Company Registration No. 01569257

# Anti-Waste Limited

**Report and Financial Statements**

**31 December 2013**

# Anti-Waste Limited

## Report and financial statements 2013

## Contents

# Anti-Waste Limited

## Report and financial statements 2013

## Officers and professional advisers

**Directors**

P Taylor
V F Orts-Llopis
A Serrano Minchan

**Company Secretary**

C Nunn

**Registered Office**

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

**Auditor**

Deloitte LLP
2 New Street Square
London
EC4A 3BZ

# Anti-Waste Limited

## Strategic report

### Overview of Group

Anti-Waste Limited ("the Company") is a direct subsidiary of FCC Environment (UK) Limited ("FCC E UK") 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, South and Central America, Africa, the Middle East and the United States of America. FCC's principal activities cover Environmental Services (including waste management), Construction, Cement and Infrastructure.

FCC's substantial financial strength 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 the position of FCC E UK and FCC E UK's subsidiary undertakings (together the "Group") 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 United Kingdom to meet the European Waste Framework Directive; 50% of all municipal waste will have to be recycled by 2020 and the European Union's target that 20% of all energy consumed should be from a renewable source by 2020. The Directors continue 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 Group's strategy is to "Own the Waste" and to maximise the value of resource, produce renewable energy and provide 360° solutions to its customers. The Directors see 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 considerable activity and deployment of Group resources into recycling facilities, renewable energy projects, the development of innovative waste treatment solutions and the provision of regional facilities. The Directors remain of the view that Energy from Waste ("EfW") will be a key component of some regional waste strategies 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.

### Refinancing

Early in the New Year, on 22 January 2014, Azincourt Investment S.L., the immediate parent company of FCC E UK, successfully concluded the refinance of the UK business and, in addition to working capital facilities totalling £60million, secured £80million of additional investment capital from FCC. This major investment is a clear vote of confidence in the Group's strategy and provides the necessary financial strength to move forward faster.

### Business review

The Directors consider that the Group's business performance was disappointing during 2013 albeit against a backdrop of the difficult and ongoing market conditions seen in recent years.

Commentary on the Company's results is set out in the Results, dividends and key performance indicators section.

### Future trends and developments

The waste industry continues to face a number of challenges in the prevailing economic climate and the Directors continue to focus the Group's strategy on leveraging value from its existing assets and ensuring that it offers best value, quality services through sustainable waste management for 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 the investment in alternative waste treatment infrastructure and energy recovery technology as set out in the Overview.

# Anti-Waste Limited

## Strategic report

**Results, dividends and key performance indicators**

The results for the year ended 31 December 2013 are set out on page 11. The loss for the financial year ended 31 December 2013 amounted to £2.7million (2012: £1.9million loss). The Company did not pay an interim dividend during the year (2012: £nil) and furthermore, the Directors do not recommend the payment of a final dividend (2012: £nil). The loss for the financial year has been withdrawn from (2012: withdrawn from) reserves, resulting in a corresponding decrease (2012: decrease) in total shareholders' funds in the year.

For the year ended 31 December 2013, turnover from continuing activities reduced by 1.6% to £36.8million (2012: £37.3million). This reflects a reduction in overall landfill turnover as revenues continue to be impacted by the increasing diversion of tonnages away from landfill, partially offset by the £8 per tonne increase in the landfill tax rate in the year.

Operating losses in 2013 were £2.5million (2012: £2.2million losses). The result reflects the trends highlighted above together with the impact of landfill provision reviews and depreciation as reported in note 3.

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.

**Principal risks and uncertainties**

Operating in the UK's highly regulated waste management market presents numerous risks and uncertainties to the Group. In response, FCC E UK has appointed a Risk Committee that actively monitors the key risks that impact the Group including the compilation of a comprehensive risk register. 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:

- **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 FCC E UK 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 Health, Safety, 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.

- **Environmental risks:** The Group's operations are tightly controlled under environmental legislation enforced principally by the Environment Agency ("EA") and the Scottish Environment Protection Agency ("SEPA"). 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 Directors' review. The Group has adopted a formal environmental policy, which was last reviewed in 2012 and there are detailed environmental procedures to enable compliance with environmental legislation.

## Strategic report

- **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). FCC E UK's IT systems are outsourced to a specialist IT services company and are covered by an IT disaster recovery plan, to ensure business continuity. The Group is working on the development of a new business continuity plan under the control of FCC E UK's Integrated Management System that will be designed around the British Standard 25999.
- **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.
- **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. 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 FCC.
- **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, 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 FCC E UK 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 that of its customers.

### Financial risk management

The Company is exposed to financial risk through its financial assets and liabilities. The most important components of financial risk are interest rate risk, credit risk and liquidity risk. Due to the nature of the Company's activities and the assets contained within the Company's balance sheet, the only financial risks the Directors consider relevant to the Company are liquidity and credit risk.

# Anti-Waste Limited

## Strategic report

### Liquidity and credit 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.

### Going concern

The Directors, having assessed the responses of their enquiries to the parent company, FCC E UK, have reviewed projected cash flows and continue to adopt the going concern basis in preparing the Directors' report and financial statements. Full details of the going concern considerations can be found in note 1 of the notes to the financial statements.

Approved by the Board of Directors
and signed on behalf of the Board

C Nunn

**C Nunn**
Company Secretary
10 September 2014

## Anti-Waste Limited

## Directors' report

The Directors of Anti-Waste Limited present their report and audited financial statements for the year ended 31 December 2013.

**Principal activity**

The principal activity of the Company during the year ended 31 December 2013 was the 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 2013, the Group received, treated, recycled and disposed of 8.2million (2012: 8.1million) tonnes of household, commercial and industrial waste and managed around 200 waste management facilities. Through innovative solutions, backed by a passion for excellent customer service, 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 division of FCC E UK:-

- Recycling and Landfill Division – which has UK wide responsibility for all landfill and non-landfill treatment activities except EfW; comprising the transfer, recycling, composting and household waste recycling centre ("HWRC") operations within the Group including the Waste Treatment Division (which treats hazardous solid and liquid wastes) and the Quarries Division which operates several quarries in Yorkshire.

**Post balance sheet event**

On 22 January 2014, Azincourt Investment S.L., the immediate parent company of FCC E UK successfully completed the refinancing of its businesses. As part of the refinancing, FCC E UK has agreed working capital facilities totalling £60million until December 2017. In addition, FCC demonstrated their continued commitment to FCC E UK with and £80million cash injection in return for equity.

**Directors**

The following individuals served as Directors of the Company during the year ended 31 December 2013 and up to the date of this report:

P Taylor
V F Orts-Llopis
C J Ellis (resigned 28 November 2013)
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.

# Directors' report

### Employees

The professionalism and commitment shown by the Group's employees over the last year has been a major contribution to its operation. The Directors would like to thank all employees for their hard work, dedication and loyalty during what has been another challenging and eventful year.

FCC E UK is 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 Group has a structured training and development programme and is fully committed to ensuring that all employees have the necessary skills and knowledge to do their jobs effectively. Subject to the nature of its businesses in the waste management industry, the policy of the Group is to ensure that there are fair opportunities for the employment, career development and training of disabled persons.

The Directors are 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 the Group's internal reporting system. In addition, FCC E UK has engaged an independent confidential reporting (whistleblowing) service that employees can access should they feel uncomfortable in approaching management. Following implementation of the UK's Bribery Act, the Group has provided training to all employees regarding the procedures and practices in place within our business to prevent bribery and has issued an Anti-Fraud and Bribery Policy to which all employees must adhere.

Training continues to be a high priority for FCC E UK 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.

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 addition, the executive management regularly report on the Group's successes and performance to the entire Group via a monthly brief delivered by local management and announcements on the Group Intranet. An in-house magazine is also published on a regular basis.

### Disclosure of information to the auditor

The Directors who held office at the date of approval of this Directors' report confirms that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each Director has taken all the steps that he ought to have taken as a Director to make himself 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 section 418 of the Companies Act 2006 (the "Act").

# Anti-Waste Limited

## Directors' report

**Auditor**

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 of Directors
and signed on its behalf by:

C Nunn

**C Nunn**
Company Secretary
10 Sept 2014

## 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). 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 judgements and 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 with reasonable accuracy at any time the financial position of the Company and to 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.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

# Independent auditor's report to the members of Anti-Waste Limited

We have audited the financial statements of Anti-Waste Limited for the year ended 31 December 2013, which comprise of the profit and loss account, the balance sheet, the note of historical cost profits and losses 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 (United Kingdom Generally Accepted Accounting Practice).

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.

**Respective responsibilities of Directors and auditor**

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. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

**Scope of the audit of financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implication of our report.

**Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2013 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

**Opinion on matters prescribed by the Companies Act 2006**

In our opinion the information in the Strategic report and Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

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

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

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

Makhan Chahal

Makhan Chahal (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, United Kingdom
11th September 2014

# Anti-Waste Limited

## Profit and loss account
## Year ended 31 December 2013

| | Notes | 2013<br>£'000 | 2012<br>£'000 |
|---|---|---|---|
| **Turnover** | 2 | **36,764** | 37,347 |
| Cost of sales | | **(36,880)** | (36,924) |
| **Gross (loss)/profit** | | **(116)** | 423 |
| Administrative expenses | | **(2,358)** | (2,621) |
| **Operating loss** | | **(2,474)** | (2,198) |
| **Interest payable** | 5 | **(250)** | (220) |
| **Loss on ordinary activities before taxation** | 3 | **(2,724)** | (2,418) |
| Tax on loss on ordinary activities | 6 | **-** | 554 |
| **Loss for the financial year** | 16 | **(2,724)** | (1,864) |

All results in the year ended 31 December 2013 and the previous financial year relate to continuing operations.

There are no recognised gains and losses in either the financial year ended 31 December 2013 or the previous financial year other than as stated in the profit and loss account. Therefore, no separate statement of total recognised gains and losses has been presented.

## Anti-Waste Limited

# Note of historical cost profits and losses
# Year ended 31 December 2013

| | 2013<br>£'000 | 2012<br>£'000 |
|---|---|---|
| Loss on ordinary activities before taxation | **(2,724)** | (2,418) |
| Difference between historical cost depreciation charge and the actual depreciation charge calculated on the revalued amounts | **53** | 53 |
| Historical cost loss on ordinary activities before taxation | **(2,671)** | (2,365) |
| Historical cost loss for the year after taxation | **(2,671)** | (1,811) |

## Anti-Waste Limited

# Balance sheet
# at 31 December 2013

| | Notes | 2013 £'000 | 2012 £'000 |
|---|---|---|---|
| **Fixed assets** | | | |
| Intangible assets | 7 | **1,031** | 1,176 |
| Tangible assets | 8 | **18,711** | 21,526 |
| Investments | 9 | **1** | 1 |
| | | **19,743** | 22,703 |
| **Current assets** | | | |
| Debtors: amounts due within one year | 10 | **11,250** | 11,582 |
| Debtors: amounts due after more than one year | 11 | **1,173** | 1,805 |
| Total debtors | | **12,423** | 13,387 |
| Cash at bank and in hand | | **1** | 1 |
| | | **12,424** | 13,388 |
| **Creditors: amounts falling due within one year** | 12 | **(17,765)** | (5,824) |
| **Net current (liabilities)/assets** | | **(5,341)** | 7,564 |
| **Total assets less current liabilities** | | **14,402** | 30,267 |
| **Creditors: amounts falling due after more than one year** | 13 | **-** | (12,356) |
| **Provisions for liabilities** | 14 | **(8,286)** | (9,071) |
| **Net assets** | | **6,116** | 8,840 |
| **Capital and reserves** | | | |
| Called up share capital | 15 | **8,062** | 8,062 |
| Share premium account | 16 | **83** | 83 |
| Revaluation reserve | 16 | **1,967** | 2,020 |
| Profit and loss account | 16 | **(3,996)** | (1,325) |
| **Shareholders' funds** | 17 | **6,116** | 8,840 |

The financial statements of Anti-Waste Limited, registered number 01569257 were approved by the Board of Directors on 10 SEPT 2014.

Signed on behalf of the Board of Directors

V F Orts-Llopis
Director

# Notes to the financial statements
# Year ended 31 December 2013

## 1. Accounting policies

These financial statements are prepared in accordance with applicable United Kingdom accounting standards.

The following accounting policies have been applied consistently in both the current and previous financial year in dealing with items which are considered material in relation to the financial statements.

### Accounting convention

The financial statements are prepared under the historical cost convention as modified by the revaluation of freehold properties.

### Going concern

At 31 December 2013 the Company had net current liabilities of £5.3million. Included within creditors falling due within one year is £16.6million which is due to fellow subsidiary undertakings. Therefore the Directors, having assessed the responses of their enquiries to the immediate parent company, FCC E UK (and consequently FCC), have reviewed projected cash flows and carefully considered the risks to the Company's trading performance and cashflows, and continue to adopt the going concern basis in preparing the Directors' report and financial statements, despite the current uncertain economic outlook.

### Cash flow statement

The Company has taken advantage of the exemption, conferred by Financial Reporting Standard 1 (Revised) from presenting a cash flow statement as it is a wholly owned subsidiary of a group which has prepared a consolidated cash flow statement.

### Consolidation

The Company has claimed exemption from the preparation of consolidated financial statements under section 400 of the Companies Act 2006 as it is a subsidiary of a group which has prepared consolidated financial statements. Accordingly, these financial statements present information about the Company and not the group, of which it heads.

### Goodwill

Purchased goodwill, representing the excess of purchase price over the fair value of the assets acquired, is capitalised and is being written off on a straight-line basis over its estimated useful life up to a maximum of 20 years. The Directors regard 20 years as a reasonable maximum for the estimated useful life of goodwill.

Purchased goodwill arising prior to 1998, totalling £3,395,000, representing the excess of the purchase price over the fair value of the net assets acquired, was set off against reserves in the year in which it arose.

As a matter of accounting policy, goodwill arising on acquisitions prior to the implementation of FRS10 'Goodwill and Intangible Assets' has been eliminated against reserves. Amounts will be charged or credited to the profit and loss account on subsequent disposal of the business to which it relates.

### Investments

Investments are stated at cost less provision for any impairment.

# Notes to the financial statements
# Year ended 31 December 2013

1. **Accounting policies (continued)**

**Tangible fixed assets**

Freehold and leasehold properties and licence agreements are stated at original costs or subsequent valuation. Other tangible fixed assets are shown at cost. Depreciation is provided on tangible fixed assets in use at rates calculated to write off the cost, or revalued amount, less residual value of each asset as follows:

| | | |
|---|---|---|
| Freehold buildings | - | over 25 to 50 years |
| Landfill sites | - | based on the void used in the period as a proportion of total void |
| Plant and machinery | - | over 3 to 20 years |
| Motor vehicles | - | over 4 years |

Expenditure on landfill sites includes engineering costs. Elements of these costs are classified according to their expected economic life and depreciated accordingly in proportion to the rate that waste is deposited. All other assets are depreciated on a straight-line basis.

No depreciation is provided for freehold land.

On adoption of FRS 15, the transitional provisions were applied and therefore previous valuations will be maintained.

**Post-retirement benefits**

The Group 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.

**Decommissioning and aftercare costs**

Full provision has been made for the net present value ("NPV") of the Company's minimum unavoidable costs, in respect of decommissioning liabilities at the Company's landfill sites, which has been capitalised in fixed assets. The Company continues to provide for all 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 increase 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 2.5 per cent and discounted at 5 per cent to calculate the NPV. The effects of the unwinding of the discount element on existing provisions are reflected as a financial item.

**Turnover**

Turnover is stated net of value added tax and trade discounts. Turnover from the supply of services represents the value of services provided under contracts to the extent that there is a right to consideration and is recorded at the value of the consideration due. Turnover 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.

**Operating leases**

Operating lease rentals are charged to the profit and loss account on a straight-line basis over the lease term.

# Notes to the financial statements
# Year ended 31 December 2013

**1. Accounting policies (continued)**

**Taxation**

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is not recognised when fixed assets are revalued unless by the balance sheet date there is a binding agreement to sell the revalued assets and the gain or loss expected to arise on sale has been recognised in the financial statements. Neither is deferred tax recognised when fixed assets are sold and it is more likely than not that the taxable gain will be rolled over, being charged to tax only if and when the replacement assets are sold.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

**2. Turnover**

All turnover was generated in the United Kingdom from the handling, recycling and disposal of waste materials.

**3. Loss on ordinary activities before taxation**

| | **2013** | 2012 |
|---|---|---|
| | **£'000** | £'000 |
| **Loss on ordinary activities before taxation is after charging/(crediting):** | | |
| Depreciation of tangible fixed assets – owned | **4,519** | 3,340 |
| Amortisation of goodwill | **145** | 187 |
| Goodwill impairment charge | **-** | 336 |
| Loss on disposal of fixed assets | **-** | 175 |
| Operating lease rentals – land and buildings | **43** | 33 |
| Operating lease rentals – plant and machinery | **263** | 336 |
| Decrease in environmental provisions on revision of estimate of future costs (included within provisions charge) | **(727)** | (55) |

Auditor's remuneration in respect of audit fees totalling £4,000 (2012: £5,000) has been met by FCC Recycling (UK) Limited, a fellow subsidiary undertaking of FCC E UK.

# Notes to the financial statements
# Year ended 31 December 2013

## 4. Information regarding Directors and employees

None of the Directors received any remuneration or other benefits through the Company during the year ended 31 December 2013 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.

| | **2013** | 2012 |
|---|---|---|
| | **£'000** | £'000 |
| Wages and salaries | **1,088** | 1,001 |
| Social security costs | **104** | 96 |
| Pension costs | **17** | 16 |
| | **1,209** | 1,113 |
| | **No.** | No. |
| The average number of employees (excluding Directors) during the year was: | **49** | 44 |

## 5. Interest payable

| | **2013** | 2012 |
|---|---|---|
| | **£'000** | £'000 |
| Interest payable and similar charges | | |
| Unwinding of discount (note 14) | **250** | 220 |

## 6. Tax on loss on ordinary activities

| | **2013** | 2012 |
|---|---|---|
| | **£'000** | £'000 |
| **UK corporation tax** | | |
| United Kingdom corporation tax at 23.25% | | |
| (2012: 24.5%) based on losses for the year | - | - |
| Adjustment in respect of prior years | - | (554) |
| Total current tax | - | (554) |
| **Deferred tax** | | |
| Timing differences, origination and reversal (note 14) | - | - |
| Tax credit on loss on ordinary activities | - | (554) |

# Notes to the financial statements
# Year ended 31 December 2013

## 6. Tax on loss on ordinary activities (continued)

The total current tax position (2012: credit) differs from the average standard rate of 23.25% (2012: 24.5%) for the reasons set out in the following reconciliation:

| | **2013** | 2012 |
|---|---|---|
| | **£'000** | £'000 |
| Loss on ordinary activities before taxation | **(2,724)** | (2,418) |
| Tax on loss on ordinary activities at average standard rate | **(633)** | (592) |
| Factors affecting credit: | | |
| Group relief (claimed)/surrendered | **(6)** | 245 |
| Depreciation in excess of capital allowances | **1,032** | 740 |
| Utilisation of general provisions | **(253)** | (121) |
| Amortisation of goodwill | **34** | 128 |
| Site preparation relief | **(174)** | (400) |
| Adjustment in respect of prior years | **-** | (554) |
| Total current tax | **-** | (554) |

A number of changes to the UK Corporation Tax system were announced in the March 2013 Budget Statement. The Finance Act 2013 enacted on 17 July 2013 included legislation to reduce the main rate of corporation tax from 23% to 21% from 1 April 2014 and a further reduction from 21% to 20% from 1 April 2015.

## 7. Intangible fixed assets

| | **Goodwill** |
|---|---|
| | **£'000** |
| **Cost** | |
| At 1 January 2013 and 31 December 2013 | 3,979 |
| **Amortisation** | |
| At 1 January 2013 | 2,803 |
| Charge for the year | 145 |
| At 31 December 2013 | 2,948 |
| **Net book value** | |
| **At 31 December 2013** | **1,031** |
| At 31 December 2012 | 1,176 |

# Notes to the financial statements
# Year ended 31 December 2013

## 8. Tangible fixed assets

| | Landfill sites £'000 | Other properties £'000 | Plant and machinery £'000 | Motor vehicles £'000 | Total £'000 |
|---|---|---|---|---|---|
| **Cost or valuation** | | | | | |
| At 1 January 2013 | 52,913 | 18,685 | 2,438 | 22 | 74,058 |
| Additions | 2,751 | 189 | 152 | - | 3,092 |
| Disposals | - | - | (18) | - | (18) |
| Transfers between group companies/reclassifications | - | (163) | (1,324) | - | (1,487) |
| At 31 December 2013 | 55,664 | 18,711 | 1,248 | 22 | 75,645 |
| **Depreciation** | | | | | |
| At 1 January 2013 | 42,302 | 9,600 | 608 | 22 | 52,532 |
| Charge for the year | 3,538 | 822 | 159 | - | 4,519 |
| Disposals | - | - | (18) | - | (18) |
| Transfers between group companies/reclassifications | - | (18) | (81) | - | (99) |
| At 31 December 2013 | 45,840 | 10,404 | 668 | 22 | 56,934 |
| **Net book value** | | | | | |
| **At 31 December 2013** | **9,824** | **8,307** | **580** | **-** | **18,711** |
| At 31 December 2012 | 10,611 | 9,085 | 1,830 | - | 21,526 |

The cost of other freehold property included land of £1,805,000 (2012: £1,805,000), which is not depreciated.

Landfill sites include freehold landfill sites with the following comparable amounts determined according to the historical cost convention.

| | **2013 £'000** | 2012 £'000 |
|---|---|---|
| Cost | **51,564** | 48,813 |
| Accumulated depreciation based on historical cost | **(43,707)** | (40,222) |
| Historical cost net book value | **7,857** | 8,591 |

The open market valuation of each freehold landfill site was carried out as of 31 December 1993. On adoption of FRS 15 the transitional provisions were applied therefore the previous valuation will be maintained. All other assets are stated at historical cost.

# Notes to the financial statements
# Year ended 31 December 2013

## 9. Investments

| | **2013** | 2012 |
|---|---|---|
| | **£'000** | £'000 |
| **Cost and net book value** | | |
| **As at 1 January and 31 December** | **1** | 1 |

The Company owns the entire issued ordinary share capital of the following companies:

| **Name** | **Country of incorporation** | **Nature of business** |
|---|---|---|
| FCC Environmental Services Limited (formerly known as Anti-Rubbish Limited) | England and Wales | Dormant |
| Anti-Waste (Restoration) Limited | England and Wales | Restoration and monitoring Services |

## 10. Debtors: amounts due within one year

| | **2013** | 2012 |
|---|---|---|
| | **£'000** | £'000 |
| Trade debtors | **1,268** | 876 |
| Amounts due from fellow subsidiary undertakings | **9,749** | 10,605 |
| Other debtors and prepayments | **233** | 101 |
| | **11,250** | 11,582 |

## 11. Debtors: amounts due after more than one year

| | **2013** | 2012 |
|---|---|---|
| | **£'000** | £'000 |
| Amounts prepaid to fellow subsidiary undertaking | **1,173** | 1,805 |

## 12. Creditors: amounts falling due within one year

| | **2013** | 2012 |
|---|---|---|
| | **£'000** | £'000 |
| Trade creditors | **516** | 527 |
| Amounts owed to other subsidiary undertakings | **-** | 4,208 |
| Amounts owed to parent undertaking | **16,564** | - |
| Accruals and deferred income | **685** | 1,089 |
| | **17,765** | 5,824 |

# Notes to the financial statements
# Year ended 31 December 2013

## 13. Creditors: amounts falling due after more than one year

| | 2013 £'000 | 2012 £'000 |
|---|---|---|
| Amount owed to parent undertaking | - | 12,356 |

The amount owed to the parent undertaking was not subject to agreed repayment terms.

## 14. Provisions for liabilities

| | Other provisions £'000 | Decomm-issioning £'000 | Landfill aftercare £'000 | Total £'000 |
|---|---|---|---|---|
| At 1 January 2013 | 3,483 | 1,863 | 3,725 | 9,071 |
| Charged/(credited) to profit and loss account | 714 | (482) | 276 | 508 |
| New provisions capitalised in tangible fixed assets | 1,065 | (8) | - | 1,057 |
| Unwinding of discount (note 5) | 23 | 51 | 176 | 250 |
| Expended in year | (2,317) | (136) | (147) | (2,600) |
| **At 31 December 2013** | **2,968** | **1,288** | **4,030** | **8,286** |

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 5% 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 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.

**Deferred taxation**

| | Provided | | Unprovided | |
|---|---|---|---|---|
| | 2013 £'000 | 2012 £'000 | 2013 £'000 | 2012 £'000 |
| Capital allowances in excess of/(less than) depreciation | 110 | 126 | (131) | (74) |
| Short term timing differences | (110) | (126) | (479) | (475) |
| | - | - | (610) | (549) |

The Company has unprovided deferred tax assets as there is insufficient certainty as to whether events will materialise to crystallise the deferred tax.

# Notes to the financial statements
# Year ended 31 December 2013

## 15. Called up share capital

| | 2013 £'000 | 2012 £'000 |
|---|---|---|
| **Authorised** | | |
| 8,100,000 ordinary shares of £1 each | **8,100** | 8,100 |
| **Called up, allotted and fully paid** | | |
| 8,061,500 ordinary shares of £1 each | **8,062** | 8,062 |

## 16. Reserves

| | Share premium account £'000 | Revaluation reserve £'000 | Profit and loss account £'000 | Total £'000 |
|---|---|---|---|---|
| At 1 January 2013 | 83 | 2,020 | (1,325) | 778 |
| Transfer from revaluation reserve | - | (53) | 53 | - |
| Loss for the financial year | - | - | (2,724) | (2,724) |
| **At 31 December 2013** | **83** | **1,967** | **(3,996)** | **(1,946)** |

## 17. Reconciliation of movements in shareholders' funds

| | 2013 £'000 | 2012 £'000 |
|---|---|---|
| Loss for the financial year | **(2,724)** | (1,864) |
| Net deduction from shareholders' funds | **(2,724)** | (1,864) |
| Opening shareholders' funds | **8,840** | 10,704 |
| **Closing shareholders' funds** | **6,116** | 8,840 |

# Notes to the financial statements
# Year ended 31 December 2013

## 18. 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) On 21 December 2006, the Company was a party to the refinancing of Azincourt Investment S.L. ("Azincourt") and its subsidiary companies. Azincourt was the company used by Fomento de Construcciones y Contratas, S.A. for the acquisition of the Group and its subsidiary undertakings including the Company. Under the re-financing the Company acceded to the Facility Agreement as obligor and granted security by way of a fixed charge over the shares of the Company and all related distribution rights and a floating charge over its present and future business, undertaking and assets. The Company also agreed to advance funds to Azincourt under the Group's cash pooling arrangements for the purposes of, among other things, the repayment of principal, interest or other amounts under the Facility Agreement, or the payment of any other costs or expenses incurred by Azincourt directly or indirectly in connection with its acquisition of the Group. The Company also entered into a floating charge over all its present and future rights, title and interest to the cash pooling account and all amounts credited to it in its favour.

(c) On 27 September 2006, the Company together with several other Group companies, entered into a Letter of Credit Facility for £50 million with The Royal Bank of Scotland plc, allowing it to have performance bonds and letters of credit issued on its behalf necessary for the business of the Company. At 31 December 2013 bonds and letters of credit to the value of £0.1million (2012: £0.1million) were in issue in respect of the Company under this facility.

(d) 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 totalling £103.8million (2012: £100.8million). The value of the bonds issued in the Company's name for this financial provisioning requirement at 31 December 2013 was £6.7million (2012: £6.5million). However, the Company is an indemnifying party to the other Group bonds and as such has contingent liabilities for environmental provisions in respect of other members of the Group.

(e) On 22 January 2014, the Company was a party to the refinancing of Azincourt and its subsidiary companies. As explained above, Azincourt was the company used by Fomento de Construcciones y Contratas, S.A. for the acquisition of the Group and its subsidiary undertakings including the Company. Under the re-financing, the Company has granted legal mortgages (or the relevant Scottish equivalent) over specified real property and fixed charges over certain assets. The Company has granted floating charges over all present and future undertakings not already charged pursuant to any of the above.

## 19. Pension contributions

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

The contributions made by the Company under the scheme during the year amounted to £17,000 (2012: £16,000).

Unpaid contributions at the year end were nil (2012: nil).

# Notes to the financial statements
# Year ended 31 December 2013

## 20. Operating lease commitments

At 31 December, the Company had annual commitments under non-cancellable operating leases as follows:

| | Land and buildings | | Plant and machinery | |
|---|---|---|---|---|
| | **2013** | 2012 | **2013** | 2012 |
| | **£'000** | £'000 | **£'000** | £'000 |
| Which expire: | | | | |
| Within one year | **4** | 28 | **3** | - |
| In two to five years | **-** | 1 | **20** | 4 |
| | **4** | 29 | **23** | 4 |

## 21. 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.

The Company has taken advantage of the exemption conferred by FRS 8 from disclosing details of those transactions with other wholly owned subsidiaries of FCC.

## 22. Ultimate parent company

The immediate parent of the Company is FCC Environment (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 Esther Koplowitz Romero de Juseu to be the ultimate 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 accounts 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 accounts 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 the Company Secretary, Ground Floor West, 900 Pavilion Drive, Northampton Business Park, Northampton, NN4 7RG.