

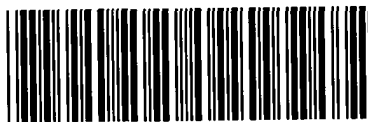
**Company Registration No. 02674169**

**WasteNotts (Reclamation) Limited**

**Annual report and financial statements**

**for the year ended 31 December 2016**

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# **WasteNotts (Reclamation) Limited**

## **Annual report and financial statements 2016**

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# **WasteNotts (Reclamation) Limited**

## **Annual report and financial statements 2016**

### **Officers and professional advisers**

#### **Directors**

P Taylor  
V F Orts-Llopis

#### **Company Secretary**

C Nunn

#### **Registered Office**

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

#### **Auditor**

Deloitte LLP  
Statutory Auditor  
2 New Street Square  
London  
EC4A 3BZ  
United Kingdom

# WasteNotts (Reclamation) Limited

## Strategic report

The Directors present their strategic report on the affairs of WasteNotts (Reclamation) Limited (“the Company”) for the year ended 31 December 2016.

### Overview of Group

The Company is an indirect 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, America, Africa and the Middle East. FCC’s principal activities cover Environmental Services (including water and waste management), Construction, Cement and Infrastructure.

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 its 40 fellow 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 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 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 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 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.

### Principal activities

The principal activity of the Company during the year ended 31 December 2016 was waste disposal by incineration and the provision of steam for district heating and power generation.

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 65 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 2016, the Group received, treated, recycled and disposed of 8.6million (2015: 8.4million) tonnes of household, commercial and industrial waste and managed around 200 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 division of FCC E UK:-

- Green Energy – which manages EfW plants at Eastcroft in Nottingham (producing steam for the UK’s largest district heating scheme), at Allington in Kent and North Hykeham in Lincolnshire (producing electricity for export). Green Energy is also involved in the planning for, or the construction of, a number of new EfW facilities in the UK following contract awards from Local Authorities.

# WasteNotts (Reclamation) Limited

## Strategic report

### Business review

The Directors consider that the Company's business performance remained satisfactory during 2016.

### Results, dividends and key performance indicators

The results for the year ended 31 December 2016 are set out on page 10. The profit (2015: profit) for the financial year ended 31 December 2016 amounted to £3.8million (2015: £3.6million). The Company did not pay an interim dividend during the year (2015: £nil) and furthermore, the Directors do not recommend the payment of a final dividend (2015: £nil). The profit (2015: profit) for the financial year has been transferred to (2015: transferred to) reserves, resulting in a corresponding increase (2015: increase) in total equity.

For the year ended 31 December 2016, turnover from continuing activities decreased by 5.2% to £12.0million (2015: £12.6million). This reflects a decrease in tonnages and turnover from the operating activity at the Eastcroft EfW facility during the year.

Operating profit in 2016 was £3.4million (2015: £3.9million). The result reflects the decrease in turnover shown above.

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.

### Future developments

The waste industry continues to be under a rapidly changing and complex environment, due to the prevailing budgetary conditions of the municipal sector and the need to satisfy growing demand for more sophisticated services. 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 of Group.

### Principal risks and uncertainties

Operating in the UK's highly regulated waste management market presents 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:

- **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 Director'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.

# WasteNotts (Reclamation) Limited

## Strategic report

### Principal risks and uncertainties (continued)

- **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. The Group is working on the development of a new business continuity plan under the control of FCC E UK's Integrated Management System ("IMS") 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 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.

# **WasteNotts (Reclamation) Limited**

## **Strategic report**

### **Principal risks and uncertainties (continued)**

#### **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 credit and liquidity risk.

#### **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.

#### **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 the accounting policies in the financial statements.

Approved by the Board and signed on its behalf by:



**C Nunn**  
Company Secretary  
} August 2017

# **WasteNotts (Reclamation) Limited**

## **Directors' report**

The Directors present their annual report and the audited financial statements of the Company for the year ended 31 December 2016.

### **Directors**

The following individuals served as Directors of the Company during the year ended 31 December 2016 and up to the date of this report:

P Taylor  
V F Orts-Llopis

### **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 2.

### **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 like to thank all employees for their hard work, dedication and loyalty during the 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 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 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.

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.

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.



# WasteNotts (Reclamation) 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 applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 "Reduced Disclosure Framework" (FRS 101).

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 United Kingdom Accounting Standards, including FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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:



**C Nunn**  
Company Secretary

1 August 2017

# **WasteNotts (Reclamation) Limited**

## **Independent auditor's report to the members of WasteNotts (Reclamation) Limited**

We have audited the financial statements of WasteNotts (Reclamation) Limited for the year ended 31 December 2016 which comprise of the statement of comprehensive income, the balance sheet, the statement of changes in equity and the related notes 1 to 19. 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), including Financial Reporting Standard 101 "Reduced Disclosure Framework".

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 the 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 implications for 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 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Opinion 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 Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and Directors' Report have been prepared in accordance with applicable legal requirements.

In 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 and the Directors' Report.

## **WasteNotts (Reclamation) Limited**

### **Independent auditor's report to the members of WasteNotts (Reclamation) Limited**

#### **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 (Senior Statutory Auditor)  
for and on behalf of Deloitte LLP  
Statutory Auditor  
London, United Kingdom

7th August 2017

## WasteNotts (Reclamation) Limited

### Statement of comprehensive income For the year ended 31 December 2016

|   | Notes | 2016<br>£'000 | 2015<br>£'000 |
|---|-------|---------------|---------------|
| Turnover  | 4     | 11,972        | 12,629        |
| Cost of sales   |       | (8,005)       | (7,692)       |
| <b>Gross profit</b>   |       | <b>3,967</b>  | <b>4,937</b>  |
| Administrative expenses   |       | (612)         | (1,030)       |
| <b>Operating profit and profit on ordinary activities before taxation</b> | 5     | <b>3,355</b>  | <b>3,907</b>  |
| Tax on profit on ordinary activities                                      | 8     | 429           | (340)         |
| <b>Profit for the financial year</b>                                      |       | <b>3,784</b>  | <b>3,567</b>  |
| Other comprehensive result for the year, net of tax                       |       | -             | -             |
| <b>Total comprehensive income for the year</b>                            |       | <b>3,784</b>  | <b>3,567</b>  |

All results in the year ended 31 December 2016 relate to continuing operations.

The notes on pages 13 to 22 are an integral part of these financial statements.

## WasteNotts (Reclamation) Limited

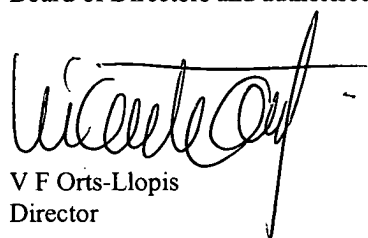
### Balance sheet

As at 31 December 2016

|   | Note | 2016<br>£'000  | 2015<br>£'000  |
|---|------|----------------|----------------|
| <b>Fixed assets</b>                                     |      |                |                |
| Tangible assets   | 9    | <u>26,748</u>  | <u>24,896</u>  |
| <b>Current assets</b>                                   |      |                |                |
| Debtors: amounts due within one year                    | 10   | 32,388         | 29,145         |
| Creditors: amounts falling due within one year          | 11   | <u>(3,688)</u> | <u>(3,629)</u> |
| <b>Net current assets</b>                               |      | <u>28,700</u>  | <u>25,516</u>  |
| <b>Total assets less current liabilities</b>            |      | <u>55,448</u>  | <u>50,412</u>  |
| Creditors: amounts falling due after more than one year | 12   | (20,868)       | (19,187)       |
| Provisions for liabilities                              | 13   | <u>(1,274)</u> | <u>(1,703)</u> |
| <b>Net assets</b>                                       |      | <u>33,306</u>  | <u>29,522</u>  |
| <b>Capital and reserves</b>                             |      |                |                |
| Called-up share capital                                 | 14   | 6,296          | 6,296          |
| Profit and loss account                                 |      | <u>27,010</u>  | <u>23,226</u>  |
| <b>Total equity</b>                                     |      | <u>33,306</u>  | <u>29,522</u>  |

The notes on pages 13 to 22 are an integral part of these financial statements.

The financial statements of WasteNotts (Reclamation) Limited, registered number 02674169 were approved by the Board of Directors and authorised for issue on 1 August 2017. They were signed on its behalf by:



V F Orts-Llopis  
Director

## WasteNotts (Reclamation) Limited

### Statement of changes in equity For the year ended 31 December 2016

|                                    | <b>Called-up<br/>share<br/>capital<br/>£'000</b> | <b>Profit<br/>and loss<br/>account<br/>£'000</b> | <b>Total<br/>£'000</b> |
|------------------------------------|--|--|------------------------|
| <b>Year ended 31 December 2016</b> |  |  |                        |
| At 1 January 2016                  | 6,296  | 23,226   | 29,522                 |
| Profit for the year                | -  | 3,784  | 3,784                  |
| Other comprehensive result         | -  | -  | -                      |
| <b>At 31 December 2016</b>         | <b>6,296</b>                                     | <b>27,010</b>                                    | <b>33,306</b>          |
| <b>Year ended 31 December 2015</b> |  |  |                        |
| At 1 January 2015                  | 6,296  | 19,659   | 25,955                 |
| Profit for the year                | -  | 3,567  | 3,567                  |
| Other comprehensive result         | -  | -  | -                      |
| <b>At 31 December 2015</b>         | <b>6,296</b>                                     | <b>23,226</b>                                    | <b>29,522</b>          |

# WasteNotts (Reclamation) Limited

## Notes to the financial statements For the year ended 31 December 2016

### 1. Corporate information

WasteNotts (Reclamation) Limited is a company incorporated in the United Kingdom under the Companies Act. 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 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 WasteNotts (Reclamation) 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*

# WasteNotts (Reclamation) Limited

## Notes to the financial statements For the year ended 31 December 2016

### 2. Accounting policies (continued)

#### Amendments to IFRSs that are mandatorily effective for the current year

In the current year, the Company has applied a number of amendments to IFRSs issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2016. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

- Annual Improvements to IFRSs 2012 - 2014 Cycle

#### New international accounting standards and interpretations not yet adopted

At the date of authorisation of these financial statements, the following new or amended IFRS accounting standards and interpretations, which have not yet been adopted by the Company, were in issue but not yet effective (and in some cases had not yet been adopted by the EU):

- IAS 12 (amendment) – Income taxes; Recognition of deferred tax assets for unrealised losses
- IAS 7 (amendment) – Cashflow statements; Disclosure initiative
- IFRS 9 – Financial instruments
- IFRS 15 – Revenue from Contracts with Customers
- IFRS 16 – Leases

#### Going concern

The Directors, having assessed the responses of their enquiries to the indirect parent company, FCC E UK, have reviewed projected cash flows and carefully considered the risks to the Company's trading performance and cash flows, and continue to adopt the going concern basis in preparing the Annual report and financial statements.

#### Tangible fixed assets

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment. Depreciation is provided on all tangible fixed assets, other than freehold land, at rates calculated to write off the cost, 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 |
| Plant and machinery | - over 3 to 20 years  |

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.



# **WasteNotts (Reclamation) Limited**

## **Notes to the financial statements For the year ended 31 December 2016**

### **2. Accounting policies (continued)**

#### **Taxation**

Turnover, 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.

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.

#### **Turnover**

Turnover, 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. 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 fair value of the consideration received or receivable. 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.

# **WasteNotts (Reclamation) Limited**

## **Notes to the financial statements For the year ended 31 December 2016**

### **2. Accounting policies (continued)**

#### **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.

#### **Operating leases**

Rentals under operating leases are charged on a straight-line basis over the lease term, except where another more systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. 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, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

### **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.

There are no areas of significant judgement or specific estimates or assumptions relevant to the Company.

### **4. Turnover**

All turnover was generated in the United Kingdom principally from waste disposal by incineration and the provision of steam for district heating and power generation.

# WasteNotts (Reclamation) Limited

## Notes to the financial statements For the year ended 31 December 2016

### 5. Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging:

|   | 2016<br>£'000 | 2015<br>£'000 |
|---|---------------|---------------|
| Depreciation of tangible fixed assets – owned | 2,938         | 2,411         |
| Operating lease rentals – land and buildings  | 51            | 47            |
| Operating lease rentals – plant and machinery | 10            | 4             |

Auditor's remuneration in respect of audit fees totalling £5,000 (2015: £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.

### 6. Staff costs

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

|             | 2016<br>Number | 2015<br>Number |
|-------------|----------------|----------------|
| Operational | 5              | 4              |

Their aggregate remuneration comprised:

|                                   | 2016<br>£'000 | 2015<br>£'000 |
|-----------------------------------|---------------|---------------|
| Wages and salaries                | 153           | 141           |
| Social security costs             | 17            | 10            |
| Other pension costs (see note 16) | 11            | 14            |
|                                   | 181           | 165           |

### 7. Directors' remuneration and transactions

None of the Directors received any remuneration or other benefits through the Company during the year ended 31 December 2016 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.

# WasteNotts (Reclamation) Limited

## Notes to the financial statements For the year ended 31 December 2016

### 8. Tax on profit on ordinary activities

The tax (credit)/charge comprises:

|  | 2016<br>£'000 | 2015<br>£'000 |
|--|---------------|---------------|
| <b>Current tax</b>   |               |               |
| United Kingdom corporation tax at 20.00% (2015: 20.25%) based on profit for the year | -             | -             |
| <b>Total current tax</b>   | -             | -             |
| <b>Deferred tax</b>  |               |               |
| Origination and reversal of timing differences                                       | (429)         | 340           |
| <b>Total deferred tax (see note 13)</b>  | (429)         | 340           |
| <b>Tax on profit on ordinary activities</b>  | <b>(429)</b>  | <b>340</b>    |

Finance Act 2016, which was substantively enacted 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. Accordingly, deferred tax balances have been revalued to the lower rate of 17% in these accounts which has resulted in a charge to the profit and loss account of £nil and a credit to reserves of £nil. To the extent that the deferred tax reverses before 1 April 2020 then the impact on the net deferred tax asset will be increased.

The total tax (credit)/charge for both the current and previous year differs from the average standard rate of 20.00% (2015: 20.25%) for the reasons set out in the following reconciliation:

|   | 2016<br>£'000 | 2015<br>£'000 |
|---|---------------|---------------|
| <b>Profit on ordinary activities before tax</b>               | <b>3,355</b>  | <b>3,907</b>  |
| Tax on profit on ordinary activities at average standard rate | 671           | 791           |
| Effects of:   |               |               |
| Expenses not deductible for tax                               | (411)         | 310           |
| Group relief claimed  | (689)         | (761)         |
| <b>Total tax (credit)/charge</b>                              | <b>(429)</b>  | <b>340</b>    |

# WasteNotts (Reclamation) Limited

## Notes to the financial statements For the year ended 31 December 2016

### 9. Tangible fixed assets

|                       | <b>Freehold<br/>buildings<br/>£'000</b> | <b>Plant and<br/>machinery<br/>£'000</b> | <b>Total<br/>£'000</b> |
|-----------------------|---|--|------------------------|
| <b>Cost</b>           |   |  |                        |
| At 1 January 2016     | 19,807                                  | 33,942                                   | 53,749                 |
| Additions             | 4,790                                   | -  | 4,790                  |
| At 31 December 2016   | 24,597                                  | 33,942                                   | 58,539                 |
| <b>Depreciation</b>   |   |  |                        |
| At 1 January 2016     | 16,051                                  | 12,802                                   | 28,853                 |
| Charge for the year   | 470                                     | 2,468                                    | 2,938                  |
| At 31 December 2016   | 16,521                                  | 15,270                                   | 31,791                 |
| <b>Net book value</b> |   |  |                        |
| At 31 December 2016   | <b>8,076</b>                            | <b>18,672</b>                            | <b>26,748</b>          |
| At 31 December 2015   | 3,756                                   | 21,140                                   | 24,896                 |

### 10. Debtors: amounts due within one year

|  | <b>2016<br/>£'000</b> | <b>2015<br/>£'000</b> |
|--|-----------------------|-----------------------|
| Trade debtors                                  | 564                   | 494                   |
| Amounts owed by fellow subsidiary undertakings | 31,766                | 28,449                |
| Prepayments                                    | 58                    | 202                   |
|  | <b>32,388</b>         | <b>29,145</b>         |

Amounts due from fellow subsidiary undertakings are unsecured, interest free and are repayable on demand.

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

|  | <b>2016<br/>£'000</b> | <b>2015<br/>£'000</b> |
|--|-----------------------|-----------------------|
| Trade creditors                                | 70                    | 29                    |
| Amounts owed to fellow subsidiary undertakings | 321                   | 321                   |
| Accruals                                       | 24                    | 450                   |
| Other creditors                                | 139                   | 139                   |
| Deferred income                                | 3,134                 | 2,690                 |
|  | <b>3,688</b>          | <b>3,629</b>          |

Amounts due to fellow subsidiary undertakings are unsecured, interest free and are repayable on demand.

# WasteNotts (Reclamation) Limited

## Notes to the financial statements For the year ended 31 December 2016

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

|                 | 2016<br>£'000 | 2015<br>£'000 |
|-----------------|---------------|---------------|
| Deferred income | <u>20,868</u> | <u>19,187</u> |

### 13. Provisions for liabilities

#### Deferred taxation

|                                     | £'000        |
|-------------------------------------|--------------|
| At 1 January 2016                   | 1,703        |
| Credited to profit and loss account | (429)        |
| At 31 December 2016                 | <u>1,274</u> |

|  | Provided<br>2016<br>£'000 | 2015<br>£'000 |
|--|---------------------------|---------------|
| Capital allowances in excess of depreciation | <u>1,274</u>              | <u>1,703</u>  |

There are no unprovided deferred tax balances in either the current or previous financial years.

### 14. Called-up share capital and reserves

|  | 2016<br>£'000 | 2015<br>£'000 |
|--|---------------|---------------|
| Allotted, called-up and fully-paid<br>6,295,500 Ordinary shares of £1 each | <u>6,296</u>  | <u>6,296</u>  |

#### Profit and loss account

Profit and loss account comprises cumulative profits or losses, including unrealised profits or losses recognised in the statement of comprehensive income and expense.

# WasteNotts (Reclamation) Limited

## Notes to the financial statements For the year ended 31 December 2016

### 15. Financial commitments

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

|   | 2016<br>£'000 | 2015<br>£'000 |
|---|---------------|---------------|
| Not later than one year                           | 53            | 65            |
| Later than one year and not later than five years | 209           | 260           |
| Later than five years                             | 2,667         | 3,377         |
|   | <u>2,929</u>  | <u>3,702</u>  |

### 16. 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 2016 was £6,000 (2015: £8,000). There were no outstanding or prepaid contributions at either the beginning or end of the financial year.

#### 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 April 2013 is equivalent to 21% of pensionable member salaries per month. In addition, FCC E UK has agreed with the scheme trustee to pay an additional annual contribution of £900,000 until 2024 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 2016 the deficit on the FCC E UK section of the Citrus scheme, calculated on an IAS 19 basis, was £2,283,000 (2015: £2,737,000). 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:

|  | 2016<br>£'000 | 2015<br>£'000 |
|--|---------------|---------------|
| Defined contribution schemes                         | 6             | 8             |
| Citrus defined benefit multi-employer pension scheme | 5             | 6             |
|  | <u>11</u>     | <u>14</u>     |

# **WasteNotts (Reclamation) Limited**

## **Notes to the financial statements For the year ended 31 December 2016**

### **17. 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 22 January 2014, 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 Group has granted legal mortgages (or the relevant Scottish equivalent) over specified real property, fixed charges over certain assets, fixed charges or share pledges over investments in addition to assigning certain of its insurance policies and interests in hedging arrangements. The Group has granted floating charges over all present and future undertakings not already charged pursuant to any of the above. Additionally, the Group has granted fixed and floating charges over certain assets as security under an Asset Backed Lending Facility.

### **18. 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.

### **19. Controlling party**

The immediate parent of the Company is FCC Recycling (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 the Company Secretary, Ground Floor West, 900 Pavilion Drive, Northampton Business Park, Northampton, NN4 7RG.