Registered number: 02692681

VEOLIA ES BIRMINGHAM LIMITED

STRATEGIC REPORT, DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

VEOLIA ES BIRMINGHAM LIMITED

COMPANY INFORMATION

DIRECTORS	Estelle Karine Brachlianoff David Andrew Gerrard Celia Rosalind Gough Gavin Howard Graveson Robert Charles Hunt Donald John Fraser Macphail
COMPANY SECRETARY	James Thomas Condliffe
REGISTERED NUMBER	02692681
REGISTERED OFFICE	Tyseley Energy Recovery Facility James Road Tyseley Birmingham B11 2BA
INDEPENDENT AUDITOR	Ernst & Young LLP No. 1 Colmore Square Birmingham B4 6HQ

VEOLIA ES BIRMINGHAM LIMITED

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STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2017

INTRODUCTION

The Directors present the Strategic report for the year ended 31 December 2017.

The principal activity of Veolia ES Birmingham Limited ("the Company") is the provision of contract management services for Birmingham City Council ("BCC") and other organisations with respect to waste management and disposal. The Company's main contract is a 25 year agreement with BCC, which commenced on 17 January 1994, to dispose of household waste. The Company disposes of the majority of waste in an Energy Recovery Facility ("ERF"), generating electricity as a by-product.

The Company is registered and domiciled in the United Kingdom.

The Company is part of the Veolia Group, ("The Group") which is defined as all companies under the control of the ultimate parent company, Veolia Environnement S.A., headquartered in Paris. The Company is also a member of the "UK group", a division of The Group, based in the UK and involved in the provision of waste, water and energy services, and directly or indirectly under the ownership of Veolia UK Limited ("VUK").

BUSINESS REVIEW

The Directors consider one of the key operational performance indicators for the business to be the ERF and turbo generator availability, which is the ratio of hours during the year in which they are operating, compared to the total possible hours. Turbo generator availability was adversely affected at the start of the year due to an ongoing generator stator earth fault failure from the prior year. This fault was duly rectified on 9 March 2017.

In the year, the ERF was available for 90.0% of the time and the turbo generator for 72.8% of the time *(2016: 92.2% and 30.1% respectively)*. As a result, a total of 340,744 tonnes of waste was incinerated, producing 131,330 Mwh of electricity generation *(2016: 353,514 tonnes; 61,296 Mwh)*.

The proceeds from an insurance claim were received during the year and this money was split between turnover and cost of sales. The insurance claim related to an electrical outage on the ERF that spanned the prior and current year.

Turnover for the year ended 31 December 2017 was £43,568k *(2016: £38,773k)* the increase being due largely to increased electricity export revenue and volume related disposal recharges.

There was an increase in cost of sales due to higher landfill tax charges in the year due largely to increased volumes.

The Company's performance is measured in relation to the total contribution to The Group, hence the key financial performance indicators of the Company are Group centric. The key financial performance indicators as they would appear in the management review are as follows:

	2017	*2016*
	£000	*£000*
Turnover	**43,568**	*38,773*
Adjusted EBITDA	**11,651**	*7,874*
Adjusted EBITDA as a percentage of turnover	**26.7 %**	*20.3 %*
Adjusted 'current' EBIT	**1,884**	*(978)*

The definitions below are standard for The Group and do not necessarily imply that the Company has incurred such costs in the year:

- Adjusted EBITDA excludes movements on provisions, restructuring costs and foreign exchange differences, and where appropriate, is adjusted for movements in financial assets in respect of the unwinding of the discount on the fair value and repayment of the asset in the period;
- Adjusted "current" EBIT excludes restructuring costs, foreign exchange differences and repayments on financial assets.

The Group uses these adjusted definitions for its own internal purposes as it is felt they better represent the ongoing business to management by removing non-recurring items like provisions and forex which are largely dependent on one off or external factors.

PRINCIPAL RISKS AND UNCERTAINTIES

In common with all businesses, the Company recognises certain risk factors that are both external and internal to the Company. The Directors consider the principal risks and uncertainties to which the Company is exposed are intrinsic to the business it operates and its ability to provide the service for which it is contracted.

The following highlights some of the particular risks, but is not intended to be an extensive analysis of all risks affecting the business. Some risks may be unknown to the Company and other risks, currently regarded as immaterial, could turn out to be material. All of them have a potential to impact the Company's business, revenue, profits, assets, liquidity and capital resources adversely. The Board has approved that the Company manages the majority of these risks by utilising the resources and processes developed and operated within the UK group as whole.

Contractual risk

The Company's business is predominantly contract-based; hence the business may be adversely affected by failure to perform to the level agreed within the relevant contract. There are a variety of reasons why this may occur. The UK group has a structured formal project authorisation and review procedure which aims at ensuring all legal, operational, technical and commercial risks are properly considered before the initial exchange of contracts, or significant contract alterations, with our clients.

Business continuity

The Company maintains a business continuity plan for each area of its operation, including the associated IT infrastructure, so should the unexpected happen, there is a predetermined plan in place to allow the business to recover and to continue servicing its customers with as little disruption as possible. These plans include sharing of site infrastructure within the UK group, the use of external suppliers who specialise in disaster recovery scenarios and leveraging other group relationships.

Health and safety, quality and environment

The Company remains fully committed to respecting the UK group's corporate, legal and social responsibilities for health and safety, quality and the environment. It looks to improve its systems and performance with specific year on year targets which are constantly measured.

The UK group has implemented a 3 year strategic plan to achieve an active risk culture in which its employees are actively engaged and contribute towards collective safety. This will be achieved through effective leadership, engagement and empowerment and by developing appropriate behaviours. Veolia continues to deliver the 'Think Safe, Work Safe and Home Safe' behavioural safety approach it started in 2016, with 'Think Safe' the focus for 2018. The UK group's safety objectives for 2018 include visible leadership through Director and management face to face visits; feedback to those reporting near miss, safety concerns and incidents of abuse to encourage reporting; communication of key messages through safety alerts and the 'Think Safe' campaign; and reduction in combined lost time incident and modified duty days. The focus for 2017 was around "Home Safe" but also saw the launch of the Respect @ Work training and communication programme that supports employees (and their managers) to respond to incidents of verbal and physical abuse from members of the public. This training will continue to be rolled out to the business in 2018.

The UK group and the Company have an open relationship with all regulatory bodies, including the various Environment Agency bodies across the UK. The UK group is committed to a sustainable future by protecting and conserving the natural environment, helping customers to gain value by the circular economy and closed loop thinking. By being a manufacturer of green products and energy we help our customers to meet their environmental challenges. Veolia is externally certified to ISO 9001 (Quality), ISO 14001 (Environmental) and OHSAS 18001 (Health and Safety) and has an 'in house' team of QHSE professionals with broad knowledge and experience of the field that provide the business with support on a day to day basis. The Directors therefore consider the risk associated with health and safety, quality and environment to be acceptable.

Risks relating to the price of energy, commodities and recycled raw materials

The price the Company pays for its commodities such as the supply of energy and fuel can have a significant impact on the return it gets from its business. The Company's contracts with its customers generally have indexing formulae to mitigate some of the risk around price increases, however to the extent the Company is unable to increase its prices sufficiently or if there is a significant delay in being able to do so, such increases could undermine the Company's operations by increasing costs and reducing profitability. In addition the price the Company receives for its energy and for its recycled raw materials (recyclates), paper, plastics, ferrous scrap and non-ferrous metal etc., could have a significant effect on the Company's operating results.

Financial risks

It is the Company's objective to manage its financial risks so as to minimise the adverse effects of fluctuations in the financial markets on its profits and cash flows. The Company utilises the resources of the UK group to implement risk controls and loss mitigation plans to manage exposure to these risks. The VUK Board, which certain of the Company's Directors are members of, reviews and agree policies for managing risks and they are summarised below:

- Credit risk

  The Company is exposed to counter-party risk in various areas of its operating activities and treasury activities. Credit risk therefore arises primarily on the Company's operating financial assets and operating receivables, much of which is with other undertakings of The Group. The carrying amount of trade and other receivables, and cash and cash equivalents represent the Company's maximum exposure to credit risk.

  The risk of major financial loss would occur if the Company's main customer BCC, a well-established and stable local authority client, failed to honour its obligations under the contract. The likelihood of this is considered low. The Group has allocated significant resources to a specific credit management team to minimise the credit risk in respect of its smaller, but equally well established customers.

  Given the above, the Directors consider the Company's exposure to credit risk to be acceptable

- Interest rate risk
  The Company principally lends funds to the UK Group, via VUK, at floating rates of interest, priced according to a GBP index based on London Interbank Overnight Rates ("LIBOR") or Sterling Overnight Interbank Average Rates ("SONIA").

- Liquidity risk
  The Company is party to a UK group cash pooling arrangement where each member deposits its cash excesses in a current account with VUK and may borrow money in the form of short-term advances. VUK monitors the balances of all parties to the cash pooling arrangement to ensure the facility stays in a net surplus position. Cash forecasts are undertaken regularly to ensure payment profiles can be honoured in full at the appropriate date.

- Foreign exchange risk
  The Company has limited exposure to foreign currency risk in its normal trading activities as it operates in the UK and all of its trade and most of its purchases are procured in pound sterling. At each reporting date all financial assets and financial liabilities are denominated in pound sterling.

Other risks

Following the referendum which will result in the UK leaving the European Union, Veolia will continue to develop its business in the UK and monitor the effects of the decision in line with the Group statement released in Paris on 24 June 2016: "Veolia will of course continue its journey in the UK. That means that we will continue to invest both in terms of financial and human resources to ensure we remain competitive and innovative".

Further to the agreement in principle reached by the UK government and the European Union on 8 December 2017 on the protection of rights of EU citizens in the UK and UK citizens in the European Union the UK group issued a "Brexit frequently asked questions" booklet to all employees on 9 February 2018 which stated "The global Veolia group sees the UK as a major growth area and will continue to invest in people and the business to remain competitive and innovative."

This report was approved by the board on 30 April 2018 and signed on its behalf.

David Andrew Gerrard
Director

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2017

The Directors present their report and the financial statements for the year ended 31 December 2017.

As permitted, certain information regarding the Company, including a review and analysis of the development and performance of the Company's business during the year and a description of the principal risks and uncertainties facing the Company are contained within the Strategic report.

RESULTS AND DIVIDENDS

The profit for the year, after taxation, amounted to £1,445k *(2016: loss £8k)*.

There were no dividends paid in the year under review *(2016: £nil)*.

DIRECTORS

The Directors who served during the year and the period to date were:

Estelle Karine Brachlianoff
David Andrew Gerrard
Celia Rosalind Gough
Gavin Howard Graveson
Robert Charles Hunt
Donald John Fraser Macphail

No director has, or has had, a material interest in the Company, directly or indirectly at any time during the year.

DIRECTORS' INDEMNITY

The Directors are entitled to be indemnified by the Company to the extent permitted by law in respect of losses arising out of or in connection with the execution of their powers, duties and responsibilities. Veolia Environnement S.A., the Company's ultimate parent company, maintains Directors' and Officers' liability insurance for the Directors in respect of their duties as directors. Such qualifying third party indemnity provision was in place throughout the period and remains in force as at the date of approving the Directors' report. Neither the indemnities nor the insurance provide cover in the event that the Director is proved to have acted fraudulently.

GOING CONCERN

The Company is responsible for all the operational aspects of delivering the waste processing solutions to BCC. This arrangement is subject to a 25 year contract currently due to expire in 2019. In addition to the revenue arising from this contract, the Company also receives revenues from third parties to process waste and also from electricity generation and the sale of recyclates. The Company's cost base is considered to be mainly fixed, with the major cost elements being salaries, transport and disposal of waste, plant maintenance and the servicing of debt.

The Company's balance sheet is robust with net assets of £78,152k *(2016: £76,707k)*, and at year end reported net current assets of £87,989k *(2016: £85,926k)*. The Group's forecasts and budgets for 2018 and beyond identify that the Company is expected to remain profitable and to be cash generative. These budgets and forecasts take into account future expected capital expenditure, capital repayments and available debt facilities.

The Company participates in UK group centralised treasury arrangements and so shares banking and intercompany loan arrangements with the UK parent and other fellow subsidiaries. The Directors have therefore received written confirmation from VUK that they will, if required, provide financial support to the Company for the coming year. The Directors have made enquires and have gained assurance that VUK is in a position to provide this support if needed.

GOING CONCERN (continued)

Having taken into account the above, the Company has adequate resources to meet its current operational and financial obligations, and the Directors have a reasonable expectation that this will continue for the foreseeable future. This assessment is based on the consideration of both the Company's and the UK group's budgeted cash flows and long-term forecasts, related assumptions, available debt facilities and continued UK group support. For this reason, the Directors continue to adopt the going concern basis in the statutory financial statements.

FUTURE DEVELOPMENTS

The Directors remain confident of the ability of the Company to continue to meet its customers' demands. Competition is expected to remain tough and austerity driven cost controls are expected to continue into the future. The Directors consider the Company, along with other members of the UK group, to be well placed in all aspects of the environmental and waste management industry.

FINANCIAL INSTRUMENTS

Financial instruments give rise to foreign currency, interest rate, credit, price and liquidity risk. Information on how these risks arise is set out in the Strategic report.

Due to the use of facilities from The Group, denominated in pound sterling, the Company has minimal exposure to external loans and overdrafts and has limited exposure to foreign exchange as all of its trade and most of its expenses are incurred in pound sterling. Other financial assets and liabilities, such as trade debtors and trade creditors, arise directly from the Company's operating activities.

The Company's borrowings and loans are all denominated in pound sterling and therefore the Company has no foreign currency exposure on its financing. The Company's borrowings are tied to LIBOR and/or SONIA with interest rates being reset each quarter. The Directors consider that LIBOR and SONIA rates will continue to be stable for the foreseeable future with only small increases due in this period.

It is, and has been throughout the period under review, the Company's policy that no trading in speculative derivative financial instruments shall be undertaken.

EMPLOYEE INVOLVEMENT

During the year the Company, via the UK group, continued to provide employees with relevant information and to seek their views on matters of common concern through their representatives and through line managers. Priority is given to ensuring that employees are aware of all significant matters affecting the trading position of the business and of any significant organisational changes.

During the year, the policy of providing employees with information about the UK group, has been continued through the use of the intranet and newsletters in which employees have also been encouraged to present their suggestions and views. Regular meetings are held between local management and employees to allow a free flow of information and ideas.

DISABLED EMPLOYEES

The UK group gives full consideration to applications for employment from disabled persons where the candidate's particular aptitudes and abilities are consistent with adequately meeting the requirements of the job. Opportunities are available to disabled employees for training, career development and promotion.

Where existing employees become disabled, it is the UK group's policy to provide continuing employment wherever practicable in the same or an alternative position and to provide appropriate training to achieve this aim.

DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2017

DISCLOSURE OF INFORMATION TO AUDITORS

Each of the persons who are Directors at the time when this Directors' report is approved has confirmed that:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- the Director has taken all the steps that ought to have been taken as a Director in order to be aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

POST BALANCE SHEET EVENTS

There have been no significant events affecting the Company since the year end.

AUDITORS

Under section 487(2) of the Companies Act 2006, Ernst & Young LLP will be deemed to have been reappointed as auditors 28 days after these financial statements were sent to members or 28 days after the latest date prescribed for filing the accounts with the registrar, whichever is earlier.

This report was approved by the board on 30 April 2018 and signed on its behalf.

David Andrew Gerrard
Director

DIRECTORS' RESPONSIBILITIES STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2017

The Directors are responsible for preparing the Strategic report, the Directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. 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 for the Company's financial statements and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 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.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF VEOLIA ES BIRMINGHAM LIMITED

Opinion

We have audited the financial statements of Veolia ES Birmingham Limited for the year ended 31 December 2017, which comprise the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and the related notes 1 to 23, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).
In our opinion the financial statements:

- give a true and fair view of the Company's affairs as at 31 December 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an Auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information included in the annual report set out on pages 1 to 7, other than the financial statements and our Auditor's report thereon. The Directors are responsible for the other information.

Our opinion on the financial statements does not cover the information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

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

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report and the Directors' report.

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

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

Responsibilities of directors

As explained more fully in the Directors' responsibilities statement on page 8, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an Auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our Auditor's report.

Ernst & Young LLP

Helen Hemming (Senior statutory auditor)

for and on behalf of
Ernst & Young LLP (Statutory Auditor)

Birmingham

30 April 2018

VEOLIA ES BIRMINGHAM LIMITED

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	2017 £000	2016 £000
Turnover	4	43,568	38,773
Cost of sales		(38,102)	(35,999)
Gross profit		5,466	2,774
Administrative expenses		(3,582)	(3,752)
Operating profit/(loss)	5	1,884	(978)
Interest receivable	8	2,329	3,193
Interest payable and similar charges	9	(352)	(377)
Other finance income	10	-	109
Profit before tax		3,861	1,947
Tax on profit	11	(2,416)	(1,955)
Profit/(loss) for the financial year		1,445	(8)
Other comprehensive income		-	-
Total comprehensive income for the year		1,445	(8)

VEOLIA ES BIRMINGHAM LIMITED
REGISTERED NUMBER: 02692681

BALANCE SHEET
AS AT 31 DECEMBER 2017

	Note		2017 £000		*2016 £000*
Fixed assets					
Tangible assets	13		**3,291**		*3,993*
			3,291		*3,993*
Current assets					
Stocks	14	**321**		*485*	
Debtors: amounts falling due after more than one year	15	**-**		*9,439*	
Debtors: amounts falling due within one year	15	**104,875**		*92,278*	
Cash at bank and in hand		**43**		*8*	
		105,239		*102,210*	
Creditors: amounts falling due within one year	17	**(17,250)**		*(16,284)*	
Net current assets			**87,989**		*85,926*
Total assets less current liabilities			**91,280**		*89,919*
Creditors: amounts falling due after more than one year	18		**(13,121)**		*(13,121)*
			78,159		*76,798*
Provisions for liabilities					
Deferred taxation	12	**(7)**		*(91)*	
			(7)		*(91)*
Net assets			**78,152**		*76,707*
Capital and reserves					
Called up share capital	19		**5,100**		*5,100*
Profit and loss account			**73,052**		*71,607*
			78,152		*76,707*

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 30 April 2018.

David Andrew Gerrard
Director

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2017

	Called up share capital	Profit and loss account	Total equity
	£000	£000	£000
At 1 January 2016	**5,100**	**71,615**	**76,715**
Comprehensive income for the year			
Loss for the year	-	(8)	(8)
At 1 January 2017	**5,100**	**71,607**	**76,707**
Comprehensive income for the year			
Profit for the year	-	1,445	1,445
At 31 December 2017	**5,100**	**73,052**	**78,152**

The notes on pages 14 to 28 from part of these financial statements.

1. GENERAL INFORMATION

Veolia ES Birmingham Limited is a private company limited by shares, incorporated in England and Wales.

2. ACCOUNTING POLICIES

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

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

The Company is consolidated in the consolidated financial statements of its ultimate parent company and controlling entity, Veolia Environnement S.A. (incorporated in France). Copies of the consolidated financial statements for Veolia Environnement S.A. are available from the registered office at 21 rue La Boétie, 75008 Paris, France.

The principal accounting policies applied are detailed below:

2.2 FRS 102 reduced disclosure exemptions

The consolidated financial statements of Veolia Environnement S.A, are prepared in accordance with IFRS and are publicly available, and may be obtained from the address above.

The following disclosures have not been provided as permitted by FRS 102:

- The rights and any restrictions of share capital as required by Section 4 Statement of Financial Position paragraph 4.12(a)(iv);
- A cash flow statement and related notes as required by Section 7 Statement of Cash Flows and Section 3 Financial Statement Presentation paragraph 3.17 (d).

As the consolidated financial statements of Veolia Environnement S.A. include the equivalent disclosures, the Company has also taken the exemptions under FRS 102 available in respect of the following:

- The requirements of Section 11 Financial Instruments paragraphs 11.39 to 11.48A and Section 12 paragraphs 12.26 to 12.29 regarding disclosures in respect of financial instruments and fair value;
- The requirement of Section 33 Related Party Disclosures paragraph 33.7, to disclose key management personnel compensation in total;
- The requirement of Section 33 Related Party Disclosures paragraph 33.1A, to disclose trading transactions or balances with fellow wholly owned subsidiaries.

In addition per FRS 102.35.10(i), on first time adoption it was not required to apply paragraphs 34.12I to 34.16A to service concession arrangements entered into before the date of transition to this FRS. Such service concession arrangements shall continue to be accounted for using the same accounting policies being applied at the date of transition to this FRS, ("grandfathering provisions").

2. ACCOUNTING POLICIES (CONTINUED)

2.3 Accounting for service concession assets

In the course of its activities, the Company provides contract management services for waste management and disposal to a local authority in return for a remuneration based on services rendered.

These services are managed by the Company under contracts entered into at the request of public bodies which retain some control of the service provided.

Concession arrangements involve the transfer of operating rights for a limited period, under the control of the local authority, using dedicated installations upgraded and built by the Company or made available to it for a fee or nil consideration. These contracts define "public service obligations" in return for remuneration. The remuneration is based on a contracted tariff for waste for each contract year.

These contracts include price review clauses. These clauses are mainly based on cost trends, inflation, changes in tax and/or other legislation and occasionally on changes in volumes and/or the occurrence of specific events changing the profitability of the contract.

Under the grandfathering provisions allowed by FRS 102, the Company has continued to account for existing assets in the same way they were treated under previous UK GAAP. The Company therefore continues to hold both plant and equipment and a financial asset.

The financial asset is recognised in the Balance Sheet as financial asset receivable within trade debtors receivable within one year and after more than one year. Initially it was recognised at fair value and subsequently at amortised cost using the effective interest rate.

The effective interest rate is equal to the weighted average cost of capital of the Company, and as the Company is funded using group funds, the sterling weighted average cost of capital of The Group as a whole at the point the money was lent.

The resultant unwinding of the discount on the financial asset recognised within interest receivable.

2.4 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The Company does not recognise revenue where payment is received in advance. The following criteria must also be met before revenue is recognised:

- revenue from the management or handling of waste is recognised on receipt of waste at the site. Where the waste is unable to be diverted from landfill, revenue includes the associated landfill tax;
- revenue from electricity generation is recognised at the point of generation;
- revenue from the sale of recyclates is recognised at the point of dispatch;
- revenue from the haulage and disposal of waste not covered by a specific management
- contract is recognised on receipt.

2.5 Interest income

Interest receivable consists of income from cash and cash equivalents and from amounts owed by Group undertakings.

2. ACCOUNTING POLICIES (CONTINUED)

2.6 Finance costs

Finance costs are charged to the Statement of comprehensive income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

2.7 Tangible assets

Tangible fixed assets are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

At each reporting date the company assesses whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is determined which is the higher of its fair value less costs to sell and its value in use. An impairment loss is recognised where the carrying amount exceeds the recoverable amount.

The Company adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred, if the replacement part is expected to provide incremental future benefits to the Company. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to profit or loss during the period in which they are incurred.

Interest on loans taken out specifically for plant under construction may be capitalised during the period of construction and included in the cost of tangible assets.

Assets in the course of construction are not depreciated during the construction phase. On completion all assets will be transferred into the appropriate asset category and will be depreciated per the stated accounting policy.

Land is not depreciated. Depreciation on other assets is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

The estimated useful lives range as follows:

Land and buildings	- over the remaining life of the contract
Plant and equipment	- up to the life of the contract
Vehicles and other transport equipment	- 3 to 11 years

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Statement of comprehensive income.

2.8 Stocks

The Company holds a stock of maintenance materials and consumable items which are valued at the lower of cost and net realisable value. Cost is determined on a first in first out basis and includes transport and handling costs.

2. ACCOUNTING POLICIES (CONTINUED)

2.9 Financial instruments

Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

The Company only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Statement of comprehensive income.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

Financial assets and liabilities are offset and the net amount reported in the Balance sheet when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Financial liabilities and equity are classified according to the substance of the financial instrument's contractual obligations, rather than the financial instrument's legal form.

2. ACCOUNTING POLICIES (CONTINUED)

2.9 Financial instruments (continued)

Interest bearing loans and borrowings

Obligations for loans and borrowings are recognised when the Group becomes party to the related contracts and are measured initially at the fair value of consideration received less directly attributable transaction costs.

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

Gains and losses arising on the repurchase, settlement or otherwise cancellation of liabilities are recognised respectively in finance revenue and finance cost.

Derecognition of financial liabilities

A liability is derecognised when the contract that gives rise to it is settled, sold, cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such as an exchange or modification is treated as a derecognition of the original liability, such that the difference in the respective carrying amounts together with any costs or fees incurred are recognised in profit or loss.

2.10 Holiday pay accrual

A liability is recognised to the extent of any unused holiday pay entitlement which is accrued at the Balance sheet date and carried forward to future periods. This is measured at the undiscounted salary cost of the future holiday entitlement so accrued at the Balance sheet date.

2.11 Operating leases: the Company as lessee

Rentals paid under operating leases are charged to the Statement of comprehensive income on a straight line basis over the lease term.

2.12 Foreign currency translation

Functional and presentation currency

The Company's functional and presentational currency is Pound Sterling.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

2. ACCOUNTING POLICIES (CONTINUED)

2.13 Pension plans and other post-employment benefits

The UK group offers a pension scheme to every member of staff, and operates both defined contribution and defined benefit schemes. The majority of the Company's employees belong to defined contribution plans, where the group pays an agreed contribution to a separate entity, relieving it of any liability for future payments. The assets of the scheme are invested and managed independently of the finances of The Group. These obligations are expensed in the Statement of comprehensive income when due.

The Company participates in a UK group defined benefit pension scheme, the Municipal Division of the Veolia UK Pension Plan ("the scheme"), which is funded, with the assets of the scheme held separately from those of the Company, in separate trustee administered funds.

The rate at which the Company contributes to the scheme is affected by the surplus/deficit in the scheme; however, the Company has no contractual agreement to share in the underlying assets or the liabilities and the UK group has no policy on apportioning such costs or benefits.

The contributions are agreed between the principal employer of the scheme and the scheme trustees based on the results of tri annual valuation, and are certified by the scheme actuaries. The last formal actuarial valuation of the scheme was carried out as at 31 December 2016 and this valuation has been rolled forward on a projected unit basis to 31 December 2017. The valuation of the scheme as a whole on that basis resulted in a deficit of £11,909k.

Although there is no contractual obligation to do so, a rate has then been calculated based on all the employees with an interest in the scheme each year and a charge has been made through the payroll based on the employees with an interest in the scheme working for the Company during the year. Therefore, in accordance with FRS102 28.38, the scheme is accounted for as if it were a defined contribution scheme.

The latest information relating to the scheme is detailed in the financial statements of Veolia ES (UK) Limited.

2.14 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Statement of comprehensive income, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the Company operates and generates income.

Deferred tax balances are recognised in respect of all temporary differences that have originated but not reversed by the Balance sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax assets and liabilities are not discounted.

3. JUDGMENTS IN APPLYING ACCOUNTING POLICIES AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of the financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be appropriate under the circumstances, the results of which form the basis of making judgments about carrying values of assets and liabilities that are not readily apparent from other sources. 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.

Management have not made any material estimates or assumptions that may result in a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

4. TURNOVER

An analysis of turnover by class of business is as follows:

	2017 £000	2016 £000
Sales of electricity and recyclates	**14,414**	*10,609*
Rendering of services	**29,154**	*28,164*
	43,568	*38,773*

All turnover arose within the United Kingdom.

5. OPERATING PROFIT/(LOSS)

The operating profit is stated after charging/(crediting):

	2017 £000	2016 £000
Depreciation of tangible assets	**1,259**	*1,198*
Profit on disposal of fixed assets	**(1)**	*(11)*
Auditors' remuneration for audit of the financial statements (the Company)	**55**	*50*
Cost of stocks recognised as an expense	**533**	*845*
Impairments in stock	**176**	*154*
Operating leases - plant and equipment	**845**	*304*
Operating leases - land and buildings	**973**	*969*

6. STAFF COSTS

Staff costs were as follows:

	2017 £000	*2016 £000*
Wages and salaries	**6,969**	*6,723*
Social security costs	**744**	*702*
Cost of defined benefit scheme	**447**	*449*
	8,160	*7,874*

As with many groups of our size, employees are often contractually employed by other companies within the UK group. The majority of UK group employees are contractually employed by Veolia ES (UK) Limited. The above reflects the allocation of staff and attributable cost recharged via the UK payroll system which is regularly updated to reflect which company the employee provides services to, irrespective of their contract of employment.

The average monthly number of employees, including the Directors, during the year was as follows:

	2017 No.	*2016 No.*
Incineration and maintenance	**69**	*64*
Transport	**125**	*125*
Administration	**6**	*6*
	200	*195*

7. DIRECTORS' REMUNERATION

The Directors are paid by, and perform services for, other companies within The Group alongside their services to this Company. Whilst not being paid by the Company, in 2017, the Directors' costs have been apportioned to the principle companies they serve within the UK group. Had the Directors' costs been recharged to all the companies those Directors serve, the Company would have incurred £82k *(2016: £72k)* of Directors emoluments, including £ 5k *(2016: £ 6k)* of pension contributions.

8. INTEREST RECEIVABLE

	2017 £000	*2016 £000*
Interest on financial asset receivable	**1,978**	*2,822*
Interest receivable from Group fellow subsidiaries	**351**	*371*
	2,329	*3,193*

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

9. INTEREST PAYABLE AND SIMILAR CHARGES

	2017 £000	*2016* *£000*
Interest payable to Group fellow subsidiaries	**352**	*377*

10. OTHER FINANCE INCOME

	2017 £000	*2016* *£000*
Expense on unwinding of the fair value of loans	-	*109*

11. TAXATION

	2017 £000	*2016* *£000*
CORPORATION TAX		
Current tax on profit for the year	**2,502**	*2,032*
Adjustments in respect of previous periods	**(2)**	-
TOTAL CURRENT TAX	**2,500**	*2,032*
DEFERRED TAX		
Deferred tax - current year	**(87)**	*(75)*
Origination and reversal of timing differences - prior year adjustment	**4**	-
Changes to tax rates	**(1)**	*(2)*
TOTAL DEFERRED TAX	**(84)**	*(77)*
TAXATION ON PROFIT ON ORDINARY ACTIVITIES	**2,416**	*1,955*

11. TAXATION (CONTINUED)

FACTORS AFFECTING TAX CHARGE FOR THE YEAR

The tax assessed for the year is higher than *(2016 - higher than)* the standard rate of corporation tax in the UK of 19.25% *(2016 - 20%)*. The differences are explained below:

	2017 £000	*2016* *£000*
Profit on ordinary activities before tax	**3,861**	*1,947*
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.25% (2016 - 20%)	**743**	*389*
EFFECTS OF:		
Adjustments to tax charge in respect of prior periods - current tax	**(2)**	-
Adjustments to tax charge in respect of prior periods - deferred tax	**4**	-
Concession receipt taxed on cash basis	**1,638**	*1,533*
Non-taxable fair value loan adjustment	**-**	*(22)*
Effect of future changes to deferred tax rate	**(1)**	*(2)*
Other permanent differences	**33**	*33*
Impact of change in tax rate	**1**	*1*
Transfer pricing adjustments	**-**	*23*
TOTAL TAX CHARGE FOR THE YEAR	**2,416**	*1,955*

FACTORS THAT MAY AFFECT FUTURE TAX CHARGES

Deferred tax assets and liabilities have been stated at the corporation tax rate of 17.5% *(2016: 19%)*, reflecting the reduction in the UK Corporation tax rate which takes effect from 1 April 2020 which was enacted on 15 September 2016. This is on the basis that it is anticipated that the Company's deferred tax assets and liabilities will materially unwind after 1 April 2020.

12. DEFERRED TAXATION

	Accelerated capital allowances £000
At 1 January 2017	**91**
Credit to income statement	**(84)**
At 31 December 2017	**7**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

13. TANGIBLE FIXED ASSETS

	Land and buildings £000	Plant and equipment £000	Vehicles and other transport equipment £000	Total £000
COST OR VALUATION				
At 1 January 2017	8,871	4,145	3,336	16,352
Additions	31	83	462	576
Disposals	-	(7)	(157)	(164)
At 31 December 2017	8,902	4,221	3,641	16,764
DEPRECIATION				
At 1 January 2017	7,259	3,376	1,724	12,359
Charge for the year on owned assets	589	262	408	1,259
Disposals	-	-	(145)	(145)
At 31 December 2017	7,848	3,638	1,987	13,473
NET BOOK VALUE				
At 31 December 2017	1,054	583	1,654	3,291
At 31 December 2016	*1,612*	*769*	*1,612*	*3,993*

The net book value of land and buildings may be further analysed as follows:

	2017 £000	*2016 £000*
Freehold	391	*391*
Short leasehold	663	*1,221*
	1,054	*1,612*

14. STOCKS

	2017 £000	*2016 £000*
Raw materials and consumables	321	*485*

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

15. DEBTORS

	Note	2017 £000	*2016* *£000*
DEBTORS: amounts falling due after more than one year			
Long-term financial asset receivable on concession assets	16	**-**	*9,439*

	Note	2017 £000	*2016* *£000*
DEBTORS: amounts falling due within one year			
Financial asset receivable on concession assets	16	**9,439**	*8,509*
Trade debtors		**7,835**	*12,773*
Amounts owed by Group fellow subsidiaries		**5,331**	*758*
Short-term loans to Group fellow subsidiaries		**81,632**	*69,810*
Other debtors		**10**	*-*
Prepayments and accrued income		**628**	*428*
		104,875	*92,278*

16. MOVEMENTS IN FINANCIAL ASSET RECEIVABLE

	2017 £000	*2016* *£000*
Opening fair value	**17,948**	*25,613*
Unwinding of discount on fair value	**1,978**	*2,822*
Repayment	**(10,487)**	*(10,487)*
	9,439	*17,948*

	2017 £000	*2016* *£000*
Due after more than one year	**-**	*9,439*
Due within one year	**9,439**	*8,509*
	9,439	*17,948*

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

17. CREDITORS: amounts falling due within one year

		2017 £000	*2016* *£000*
Trade creditors		**879**	*2,632*
Amounts owed to parent company		**-**	*206*
Amounts owed to Group fellow subsidiaries		**3,440**	*3,911*
Short-term loans from Group fellow subsidiaries	21	**22**	*19*
Corporation tax		**4,532**	*3,159*
Other taxation and social security		**708**	*758*
Other creditors		**5,824**	*5,015*
Accruals and deferred income		**1,845**	*584*
		17,250	*16,284*

18. CREDITORS: amounts falling due after more than one year

		2017 £000	*2016* *£000*
Long-term loans from Group fellow subsidiaries	21	**13,121**	*13,121*

19. SHARE CAPITAL

	2017 £	*2016* *£*
Shares classified as equity		
Allotted, called up and fully paid		
5,100,098 ordinary shares of £1 each	**5,100,098**	*5,100,098*
1 foundation share of £1	**1**	*1*
	5,100,099	*5,100,099*

20. COMMITMENTS UNDER OPERATING LEASES

At 31 December 2017 the Company had future minimum lease payments under non-cancellable operating leases as follows:

	2017 £000	*2016 £000*
Land and buildings		
Not later than 1 year	**974**	*969*
Later than 1 year and not later than 5 years	**42**	*969*
	1,016	*1,938*

	2017 £000	*2016 £000*
Other operating leases		
Not later than 1 year	**421**	*333*
Later than 1 year and not later than 5 years	**276**	*389*
	697	*722*

21. RELATED PARTY TRANSACTIONS

During the year the Company entered into transactions, in the ordinary course of business, with related parties. The Company has taken advantage of the exemption under section 33.1A of FRS 102 not to disclose transactions or balances with fellow wholly owned subsidiaries, with the exception of long-term loans and loans which have been discounted.

Transactions entered into with other related parties and loan balances are as follows:

	2017 £000	*2016 £000*
Purchases of goods and services		
Group joint ventures	**-**	*6*

21. RELATED PARTY TRANSACTIONS (continued)

LOANS OWED TO RELATED PARTIES

	Due within one year £000	Due after one year and within five years £000	Total £000	*2016 £000*
Group companies				
Veolia UK Limited	22	13,121	13,143	*13,140*
	22	13,121	13,143	*13,140*

Veolia UK Limited loan totalling £13,143 *(2016: £13,140k)*, including accrued interest of £22k *(2016: £19k)*, bears interest at a variable rate based on 3 month LIBOR plus 2% and a utilisation fee of 0.35% Interest is repaid in quarterly instalments. The loan will be repaid in full by September 2020.

22. POST BALANCE SHEET EVENTS

There have been no post balance sheet events impacting upon these financial statements.

23. IMMEDIATE PARENT AND CONTROLLING PARTY

The immediate parent company is Veolia ES Montenay Limited, a company incorporated in the UK.

The ultimate parent and controlling company is Veolia Environnement S.A., a company incorporated in France. Consolidated financial statements are prepared by Veolia Environnement S.A. Copies of the consolidated financial statements for Veolia Environnement S.A. are available from the registered office at 21 rue La Boétie, 75008 Paris, France.

Veolia Environnement S.A., is the smallest and largest group for which group financial statements, including Veolia ES Birmingham Limited, are currently prepared.