC') in December 2018 (the "Principles"). These Principles provide a framework for ensuring that the Company is well run, well managed and aligned behind a clear purpose.

As one of the UK's most trusted resource and waste management businesses, we are helping shape the policy landscapes, ensuring that our people, systems and strategy remain innovative and focused on delivering excellence.

The Company shares in common its Chief Executive Officer and Chief Financial Officer with the FCC E UK Group and FCC's wider UK Environment business. As a result, there is uniformity and consistency of strategy, policies, procedures and decision making across FCC's integrated UK Environment business. To reflect this, the following narrative on the Directors' application of the Principles, has been consistently reproduced in the annual report and financial statements of each FCC UK Environment business subsidiary and therefore some narrative may not be directly relevant to the Company.

Principle 1 – Purpose and Leadership

As a leading resource and waste management business, the Company has an essential role in delivering a resource-efficient, resilient nation.

The Company has always set itself apart as being a forward-thinking business. Our talented workforce upholds our commitment to sustainability by driving waste materials up the waste hierarchy by treating, recycling and disposing of waste, creating opportunities to build a circular economy and providing outstanding customer service.

Our focus is:

- Own the waste
- Maximise the value of the resource
- Produce renewable energy

As described on page 2, the Group's strategy and core services are fully aligned with FCC's strategic growth plans.

Principle 2 – Board Composition

The Company has three directors, comprising of the Chief Executive Officer, the Chief Financial Officer and a senior executive from the FCC parent company to ensure that the effectiveness and accountability of the Board fulfils the strategic needs of the Company and the wider FCC Group. The composition of the board promotes effective decision making and supports the delivery of the company's strategy. Our Senior Management Team, with its extensive expertise, skills and professional backgrounds, provides the leadership assurance that the activities within our various business divisions are aligned to our strategic goals. Each division of the Company is headed up by a member of the Senior Management Team with the expertise to allow them to independently, effectively and objectively focus on the issues specific to their division.

We have a respectful and inclusive culture and are working towards improving the diversity of the Board and in our Senior Management Team. In February 2019, the Company joined CEO's from 29 of the country's leading energy and utilities employers as they launched a long term sector inclusive commitment to attract a more diverse and inclusive talent into their industry, reflecting the communities they serve.

FCC Waste Services (UK) Limited

Directors' report

Statement of Corporate Governance (continued)

Principle 2 – Board Composition (continued)

The Energy & Utilities Skills Partnership, led by sector employers, recognised in its Workforce Renewal Skills Strategy: 2020 that its current workforce failed to fully represent the 65 million people it served every day. The Inclusion Commitment challenges the sector to act and think differently and aims to inspire and connect with underrepresented groups, attracting new talent and ideas into the energy and utilities industry. The Company has always been a fair and equal employer and is working collaboratively with peers, including the Energy & Utilities Skills Partnership on The Inclusion Commitment which has brought into sharp focus our achievements to date and the need to go even further to encourage diversity in its many forms.

The Company introduced an Equality and Diversity Action Plan, and all staff undertook Equality and Diversity training in 2019.

Principle 3 – Directors' Responsibilities

The Board supports our talented workforce, and upholds our commitment to sustainability. The Board agrees, and has the collective responsibility for the strategy of the Group, which is outlined in our strategic report on pages 2-3. The Senior Management Team oversee the day to day responsibilities and opportunities of our very capable workforce.

The Board has established and maintained effective corporate governance through the Group's five values:

- Honesty and respect
- Focus on earnings
- Rigour and professionalism
- Loyalty and commitment
- Community well-being and development

These five values are the most important hallmarks of our Group, whose vision is to be an international reference Employee Services Group that offers global and innovative solutions for the efficient management of resources and the improvement of infrastructures, contributing to improving the quality of the life of employees and the sustainable progress of society.

Principle 4 – Opportunity & Risk

The Group seeks opportunity and investment, whilst maintaining a robust and integrated system of risk management and internal controls.

Opportunities are identified by maintaining deep knowledge and expertise of our sector to understand industry needs. This is achieved through liaison with stakeholders including customers, partner councils, local authorities as well as industry and regulatory bodies. We actively seek opportunities to leverage the Group's assets.

Operating in the UK's highly regulated waste management market, presents numerous risks and uncertainties to the Group. The principal risks and uncertainties affecting the Group and set out in detail on pages 4-5 of the Strategic Report.

The Board has developed and implemented risk management policies and procedures that promote a robust control environment at all levels of the organisation. The Senior Management Team ensures the right level of diligence, and robust measures are in place to identify risks and assess, consider, manage and prioritise any impact.

Principle 5 – Remuneration

The Board promote appropriate and fair levels of remuneration to attract and retain the best talent and create a business culture that promotes business stability, sustainable growth and the long term success of the Company and Group.

FCC Waste Services (UK) Limited

Directors' report

Statement of Corporate Governance (continued)

Principle 5 – Remuneration (continued)

From April 2017, the Government introduced gender pay gap reporting for all companies with more than 250 employees. The gender pay gap shows the difference between the average hourly pay for men and women across all ages' roles and levels. The gender pay gap differs from equal pay, which is the right for men and women to be paid at the same rate of pay for work of equivalent value. In 2019, the Group's gender pay gap slightly favoured men with a mean of 2.44% and a median of 0.26%.

Principle 6 – Stakeholders

Our stakeholders are our employees, customers, suppliers, partner councils and local authorities, regulatory bodies and neighbours. Stakeholders can be anyone who is positively or negatively affected by our work, actions, achievements and/or purpose.

The Board is committed to promote accountability and transparency with all stakeholders, fostering effective stakeholder relationships and meaningful engagement.

FCC's UK Environment business which includes the FCC E UK Group has:

- Over 2,300 employees (505 in the Company)
- 100 major contracts with a total of 60 local authorities
- 280 UK sites of which 166 are operational
- 7 PFI and PPP Contracts
- 6,000 business waste customer agreements
- 3,500 customer accounts
- 4,000 customer sites

Stakeholders are at the forefront of our business. Liaison with trade customers, partner councils and local authorities is fundamental to ensuring that we understand their needs and continue to deliver the services that they require. Engagement with regulatory bodies is critical to ensuring that we manage the risks set out on pages 4-5 of the Strategic report and remain compliant with applicable laws and regulations. Page 7 of the Directors' report sets out details of our employee engagement programme.

The Group operates five EfWs, four of which have visitor centres which run educational visits for schools, colleges, universities and clubs. They also run community liaison meetings and engage with local business groups. The sites also engage in outreach visits in which the visitor centre managers and various staff visit the schools and colleges and even attended the Buckinghamshire Skills Show careers conference.

During the year, a selection of employees, representing support functions and operations enjoyed the CEO's Roadshow which was held in both the North and the South of the country. Paul Taylor took the opportunity to present his annual overview of the achievements and activities of the Group over the last 12 months with goals and aspirations going forward.

Further examples of how FCC's UK Environment businesses have engaged with various stakeholders during 2019 are as follows:

January 2019

Official opening of the new-look charity shop at Hesse HWRC, which was attended by the Lord Mayor of Kingston upon Hull, Vice Chairman of East Riding of Yorkshire Council, Councillors from both Hull City Council and East Riding of Yorkshire Council and the Chairman of Dove House Hospice.

February 2019

Members of Peterborough Council attended the official opening of a new Household Recycling Centre in Fengate.

FCC Waste Services (UK) Limited

Directors' report

Statement of Corporate Governance (continued)

Principle 6 – Stakeholders (continued)

March 2019

The Environment Agency Chief Executive and the interim Chief Executive of Natural England visited our Greatmoor EfW, which is the UK's largest single grate energy from waste facility.

April 2019

Wokingham U3A group had a tour of RE3 Limited's PFI recycling facility and left feedback confirming that they had found the tour very informative and thought provoking. They left feeling enthused and ready to improve their recycling habits. RE3 Limited is a sister FCC UK subsidiary for which the Group acts in the capacity of operations and maintenance ("O&M") contractor.

May 2019

The West Devon Collections Crew 4 were named the Collection Crew of the Year, at the Awards for Excellence in Recycling and Waste Management 2019 at London's Landmark Hotel. The West Devon contract is operated by sister FCC UK subsidiary, FCC Environment Services (UK) Limited. The Awards are run by Letsrecycle.com. The team also won the Recycle Devon Thank You Award for the second year in a row.

June 2019

Deeping St Nicholas Primary School and St Faith & St Martin Church of England Junior School were chosen as the joint winners of the FCC Lincolnshire Young Environmentalist Award 2019. The Group have sponsored this event for many years now.

July 2019

RE3 Limited produced their thirteenth Annual Environmental Report for 2018/2019 and the theme was engagement. This included the resident's engagement as part of Recycle Week in 2018, allowing residents to take part in the tours conducted at the facility and also included the details of RE3's new website upgrade launch in March 2019, allowing for easy navigation across the website which allows important information to be conveyed to the local residents.

August 2019

The Group launched their Be Aware and Take Care campaign across Recycling Centres urging residents to keep their kids, pets and themselves safe on sites.

September 2019

The Millerhill recycling and energy recovery centre officially opened. This is a state of the art facility operated under a 25 year partnership between, fellow FCC UK undertaking, FCC (E&M) Limited and The City of Edinburgh Council and Midlothian Council. The Group acts as O&M contractor to FCC (E&M) Limited. The official opening brought the Partner Councils and other key stakeholders together to celebrate the occasion.

October 2019

A group of media students from Suffolk New College teamed up with the Group to help raise awareness of waste disposal issues in the county. The students were approached to create content and campaigns for an ongoing marketing initiative that would encourage local residents to recycle.

November 2019

Delegates from the Group took part in the WISH Worker Engagement and Leadership in Health and Safety Conference in Manchester to discuss a range of key sector issues including why health and safety leadership and worker engagement was crucial in today's corporate environment.

December 2019

The Group's client East Riding of Yorkshire Council were delighted to announce that their residents were top recyclers in England for a third year running. Government figures showed that East Riding of Yorkshire Council recycled, reused or composted more household waste than any other council in England in 2018/19.

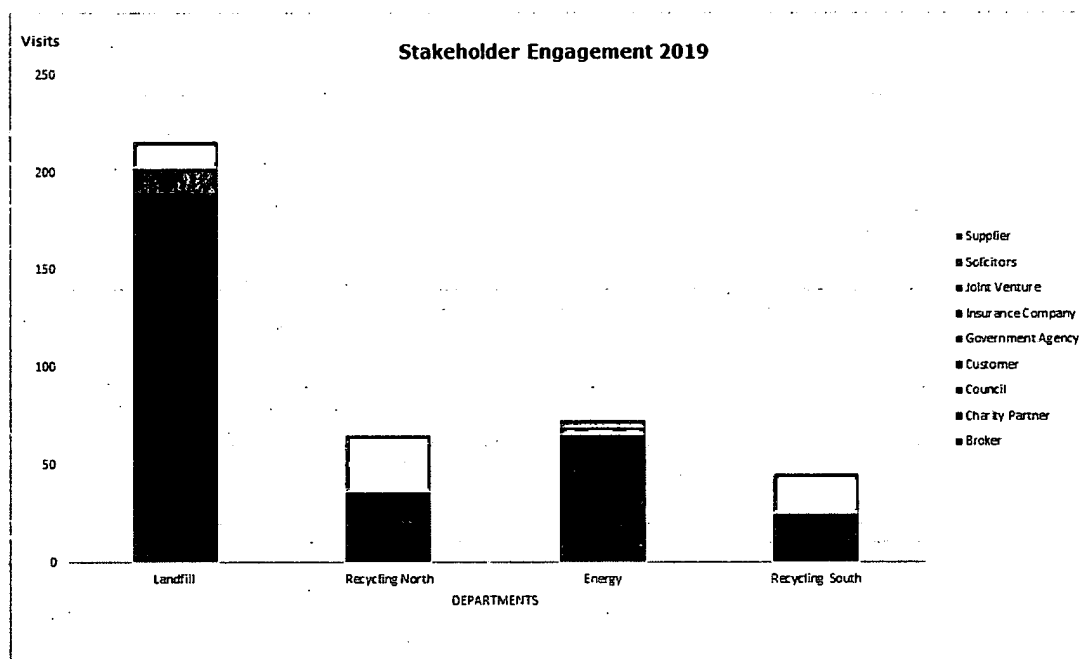
FCC Waste Services (UK) Limited

Directors' report

Statement of Corporate Governance (continued)

Principle 6 – Stakeholders (continued)

The Group engage with our partner stakeholders, and below is a chart showing four typical departments, and the stakeholders they would typically engage with.



Post balance sheet event

The Covid-19 pandemic is a material non-adjusting event impacting the Group. Please see the principal risks and uncertainties section on page 4 and the going concern section in note 2 for details of the considerations and implications on the Group.

FCC Waste Services (UK) Limited

Directors' report

Directors' responsibilities statement

The Directors are responsible for preparing the Annual 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 of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

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

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditor

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

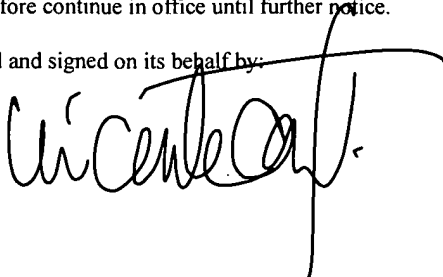
- so far as the Directors are aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the Directors have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the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

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Pursuant to section 487 of the Act, the auditor will be deemed to be reappointed annually by the Company and Deloitte LLP will therefore continue in office until further notice.

Approved by the Board and signed on its behalf by:

V F Orts-Llopis
Director
30 July 2020



FCC Waste Services (UK) Limited

Independent auditor's report to the members of FCC Waste Services (UK) Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of FCC Waste Services (UK) Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the statement of comprehensive income;
- the balance sheet;
- the statement of changes in equity; and
- the related notes 1 to 22.

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).

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 Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in 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.

We have nothing to report in respect of these matters.

FCC Waste Services (UK) Limited

Independent auditor's report to the members of FCC Waste Services (UK) Limited

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 respect of these matters.

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.

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 FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

FCC Waste Services (UK) Limited

Independent auditor's report to the members of FCC Waste Services (UK) Limited

Report on other legal and regulatory requirements

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.

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 any material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters 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.

We have nothing to report in respect of these matters.

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.



David Johnson BA, FCA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Leeds, United Kingdom
30 July 2020

FCC Waste Services (UK) Limited

Statement of comprehensive income For the year ended 31 December 2019

	Notes	2019 £'000	2018 £'000
Revenue	4	145,915	135,180
Staff costs	6	(15,777)	(14,174)
Other operating expenses		(119,044)	(110,322)
Depreciation and amortisation		(6,826)	(4,552)
Net impairment and gains/(losses) on disposal of assets		60	(541)
Operating profit		4,328	5,591
Unwinding of discount on provisions		(1,411)	(1,315)
Lease interest		(265)	-
Profit before tax	5	2,652	4,276
Tax on profit	8	915	(663)
Profit for the year		3,567	3,613
Other comprehensive result for the year, net of tax		-	-
Total comprehensive income for the year		3,567	3,613

The notes on pages 20 to 39 are an integral part of these financial statements.

FCC Waste Services (UK) Limited

Balance sheet As at 31 December 2019

	Note	2019 £'000	2018 £'000
ASSETS			
Non-current assets			
Property, plant and equipment	9	33,131	29,878
Non-current financial assets	10	2,022	2,022
Deferred tax asset	14	1,880	-
		<u>37,033</u>	<u>31,900</u>
Current assets			
Trade and other receivables	11	39,813	41,726
		<u>39,813</u>	<u>41,726</u>
Total assets		<u><u>76,846</u></u>	<u><u>73,626</u></u>
EQUITY AND LIABILITIES			
Equity			
Share capital		-	-
Retained earnings		31,302	27,977
Total equity	15	<u>31,302</u>	<u>27,977</u>
Non-current liabilities			
Provisions for liabilities	13	32,801	30,241
Loans and borrowings	16	6,402	-
		<u>39,203</u>	<u>30,241</u>
Current liabilities			
Trade and other payables	12	1,628	12,268
Provisions for liabilities	13	4,470	3,140
Loans and borrowings	16	243	-
		<u>6,341</u>	<u>15,408</u>
Total equity and liabilities		<u><u>76,846</u></u>	<u><u>73,626</u></u>

The notes on pages 20 to 39 are an integral part of these financial statements.

The financial statements of FCC Waste Services (UK) Limited, registered number 00988844 were approved by the Board of Directors and authorised for issue on 30 July 2020. They were signed on its behalf by:


V F Orts-Llopis
Director

FCC Waste Services (UK) Limited

Statement of changes in equity For the year ended 31 December 2019

	Called-up share capital £'000	Profit and loss account £'000	Total equity £'000
At 1 January 2018	-	24,364	24,364
Profit for the year and total comprehensive income	-	3,613	3,613
At 31 December 2018	-	27,977	27,977
At 1 January 2019 as previously reported	-	27,977	27,977
Effect of change in accounting policy for initial application of IFRS 16		(242)	(242)
At 1 January 2019	-	27,735	27,735
Profit for the year and total comprehensive income	-	3,567	3,567
At 31 December 2019	-	31,302	31,302

FCC Waste Services (UK) Limited

Notes to the financial statements For the year ended 31 December 2019

1. Corporate information

FCC Waste Services (UK) Limited is a private company limited by shares incorporated in the United Kingdom under the Companies Act 2006, registered in England and Wales. The address of the registered office is given on page 1. The nature of the Company's operations and its principal activities are set out in the Strategic report.

2. Accounting policies

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and to the preceding year.

General information and basis of accounting

The financial statements have been prepared under the historical cost convention, modified by the revaluation of freehold and leasehold properties, and in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) issued by the Financial Reporting Council.

The functional and presentational currency of FCC Waste Services (UK) Limited is considered to be pounds sterling because that is the currency of the primary economic environment in which the Company operates.

Exemptions for qualifying entities under FRS 101

The Company has taken advantage of the following disclosure exemptions under FRS 101:

- (a) The requirements of paragraphs 45(b) and 46 to 52 of IFRS 2 *Share-based Payment*
- (b) The requirements of paragraphs 62, B64(d), B64(e), B64(g), B64(h), B64(j) to B64(m), B64(n)(ii), B64(o)(ii), B64(p), B64(q)(ii), B66 and B67 of IFRS 3 *Business Combinations*
- (c) The requirements of IFRS 7 *Financial Instruments: Disclosures*
- (d) The requirements of paragraphs 91 to 99 of IFRS 13 *Fair Value Measurement*
- (e) The requirement in paragraph 38 of IAS 1 *Presentation of Financial Statements* to present comparative information in respect of:
 - i. paragraph 79(a)(iv) of IAS 1;
 - ii. paragraph 73(e) of IAS 16 *Property, Plant and Equipment*;
 - iii. paragraph 118(e) of IAS 38 *Intangible Assets*.
- (f) The requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134 to 136 of IAS 1 *Presentation of Financial Statements*
- (g) The requirements of IAS 7 *Statement of Cash Flows*
- (h) The requirements of paragraphs 30 and 31 of IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*
- (i) The requirements of paragraph 17 of IAS 24 *Related Party Disclosures*
- (j) The requirements in IAS 24 *Related Party Disclosures* to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member
- (k) The requirements of paragraphs 134(d) to 134(f) and 135(c) to 135(e) of IAS 36 *Impairment of Assets*

Where relevant, equivalent disclosures have been given in the consolidated FCC E group accounts, copies of which are available from its registered office at Ground Floor West, 900 Pavilion Drive, Northampton Business Park, Northampton, NN4 7RG.

FCC Waste Services (UK) Limited

Notes to the financial statements For the year ended 31 December 2019

2. Accounting policies (continued)

New and amended IFRS standards that are effective for the current year

New Standards and amendments to Standards and Interpretations that became mandatory for the first time for the financial year beginning 1 January 2019 are listed below. With the exception of IFRS 16, which is detailed further below, the amendments had no material impact on the Company's results:

- IFRS 16 Leases
- IFRIC 23 Uncertainty over Income Tax Treatments
- Amendments to IAS 12 Income Tax Consequences of Payments on Financial Instruments Classified as Equity (*Annual Improvements 2015-2017 Cycle*)
- Amendments to IAS 19 Plan Amendment, Curtailment or Settlement
- Amendments to IAS 23 Borrowing Costs Eligible for Capitalisation (*Annual Improvements 2015-2017 Cycle*)
- Amendments to IAS 28 Long term Interests in Associates and Joint Ventures
- Amendments to IFRS 3 Previously Held Interest in a Joint Operation (*Annual Improvements 2015-2017 Cycle*)
- Amendments to IFRS 9 Prepayment Features with Negative Compensation
- Amendments to IFRS 11 Previously Held Interest in a Joint Operation (*Annual Improvements 2015-2017 Cycle*)

Impact of the initial application of IFRS 16

In the current year, the Company has applied IFRS 16 Leases (as issued by the IASB in January 2016) that is effective for annual periods that begin on or after 1 January 2019.

IFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to lessee accounting by removing the distinction between operating and finance lease and requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low value assets when such recognition exemptions are adopted. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged. Details of these new requirements are described in Note 2. The impact of the adoption of IFRS 16 on the Company's financial statements is described below.

The date of initial application of IFRS 16 for the Company is 1 January 2019.

The Company has applied IFRS 16 using the cumulative catch-up approach which:

- requires the Company to recognise the cumulative effect of initially applying IFRS 16 as an adjustment to the opening balance of retained earnings at the date of initial application.
- does not permit restatement of comparatives, which continue to be presented under IAS 17 and IFRIC 4.

Impact of the new definition of a lease

The Company has made use of the practical expedient available on transition to IFRS 16 not to reassess whether a contract is or contains a lease. Accordingly, the definition of a lease in accordance with IAS 17 and IFRIC 4 will continue to be applied to those leases entered or changed before 1 January 2019.

The change in definition of a lease mainly relates to the concept of control. IFRS 16 determines whether a contract contains a lease on the basis of whether the customer has the right to control the use of an identified asset for a period of time in exchange for consideration. This is in contrast to the focus on 'risks and rewards' in IAS 17 and IFRIC 4.

FCC Waste Services (UK) Limited

Notes to the financial statements For the year ended 31 December 2019

2. Accounting policies (continued)

Impact of the initial application of IFRS 16 (continued)

The Company applies the definition of a lease and related guidance set out in IFRS 16 to all lease contracts entered into or changed on or after 1 January 2019 (whether it is a lessor or a lessee in the lease contract). In preparation for the first-time application of IFRS 16, the Company has carried out an implementation project. The project has shown that the new definition in IFRS 16 will not significantly change the scope of contracts that meet the definition of a lease for the Company.

Impact on lessee accounting

(i) Former operating leases

IFRS 16 changes how the Company accounts for leases previously classified as operating leases under IAS 17, which were off balance sheet.

Applying IFRS 16, for all leases (except as noted below), the Company:

- (a) Recognises right-of-use assets and lease liabilities in the balance sheet, initially measured at the present value of the future lease payments, with the right-of-use asset adjusted by the amount of any prepaid or accrued lease payments in accordance with IFRS 16:C8(b)(ii);
- (b) Recognises depreciation of right-of-use assets and interest on lease liabilities in profit or loss.

Lease incentives (e.g. rent-free periods) are recognised as part of the measurement of the right-of-use assets and lease liabilities whereas under IAS 17 they resulted in the recognition of a lease incentive, amortised as a reduction of rental expenses on a straight-line basis.

Under IFRS 16, right-of-use assets are tested for impairment in accordance with IAS 36.

For short-term leases (lease term of 12 months or less) and leases of low-value assets (such as tablet and personal computers, small items of office furniture and telephones), the Company has opted to recognise a lease expense on a straight-line basis as permitted by IFRS 16. This expense is presented within 'other operating expenses' in profit or loss.

The Company has used the following practical expedients when applying the cumulative catch-up approach to leases previously classified as operating leases applying IAS 17.

- The Company has applied a single discount rate to a portfolio of leases with reasonably similar characteristics.
- The Company has elected not to recognise right-of-use assets and lease liabilities to leases for which the lease term ends within 12 months of the date of initial application.
- The Company has excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application.
- The Company has used hindsight when determining the lease term when the contract contains options to extend or terminate the lease.

(ii) Former finance leases

For leases that were classified as finance leases applying IAS 17, the carrying amount of the leased assets and obligations under finance leases measured applying IAS 17 immediately before the date of initial application is reclassified to right-of-use assets and lease liabilities respectively without any adjustments, except in cases where the Company has elected to apply the low-value lease recognition exemption.

The right-of-use asset and the lease liability are accounted for applying IFRS 16 from 1 January 2019.

FCC Waste Services (UK) Limited

Notes to the financial statements For the year ended 31 December 2019

2. Accounting policies (continued)

Impact of the initial application of IFRS 16 (continued)

Financial impact of initial application of IFRS 16

The weighted average lessees incremental borrowing rate applied to lease liabilities recognised in the balance sheet on 1 January 2019 is 3.9%.

The following table shows the operating lease commitments disclosed applying IAS 17 at 31 December 2018, discounted using the incremental borrowing rate at the date of initial application and the lease liabilities recognised in the balance sheet at the date of initial application.

Impact on retained earnings as at 1 January 2019

	£'000
Operating lease commitments at 31 December 2018 (note 17)	9,763
Short-term leases and leases of low-value assets	(91)
Transfer of lease commitment to fellow subsidiary company	(572)
Effect of discounting the above amounts	(2,707)
Present value of the lease payments due in periods covered by extension options that are included in the lease term and not previously included in operating lease commitments	452
	<hr/>
Lease liabilities recognised at 1 January 2019	6,845

The Company has recognised £6,603,000 of right-of-use assets and £6,845,000 of lease liabilities upon transition to IFRS 16. The difference of £242,000 is recognised in retained earnings.

Going concern

The Directors have assessed the responses from their enquiries to the indirect parent company, FCC E UK and have reviewed projected cash flows and carefully considered the risks to the Company's trading performance and cash flows. In light of the Covid-19 pandemic, the Directors have considered the impact that has been experienced by the Group in recent months with customers, suppliers, employees and other stakeholders as well as the impact on operating cash flows. The Directors have also performed and carefully considered a number of different forecast scenarios of varying severity to stress test the resilience of the Group's cash flows and trading performance. All scenarios provided sufficient comfort to the Directors.

The Directors therefore continue to adopt the going concern basis in preparing the Annual report and financial statements.

FCC Waste Services (UK) Limited

Notes to the financial statements For the year ended 31 December 2019

2. Accounting policies (continued)

Reclassification of comparative balances

Statement of comprehensive income

The Company has changed the format of its statement of comprehensive income for the year ended 31 December 2019 to more closely align it with the format adopted by FCC. As a result, the comparative amounts for cost of sales and administrative expenses have been re-categorised as follows:

	Year ended 31 December 2018 £'000
<i>As previously presented</i>	
Cost of sales	123,680
Administrative expenses	5,909
	<hr/> 129,589 <hr/>
<i>As reclassified</i>	
Staff costs	14,174
Other operating expenses	110,322
Depreciation and amortisation	4,552
Net impairment and gains/(losses) on disposal of assets	541
	<hr/> 129,589 <hr/>

Balance sheet

In the 2019 annual report and financial statements, the Company has adopted an IAS 1 balance sheet format consistent with FCC E UK. This has necessitated the reclassification of comparative balances as follows:

- a) Amounts of £2,022,000 previously reported under Current assets as Debtors due after one year have been re-presented under Non-current assets as Non-current financial assets;
- b) Amounts of £33,381,000 previously reported under Provisions for liabilities have been re-presented to reflect their maturity. The amounts of £30,241,000 and £3,140,000 are shown under Non-current liabilities, and Current liabilities, respectively.
- c) Amounts of £12,268,000 previously reported as Creditors: amounts falling due within one year have been re-presented under Current liabilities as £1,624,000 Trade and other payables and £10,644,000 Accruals and deferred income.

Property, plant and equipment

Property, plant and equipment are stated at cost, net of depreciation and any provision for impairment. Depreciation is provided on all plant, property and equipment, other than freehold land, at rates calculated to write off the cost or valuation, less estimated residual value, of each asset on a straight-line basis over its expected useful life, as follows:

Freehold buildings	- over 25 to 50 years
Freehold landfill sites, leasehold properties and licence agreements	- based on the void used in the period as a proportion of total void
Leased assets	- over the term of the lease
Plant and machinery	- over 3 to 20 years
Motor vehicles	- over 4 years

FCC Waste Services (UK) Limited

Notes to the financial statements For the year ended 31 December 2019

2. Accounting policies (continued)

Property, plant and equipment (continued)

Residual value represents the estimated amount which would currently be obtained from disposal of an asset, after deducting estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life.

Decommissioning assets (and provisions) are created on commencement of operation at a site and depreciated as for landfill sites above. Capping assets (and provisions) are created in a similar way when new cell construction commences and capping assets are depreciated based on expected cell life.

Impairment of assets

Assets, other than those measured at fair value, are assessed for indicators of impairment at each balance sheet date. If there is objective evidence of impairment, an impairment loss is recognised in comprehensive income as described below.

Non-financial assets

An asset is impaired where there is objective evidence that, as a result of one or more events that occurred after initial recognition, the estimated recoverable value of the asset has been reduced. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use.

The recoverable amount of goodwill is derived from measurement of the present value of the future cash flows of the cash-generating unit ("CGU") of which the goodwill is a part. Any impairment loss in respect of a CGU is allocated first to the goodwill attached to that CGU, and then to other assets within that CGU on a pro-rata basis.

Where indicators exist for a decrease in impairment loss, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised. Where a reversal of impairment occurs in respect of a CGU, the reversal is applied first to the assets (other than goodwill) of the CGU on a pro-rata basis and then to any goodwill allocated to that CGU.

Financial assets

The Company assesses lifetime Expected Credit Losses ('ECL') for trade receivables and contract assets. The expected credit losses on these financial assets are estimated based on the Company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast economic conditions including the time value of money where appropriate.

For all other financial instruments under the scope of IFRS 9, the Company recognises lifetime ECL when there has been a significant increase in risk since initial recognition. When estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis. The assessment is based on the Company's historical experience and includes forward-looking information. If the credit risk on the financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to the 12-month ECL as defined below.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date. The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets. The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering the asset in its entirety or a portion thereof. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

FCC Waste Services (UK) Limited

Notes to the financial statements For the year ended 31 December 2019

2. Accounting policies (continued)

Trade and other receivables

Trade and other receivables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost less any allowance for expected credit losses ('ECL').

Cash and cash equivalents

Cash and cash equivalents include cash-in-hand, deposits held at call with banks and other short term investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Cash and cash equivalents are carried in the balance sheet at cost. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

Trade and other payables

Trade and other payables are recognised initially at fair value. Subsequent to initial recognition, they are measured at amortised cost less any impairment losses.

Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Company expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of comprehensive income and expense net of any reimbursement. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Decommissioning and aftercare costs

Full provision is made for the net present value ("NPV") of the Company's projected costs, in respect of decommissioning liabilities at the Company's landfill sites, which have been capitalised in tangible fixed assets. The Company provides for all projected aftercare costs over the life of its landfill sites, based on the volumes of waste deposited in the year, since liabilities in relation to these costs arise as waste is deposited.

All long term provisions for decommissioning and aftercare costs are calculated based on the NPV of estimated future costs. Current cost estimates are inflated at 2.0% and discounted at 4.2% to calculate the NPV.

Taxation

Revenue, expenses and assets are recognised net of the amount of sales tax except:

- where the sales tax incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- debtors and creditors are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of debtors or creditors in the balance sheet. Tax on the profit or loss for the year comprises current and deferred tax.

Current tax is the expected tax payable on the taxable surplus for the year using average tax rates in place during the financial year, and any adjustments in respect of previous periods. Income tax relating to items recognised directly in equity is recognised in equity and not in the income statement.

FCC Waste Services (UK) Limited

Notes to the financial statements For the year ended 31 December 2019

2. Accounting policies (continued)

Taxation (continued)

Deferred income tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred income tax is recognised for all temporary differences:

- except where the deferred income tax liability arises from the initial recognition of goodwill, non-tax deductible goodwill amortisation or the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit or loss nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Revenue

Revenue, including landfill tax, is stated net of VAT and trade discounts and is recognised when the significant risks and rewards are considered to have been transferred to the buyer. Revenue from the supply of services represents the value of services provided under contracts to the extent that there is a right to consideration and is recorded at the fair value of the consideration received or receivable. Revenue is recognised in respect of waste disposal services when the waste has been received and disposed of. Where payments are received from customers in advance of services provided, the amounts are recorded as deferred income and included as part of creditors due within one year.

Employee benefits

The Group operates a pension scheme providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the Company. The Company is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by IAS 19, accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting year.

The Company also operates a defined contribution scheme on behalf of its eligible employees. Contributions to the scheme are charged to the profit and loss account for the year in which they are payable. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

Foreign currency

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date.

FCC Waste Services (UK) Limited

Notes to the financial statements For the year ended 31 December 2019

2. Accounting policies (continued)

Leases

The Company has applied IFRS 16 using the cumulative catch-up approach and therefore comparative information has not been restated and is presented under IAS 17. The details of accounting policies under both IAS 17 and IFRS 16 are presented separately below.

Policies applicable from 1 January 2019

The Company as lessee

The Company assesses whether a contract is or contains a lease, at inception of the contract. The Company recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (such as tablets and personal computers, small items of office furniture and telephones). For these leases, the Company recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Company uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- The amount expected to be payable by the lessee under residual value guarantees;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented within loans and borrowings in the balance sheet and detailed in the notes to the financial statements.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Company remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Company did not make any such adjustments during the periods presented.

Notes to the financial statements

For the year ended 31 December 2019

2. Accounting policies (continued)

Leases (continued)

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Company incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented within the property, plant and equipment line in the balance sheet.

The Company applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Property, Plant and Equipment' policy.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in the line 'Other operating expenses' in profit or loss.

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Company has not used this practical expedient. For a contract that contains a lease component and one or more additional lease or non-lease components, the Company allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

Policies applicable prior to 1 January 2019

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Company as a lessee

Assets held under finance leases are recognised as assets of the Company at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Company's general policy on borrowing costs. Contingent rentals are recognised as expenses in the periods in which they are incurred.

Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the lease asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Notes to the financial statements
For the year ended 31 December 2019

2. Accounting policies (continued)

Exceptional items

Exceptional items are defined as material items which derive from events or transactions that fall within the ordinary activities of the company and which individually or, if of a similar type, in aggregate, need to be disclosed by virtue of their size or incidence if the financial statements are to give a true and fair view.

3.

Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, which are described in note 2, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Provisions – Under environmental legislation and through regulation and planning consents, the Company is obliged to decommission and restore landfill sites to a prescribed standard. The elements included in the decommissioning provision are those projected costs which will be required to close down any given site in compliance with its environmental permit, planning conditions, and contractual and lease requirements. The provision is limited to costs incurred in the immediate closure and decommissioning period.

As well as decommissioning a site, the Company is obliged under its environmental permits and planning permission to manage a site for a period of up to 60 years or until it becomes inactive. As a result, in addition to provisions for decommissioning, the Company also establishes provisions for aftercare. Elements included in the provision are those projected costs which are required to ensure that a landfill site is properly managed in compliance with its environmental permit, planning conditions and lease terms during its closed phase.

In addition to the decommissioning and aftercare provisions, the Company makes provision for other costs relating to regulatory and environmental compliance to be incurred on items such as capping and leachate disposal.

These provisions are based principally on measurement and survey data and some engineering estimates, including cost assumptions. Estimating provisions over long time periods requires a number of assumptions and judgements to be made. Significant reductions in the estimates of the remaining site lives of the landfill sites or significant increases in estimates of decommissioning costs or aftercare costs due to changes in regulatory requirements or estimates could have a substantial impact on the value of the provisions.

An annual inflation rate of 2.0% has been assumed over the period of cost relating to the provisions and the provisions have been discounted at 4.2%. See note 13 for further disclosures relating to the provisions.

Property, plant and equipment impairment – The discount rate is highly sensitive when considering property, plant and equipment for impairment. A small movement in the discount rate could lead to an impairment. Various judgements and estimates are used when calculating the discount rate used.

4.

Revenue

Revenue, including landfill tax, was generated in the United Kingdom from the handling, recycling and disposal of waste materials.

FCC Waste Services (UK) Limited

Notes to the financial statements For the year ended 31 December 2019

5. Profit before tax

Profit before tax is stated after charging/(crediting):

	2019 £'000	2018 £'000
Depreciation of property, plant & equipment - owned	6,473	4,552
Depreciation of right-of-use assets	353	-
Profit on disposal of property, plant & equipment	-	(22)
Impairment of tangible fixed assets	722	1,058
Reversal of previous impairments of property, plant & equipment	(782)	(495)
Increase in environmental provisions on revision of estimate of future costs (included within provisions charge)	2,847	2,460
Expense relating to short-term liabilities	966	-
Operating lease rentals	-	1,642

Auditor's remuneration in respect of audit fees totalling £7,000 (2018: £5,000) has been met by FCC Recycling (UK) Limited, a fellow subsidiary undertaking of FCC E UK.

In accordance with SI 2008/489 the company has not disclosed the fees payable to the company's auditor for 'Other services' as this information is included in the consolidated financial statements of FCC E UK, copies of which are available from the address in note 19.

6. Staff costs

The average monthly number of employees (including executive directors) employed by the company during the year was:

	2019 Number	2018 Number
Operational	505	493
	505	493

Their aggregate remuneration comprised:

	2019 £'000	2018 £'000
Wages and salaries	13,536	12,465
Social security costs	1,331	1,199
Pension costs (see note 18)	849	510
Other staff costs	61	-
	15,777	14,174

FCC Waste Services (UK) Limited

Notes to the financial statements For the year ended 31 December 2019

7. Directors' remuneration and transactions

None of the Directors received any remuneration or other benefits through the Company during the year ended 31 December 2019 or the previous financial year.

They are all remunerated as directors or employees of FCC E UK for services to the Group as a whole and as such it is not possible to directly attribute any element of their remuneration to services as a director of this Company. The Directors received total remuneration of £639,000 for services to the Group as a whole in the year ended 31 December 2019 (2018: £647,000). Certain Directors were remunerated by fellow subsidiary companies of FCC without recharge to the Group.

8. Tax on profit

The tax (credit)/charge comprises:

	2019 £'000	2018 £'000
Current tax		
United Kingdom corporation tax at 19% (2018: 19%) based on profit for the year	965	663
Total current tax	965	663
Deferred tax		
Origination and reversal of timing differences	179	-
Adjustment in respect of prior years	(2,059)	-
Total deferred tax (see note 14)	(1,880)	-
Tax (credit)/charge	(915)	663

Finance Act 2016, which received Royal Assent in September 2016, included provisions to reduce the rate of corporation tax to 19% with effect from 1 April 2017 and 17% from 1 April 2020. As the deferred tax balances are expected to substantially reverse after April 2020, a deferred tax rate of 17% has been applied in both the current and previous financial year.

The Chancellor of the Exchequer announced on 11 March 2020 that the corporation tax rate will not be reduced from 1 April 2020 as set out in Finance Act 2016 and the rate of corporation tax would remain unchanged at 19%. As Finance Act 2020 has not yet gained Royal Assent, the rate of deferred tax used as at 31 December 2019 is 17%. The impact of this change of corporation tax rate in these financial statements is not expected to be material.

Deferred tax assets and liabilities are offset where the Company has a legally enforceable right to do so.

FCC Waste Services (UK) Limited

Notes to the financial statements For the year ended 31 December 2019

8. Tax on profit (continued)

The total tax (credit)/charge for both the current and previous year differs from the average standard rate of 19% (2018: 19%) for the reasons set out in the following reconciliation:

	2019 £'000	2018 £'000
Profit before tax	2,652	4,276
Tax on profit at average standard rate	504	812
Effects of:		
Non-taxable items	640	(569)
Group relief surrendered, not paid for	-	420
Adjustment in respect of prior years	(2,059)	-
Total tax (credit)/charge	(915)	663

9. Property, plant and equipment

	Landfill sites £'000	Other properties £'000	Plant and equipment £'000	Motor vehicles £'000	Total £'000
Cost or valuation					
At 1 January 2019	87,490	22,670	20,177	238	130,575
IFRS 16 adjustments	-	6,603	-	-	6,603
Additions	2,321	831	264	-	3,416
At 31 December 2019	89,811	30,104	20,441	238	140,594
Depreciation					
At 1 January 2019	74,611	11,225	14,623	238	100,697
Charge for the year	3,580	2,434	812	-	6,826
Impairment losses	-	722	-	-	722
Reversal of previous impairments	-	(782)	-	-	(782)
At 31 December 2019	78,191	13,599	15,435	238	107,463
Net book value					
At 31 December 2019	11,620	16,505	5,006	-	33,131
At 31 December 2018	12,879	11,445	5,554	-	29,878

FCC Waste Services (UK) Limited

Notes to the financial statements For the year ended 31 December 2019

9. Property, plant and equipment (continued)

The CGUs of the Company comprise individual sites which constitute the smallest identifiable group of assets that generate inflows that are largely independent of the cash inflows from other assets or groups of assets. The carrying value of the individual sites is compared to the recoverable amount of the CGUs, which is based predominantly on value in use. The cash flow forecasts have been projected on a life of site basis applying growth rates based on assumptions which include market size and volumes, recycle prices, gate fees and the future level of landfill tax. For certain CGUs the recoverable amount is determined by reference to the fair value less costs to sell of the underlying assets using internal and external valuations of property, plant and equipment and management's estimate of disposal costs.

Management estimate discount rates that reflect current market assessments of the time value of money and the risk specific to the CGUs of 5.9% (2018: 5.9%). The growth rates are based on industry growth forecasts and longer term, on gross domestic product.

An impairment loss of £722,000 (2018: £1,058,000) has been recognised in the year on assets primarily in the other properties category. This reflects the earlier than expected closure of the Group's landfill assets which is a result of a significant and sustained decline in the quantity and quality of active waste landfilled in the UK and the move towards recycling and recovery. This has been measured by reference to the value in use of the underlying assets.

As part of the impairment review process, previous impairments totalling £782,000 (2018: £495,000) were reversed. This was a result of changes in the estimates used to determine the recoverable amount of CGUs, based on future expected cash flows arising from changes to the future strategy and expectations of the business.

Right-of-use assets

The Company holds leases for a number of properties of various types. The average lease term to expiry is 24 years. In the year ended 31 December 2018 the leases were classified as operating leases under IAS 17 and therefore have been re-classified to property, plant and equipment as at 1 January 2019 in accordance with the transitional arrangements of IFRS 16 'Leases'.

No right-of-use-asset leases expired in the current financial year. Furthermore there were no additions to right-of-use assets in the year ended 31 December 2019.

The amounts included in Property, plant and equipment, all of which fall under 'Other properties' is as follows:

	2019 £000	2018 £000
Cost on transition to IFRS 16	6,603	-
Depreciation charge for the year	(353)	-
Net book value at 31 December 2019	6,250	-

10. Non-current financial assets

	2019 £'000	2018 £'000
Amounts prepaid to fellow subsidiary undertaking	2,022	2,022

FCC Waste Services (UK) Limited

Notes to the financial statements For the year ended 31 December 2019

11. Trade and other receivables

	2019 £'000	2018 £'000
Trade debtors	-	7,154
Amounts owed by fellow subsidiary undertakings	39,813	34,438
Other receivables	-	134
	<u>39,813</u>	<u>41,726</u>

Amounts due to FCC group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

12. Trade and other payables

	2019 £'000	2018 £'000
Trade creditors	-	1,624
Amounts owed to fellow subsidiary undertakings	1,628	663
Other creditors	-	2,617
Accruals and deferred income	-	7,364
	<u>1,628</u>	<u>12,268</u>

Amounts due from FCC group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

13. Provisions for liabilities

	Decommissioning £'000	Landfill aftercare £'000	Other £'000	Total £'000
At 1 January 2019	2,616	25,709	5,056	33,381
Charged to profit and loss account	-	3,046	2,189	5,235
New provisions capitalised in tangible fixed assets	1,066	-	344	1,410
Unwinding of discount	118	1,260	33	1,411
Utilised in year	(492)	(242)	(3,432)	(4,166)
At 31 December 2019	<u>3,308</u>	<u>29,773</u>	<u>4,190</u>	<u>37,271</u>

FCC Waste Services (UK) Limited

Notes to the financial statements For the year ended 31 December 2019

13. Provisions for liabilities (continued)

Maturity	Decommissioning £'000	Landfill aftercare £'000	Other £'000	Total £'000
2019				
Non-current	1,653	27,503	3,645	32,801
Current	1,655	2,270	545	4,470
Total	3,308	29,773	4,190	37,271
2018				
Non-current	1,997	24,973	3,271	30,241
Current	619	736	1,785	3,140
Total	2,616	25,709	5,056	33,381

Decommissioning and landfill aftercare

The Group provides for the estimated cost of decommissioning its landfill sites at the end of their operational life and for their subsequent aftercare. The aftercare period is generally expected to be 60 years and expenditure will be incurred throughout this 60 year period. These provisions are discounted at a rate of 4.2% from the date on which the expenditure is expected to occur. These provisions by their nature require a significant degree of estimation and hence there is a degree of uncertainty with regards to the timing and amount of outflows of economic benefit.

Other provisions

Other provisions include the estimated cost of discharging environmental liabilities, including current capping of open landfill areas and the disposal of leachate, which arise during the operational phase of its landfill sites. Capping expenditure occurs as landfill cells are completed, whilst expenditure on the disposal of leachate occurs throughout the lifecycle of a landfill site.

14. Deferred tax asset

	Total £'000
Asset at 1 January 2019	-
Credit to profit and loss account	1,880
Asset at 31 December 2019	1,880

Deferred tax is provided as follows:

	Provided 2019 £'000	2018 £'000	Unprovided 2019 £'000	2018 £'000
Company				
Depreciation less than capital allowances	(1,126)	-	-	(1,371)
Short term timing differences	(754)	-	-	(688)
	(1,880)	-	-	(2,059)

FCC Waste Services (UK) Limited

Notes to the financial statements For the year ended 31 December 2019

14. Deferred tax asset (continued)

In previous years, the Company had unprovided deferred tax assets as there was insufficient certainty as to whether events would materialise to crystallise the deferred tax. With effect from 1 January 2019, the FCC Environment UK Group revised its policy to start charging for group relief between fellow subsidiaries following a change to loss relief rules. Consequently, the company now makes full provision for deferred tax assets and liabilities as there is sufficient certainty that the deferred tax will crystallise.

15. Share capital and reserves

	2019 £	2018 £
Allotted, called-up and fully-paid		
100 ordinary shares of £1 each	<u>100</u>	<u>100</u>

The company has one class of ordinary shares which carry no right to fixed income.

Profit and loss reserve

The profit and loss reserve comprises cumulative profits or losses, including unrealised profits or losses recognised in the statement of comprehensive income and expense, net of dividends.

16. Loans and borrowings

	2019 £'000	2018 £'000
Loans and borrowings (non-current)		
Lease liabilities*	<u>6,402</u>	<u>-</u>
Loans and borrowings (current)		
Lease liabilities*	<u>243</u>	<u>-</u>
Maturity profile		
Due within one year	243	-
Between one and two years	254	-
Between two and five years	828	-
Due after more than five years	<u>5,320</u>	<u>-</u>
	<u>6,645</u>	<u>-</u>

* The lines indicated are in respect of the application of IFRS 16 in the current year only. In the previous year the Company's lease agreements were accounted for as operating leases under IAS 17 and are shown in note 17.

At the 31 December 2019, the Company is committed to £nil for short term leases.

FCC Waste Services (UK) Limited

Notes to the financial statements For the year ended 31 December 2019

17. Operating lease arrangements

The Company as a lessee

Disclosure required by IAS 17

At the reporting date, the company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall as follows:

	2018 £'000
Not later than one year	730
Later than one year and not later than five years	2,328
Later than five years	6,705
	<hr/>
	9,763
	<hr/>

18. Retirement benefit schemes

Defined contribution schemes

The Company participates in the defined contribution scheme operated by FCC E UK on behalf of its eligible employees. The assets of the scheme are held separately from those of the Company in independently administered funds.

The total expense charged to profit or loss in the year ended 31 December 2019 was £804,000 (2018: £476,000).

Defined benefit schemes

Certain employees of the Company are members of the Citrus Pension Scheme (formerly LAWDC) in which FCC E UK is a participating employer. This is a defined benefit multi-employer scheme, the assets of which are held independently of the Group. The Company is unable to identify its share of the underlying assets and liabilities of the scheme. Further details regarding the scheme are provided in the financial statements of FCC E UK.

Contributions to the scheme for the year are stated below. The agreed contribution rate which commenced from June 2017 is equivalent to 24% of pensionable member salaries per month. In addition, FCC E UK has agreed with the scheme trustee to pay an additional annual contribution of £1,050,000 until 2026 to meet the ongoing funding of the scheme.

An actuarial valuation of the scheme at 31 March 2015 indicated that the scheme was 72% funded based upon the minimum funding requirement basis. At 31 December 2019 the deficit on the FCC E UK section of the Citrus scheme, calculated on an IAS 19 basis, was £4,627,000 (2018: £3,170,000). There were no outstanding or prepaid contributions at either the beginning or end of the financial year.

The contributions made by the Company under the different schemes during the year were as follows:

	2019 £'000	2018 £'000
Defined contribution schemes	804	476
Citrus defined benefit multi-employer pension scheme	45	34
	<hr/>	<hr/>
	849	510
	<hr/>	<hr/>

FCC Waste Services (UK) Limited

Notes to the financial statements For the year ended 31 December 2019

19. Contingent liabilities

- (a) The Company is a member of a group VAT registration and as such has contingent liabilities for VAT in respect of other members of the Group.
- (b) The Group must comply with the Environment Agency's financial provisioning requirements for its landfill sites in England and Wales, which is satisfied by providing financial security bonds. The total value of the bonds issued for this financial provisioning requirement at 31 December 2019 was £103.8million (2018: £106.5million) of which £16.9million (2018: £17.1million) related to the Company.
- (c) Performance bonds of £272,000 (2018: £nil) have been given in the normal course of business to certain customers.

20. Related party transactions

The Directors regard all subsidiaries of FCC as related parties. In the ordinary course of business, the Company has traded with fellow subsidiaries of FCC.

Under FRS 101, the company is exempt from disclosing related party transactions with other wholly owned subsidiaries of FCC.

21. Post balance sheet event

The Covid-19 pandemic is a material non-adjusting event impacting the Group. Please see the principal risks and uncertainties section on page 4 and the going concern section in note 2 for details of the considerations and implications on the Company.

22. Controlling party

The immediate parent of the Company is Waste Recycling Group (UK) Limited, a company registered in England and Wales.

The Directors regard Fomento de Construcciones y Contratas, S.A., a company registered in Spain, as the ultimate parent company and controlling party.

Fomento de Construcciones y Contratas, S.A. is the parent company of the largest group of which the Company is a member and for which group financial statements are drawn up. FCC Environment (UK) Limited is the parent company of the smallest group of which the Company is a member and for which group financial statements are drawn up. Copies of the financial statements of both FCC Environment (UK) Limited and Fomento de Construcciones y Contratas, S.A. are available from Ground Floor West, 900 Pavilion Drive, Northampton Business Park, Northampton, NN4 7RG, which is the registered office of FCC Environment (UK) Limited. The registered office of Fomento de Construcciones y Contratas, S.A. is c/Balmes, 36. 08007 Barcelona, Spain.