Company Registration No. 02736095

Welbeck Waste Management Limited

Report and Financial Statements

31 December 2014

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Welbeck Waste Management Limited

Report and financial statements 2014

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Welbeck Waste Management Limited

Report and financial statements 2014

Officers and professional advisers

Directors

P Taylor
V F Orts-Llopis
A Serrano Minchan

Company Secretary

C Nunn

Registered Office

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

Auditor

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

Welbeck Waste Management Limited

Strategic report

Overview of Group

Welbeck Waste Management Limited ("the Company") is a subsidiary of FCC Environment (UK) Limited ("FCC E UK") and its ultimate parent is Fomento de Construcciones y Contratas, S.A. ("FCC"). FCC is a significant multi-national business listed on the Madrid stock exchange with operations in Europe, South and Central America, Africa, the Middle East and the United States of America. FCC's principal activities cover Environmental Services (including waste management), Construction, Cement and Infrastructure.

FCC's 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 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 some regional waste strategies and, in combination with other treatment, recycling and recovery operations, backed up by landfill disposal for residues, is a strategy that represents a long-term sustainable solution for meeting the Group's clients' diversion targets.

Principal activity

The principal activity of the Company during the year ended 31 December 2014 was handling, recycling and disposal of waste materials.

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

The Group is a key player within the municipal waste management sector, with over 67 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 2014, the Group received, treated, recycled and disposed of 8.4million (2013: 8.2million) 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:

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

Strategic report (continued)

Business review

The Directors consider that the Company's business performance before exceptional items was satisfactory during 2014 albeit against a backdrop of the difficult and ongoing market conditions seen in recent years.

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

Future trends and developments

The waste industry continues to face a number of challenges in the prevailing economic climate and the Directors continue to focus the Group's strategy on leveraging value from its existing assets and ensuring that it offers best value, quality services through sustainable waste management for both the municipal and commercial sectors whilst continuing to reduce costs.

The Group will also continue to pursue its stated strategy of owning the waste, maximising the value of resource and the investment in alternative waste treatment infrastructure and energy recovery technology as set out in the Overview.

Results, dividends and key performance indicators

The results for the year ended 31 December 2014 are set out on page 11. The loss for the financial year ended 31 December 2014 amounted to £3.2million (2013: £0.2million profit) after an exceptional impairment of tangible fixed assets of £3.2million (2013: £nil). The Company did not pay an interim dividend during the year (2013: £nil) and furthermore, the Directors do not recommend the payment of a final dividend (2013: £nil). The loss (2013: profit) for the financial year has been withdrawn from (2013: transferred to) reserves, resulting in a corresponding reduction (2013: increase) in total shareholder's funds in the year.

For the year ended 31 December 2014, turnover from continuing activities increased by 16.8% to £15.3million (2013: £13.1million). This reflects the increase in cover/inert waste deposited at Welbeck landfill during the year offset by a reduction in the price per tonne of the waste deposited.

Operating losses in 2014 were £3,178,000 (2013: £309,000 profit). The operating result before exceptional items was £10,000 profit (2013: £309,000 profit). The adjusted result reflects the trends highlighted above together with the impact of landfill provision reviews and depreciation reported in note 3.

The Company's overall results have been impacted by the exceptional impairment of certain tangible fixed assets during the year amounting to £3.2million. This reflects the continued divergence of tonnages away from landfill, offset by growth from the Company's recycling and treatment facilities.

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

Principal risks and uncertainties

Operating in the UK's highly regulated waste management market presents numerous risks and uncertainties to the Group. 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.

Strategic report (continued)

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 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.

Strategic report (continued)

Principal risks and uncertainties (continued)

- **Technology:** The Group relies on a variety of information technology platforms for the efficient delivery of its services and has therefore employed a structured IT support team, using internal and external resources. In addition, as there are a wide variety of technologies available to the waste management industry, there is a risk that the technologies employed by the Group might fail to deliver expected performance levels or end products for its customers and so the Group has made a significant investment into establishing a dedicated technical and development team. This team review and assess the available technologies before any are adopted to ensure they will meet the needs of the business and those of its customers.

Financial risk management

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

Liquidity and credit risk

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

Going concern

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

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



C Nunn
Company Secretary
9 June 2015

Welbeck Waste Management Limited

Directors' report

The Directors of Welbeck Waste Management Limited present their annual report and audited financial statements for the year ended 31 December 2014.

Directors

The following individuals served as Directors of the Company during the year ended 31 December 2014 and up to the date of this report:

P Taylor
V F Orts-Llopis
A Serrano Minchan

Directors' indemnities

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

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 Directors are dedicated to maintaining the highest standards of honesty, openness and accountability and recognise that employees have an important part to play in achieving this goal. All employees are encouraged to report any concerns they may have over wrongdoing at work via the Group's internal reporting system. In addition, FCC E UK has engaged an independent confidential reporting (whistleblowing) service that employees can access should they feel uncomfortable in approaching management. Following implementation of the UK's Bribery Act, the Group has provided training to all employees regarding the procedures and practices in place within our business to prevent bribery and has issued an Anti-Fraud and Bribery Policy to which all employees must adhere.

Training continues to be a high priority for FCC E UK and it recognises that it is vital that its employees have the relevant skills to take up the new and exciting roles that are being created as the industry, and therefore the business, evolves.

The Directors recognise the importance of communication with employees and members of the executive management team regularly visit sites and discuss matters of current interest and concern to the business with staff. In addition, the executive management regularly report on the Group's successes and performance to the entire Group via a monthly brief delivered by local management and announcements on the Group Intranet. An in-house magazine is also published on a regular basis.

Disclosure of information to the auditor

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

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006 (the "Act").

Directors' report (continued)

Auditor

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

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



C Nunn
Company Secretary
9 June 2015

Directors' responsibilities statement

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

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

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

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

Independent auditor's report to the members of Welbeck Waste Management Limited

We have audited the financial statements of Welbeck Waste Management Limited for the year ended 31 December 2014, which comprise of the profit and loss account, the balance sheet 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).

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

Respective responsibilities of directors and auditor

As explained more fully in the Directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the 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 2014 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on matters prescribed by the Companies Act 2006

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

Independent auditor's report to the members of Welbeck Waste Management 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
Chartered Accountants and Statutory Auditor
London, United Kingdom

17th June 2015

Welbeck Waste Management Limited

Profit and loss account
Year ended 31 December 2014

	Notes	2014 £'000	2013 £'000
Turnover	2	**15,297**	13,100
Cost of sales (including in 2014 an exceptional impairment of tangible fixed assets of £3,188,000)		**(18,130)**	(12,529)
Gross (loss)/profit		**(2,833)**	571
Administrative expenses		**(345)**	(262)
Operating (loss)/profit		**(3,178)**	309
Interest payable and similar charges	5	**(48)**	(61)
(Loss)/profit on ordinary activities before taxation	3	**(3,226)**	248
Tax on (loss)/profit on ordinary activities	6	**-**	-
(Loss)/profit for the financial year	13	**(3,226)**	248

All results in the year ended 31 December 2014 relate to continuing operations.

There are no recognised gains and losses in either the financial year ended 31 December 2014 or the previous financial year other than as stated in the profit and loss account. Therefore, no separate statement of total recognised gains and losses has been presented.

Welbeck Waste Management Limited

Balance sheet
As at 31 December 2014

	Notes	2014 £'000	2013 £'000
Fixed assets			
Tangible assets	7	-	2,453
Current assets			
Debtors: amounts due within one year	8	**19,500**	19,321
Debtors: amounts due after more than one year	9	**318**	318
Total debtors		**19,818**	19,639
Creditors: amounts falling due within one year	10	**(14,666)**	(13,963)
Net current assets		**5,152**	5,676
Total assets less current liabilities		**5,152**	8,129
Provisions for liabilities	11	**(2,379)**	(2,130)
Net assets		**2,773**	5,999
Capital and reserves			
Called-up share capital	12	-	-
Profit and loss account	13	**2,773**	5,999
Shareholder's funds	14	**2,773**	5,999

The financial statements of Welbeck Waste Management Limited, registered number 02736095 were approved by the Board of Directors and authorised for issue on 9 June 2015.

Signed on behalf of the Board of Directors

V F Orts-Llopis
Director

Notes to the financial statements
Year ended 31 December 2014

1. Accounting policies

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

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

Accounting convention

The financial statements are prepared under the historical cost convention.

Going concern

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

Cash flow exemption

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

Tangible fixed assets

Tangible fixed assets are stated at cost. Depreciation is provided on tangible fixed assets in use at rates calculated to write off the cost less residual value of each asset as follows:

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

No depreciation is provided for on freehold land.

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

Decommissioning and aftercare costs

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

All long-term provisions for decommissioning and aftercare costs are calculated based on the NPV of estimated future costs. Current cost estimates are inflated at 2.5 per cent and discounted at 5 per cent to calculate the NPV. The effects of the unwinding of the discount element on existing provisions are reflected as a financial item.

Notes to the financial statements
Year ended 31 December 2014

1. **Accounting policies (continued)**

Turnover

Turnover is stated net of value added tax and trade discounts. Turnover from the supply of services represents the value of services provided under contracts to the extent that there is a right to consideration and is recorded at the value of the consideration due. Turnover is recognised in respect of waste disposal services when the waste has been received and disposed of. Where payments are received from customers in advance of services provided, the amounts are recorded as deferred income and included as part of creditors due within one year.

Leases

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

Post-retirement 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 FRS 17 'Retirement Benefits', 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 period.

The Group 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.

Taxation

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

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

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

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

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

Notes to the financial statements
Year ended 31 December 2014

2. Turnover

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

3. (Loss)/Profit on ordinary activities before taxation

	2014 £'000	2013 £'000
(Loss)/Profit on ordinary activities before taxation is stated after charging/(crediting):		
Increase/(decrease) in environmental provisions on revision of estimate of future costs (included within provisions charge)	**193**	(420)
Depreciation – owned assets	**234**	336
Impairment of landfill assets	**3,188**	-
Operating lease rentals – land and buildings	**331**	926
Operating lease rentals – plant and machinery	**946**	267

Auditor's remuneration in respect of audit fees totalling £4,000 (2013: £4,000) has been met by FCC Recycling (UK) Limited, a fellow subsidiary undertaking of FCC E UK.

The directors have recorded an exceptional impairment charge of £3,188,000 (2013: £nil). Further details are set out in note 7.

4. Information regarding Directors and employees

None of the Directors received any remuneration or other benefits through the Company during the year ended 31 December 2014 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.

	2014 £'000	2013 £'000
Wages and salaries	**232**	215
Social security costs	**24**	22
Pension costs	**8**	5
	264	242
	No.	No.
The average number of employees (excluding Directors) during the year was:	**7**	7

Notes to the financial statements
Year ended 31 December 2014

5. Interest payable and similar charges

	2014 £'000	2013 £'000
Unwinding of discount (note 11)	**48**	61

6. Tax on (loss)/profit on ordinary activities

	2014 £'000	2013 £'000
UK corporation tax		
United Kingdom corporation tax at 21.5% (2013: 23.25%) based on (loss)/profit for the year	-	-
Total current tax	-	-
Deferred tax		
Timing differences, origination and reversal	-	-
Tax on (loss)/profit on ordinary activities	-	-

The total current tax position for both the current and previous year differs from the average standard rate of 21.5% (2013: 23.25%) for the reasons set out in the following reconciliation:

	2014 £'000	2013 £'000
(Loss)/profit on ordinary activities before taxation	**(4,226)**	248
Tax on (loss)/ profit on ordinary activities at average standard rate	**(909)**	58
Factors affecting charge:		
Group relief surrendered/(claimed)	**231**	(21)
Depreciation in excess of capital allowances	**733**	51
Utilisation of general provisions	**(28)**	(6)
Site preparation relief	**(27)**	(82)
Total current tax	-	-

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

Notes to the financial statements
Year ended 31 December 2014

7. Tangible fixed assets

	Landfill sites £'000	Land and buildings £'000	Plant and machinery £'000	Motor vehicles £'000	Total £'000
Cost					
At 1 January 2014	25,078	2,972	327	8	28,385
Additions	964	-	5	-	969
Transfers between group companies/reclassifications	-	-	-	-	-
At 31 December 2014	26,042	2,972	332	8	29,354
Depreciation					
At 1 January 2014	22,799	2,798	327	8	25,932
Charge for the year	213	21	-	-	234
Impairment charge	3,030	153	5	-	3,188
At 31 December 2014	26,042	2,972	332	8	29,354
Net book value					
At 31 December 2014	-	-	-	-	-
At 31 December 2013	2,279	174	-	-	2,453

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

Management estimate discount rates that reflect current market assessments of the time value of money and the risk specific to the CGUs of 6.8% (2013: 6.3%).

An impairment loss of £3,188,000 (2013: £nil) has been recognised in the year on assets primarily in the landfill sites category. This reflects the earlier than expected closure of the Company's landfill assets which is a result of a significant and sustained decline in the quantity and quality of active waste landfilled in the UK and the move towards recycling and recovery. This has been measured by reference to the value in use of the underlying assets.

Notes to the financial statements
Year ended 31 December 2014

8. Debtors: amounts due within one year

	2014 £'000	2013 £'000
Trade debtors	**117**	482
Amounts due from fellow subsidiary undertakings	**10,068**	10,068
Prepayments	**9,315**	8,771
	19,500	19,321

9. Debtors: amounts due after more than one year

	2014 £'000	2013 £'000
Amounts prepaid to fellow subsidiary undertaking	**318**	318

10. Creditors: amounts falling due within one year

	2014 £'000	2013 £'000
Trade creditors	**103**	84
Amounts owed to fellow subsidiary undertakings	**14,261**	13,811
Accruals	**302**	68
	14,666	13,963

11. Provisions for liabilities

	Other provisions £'000	Decomm-issioning £'000	Landfill aftercare £'000	Total £'000
At 1 January 2014	1,239	319	572	2,130
Charged/(credited) in profit and loss account	(6)	(38)	395	351
New provisions (capitalised in tangible fixed assets)	(33)	-	-	(33)
Unwinding of discount (note 5)	-	17	31	48
Expenditure in the year	(117)	-	-	(117)
At 31 December 2014	**1,083**	**298**	**998**	**2,379**

Notes to the financial statements
Year ended 31 December 2014

11. Provisions for liabilities (continued)

The Group provides for the estimated cost of decommissioning its landfill sites at the end of their operational life and for their subsequent aftercare. The aftercare period is generally expected to be 60 years and expenditure will be incurred throughout this 60 year period. These provisions are discounted at a rate of 5% from the date on which the expenditure is expected to occur. These provisions by their nature require a significant degree of estimation and hence there is a degree of uncertainty with regards to the timing and amount of outflows of economic benefit.

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

Deferred taxation

	Unprovided	
	2014	2013
	£'000	£'000
Depreciation in excess of capital allowances	**(151)**	(152)
Short term timing differences	**(213)**	(246)
	(364)	(398)

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

12. Called-up share capital

	2014	2013
	£	£
Authorised, Called-up, allotted and fully paid		
19 'A' ordinary shares of £0.01 each	**-**	-
81 'B' ordinary shares of £0.01 each	**1**	1
102 'C' ordinary shares of £1 each	**102**	102
	103	103

The various rights attaching to the different classifications of shares are as follows:

Voting rights

The 'A' ordinary and 'B' ordinary shares carry 100% of the voting rights including the right to appoint Directors. There are no voting rights attached to the 'C' ordinary shares in any circumstances.

Rights to receive distributions

Neither the 'A' nor 'B' ordinary shares confer the right to receive any dividend or any other distribution from the Company. These shares are therefore classified as non-equity shares. The 'C' shares confer all rights to receive dividends and other distributions and are therefore classified as equity shares.

Notes to the financial statements
Year ended 31 December 2014

12. Called-up share capital (continued)

Rights in the event of a winding up

In the event of a winding up of the Company, the 'A' and 'B' shareholders have priority over the other shareholders up to the nominal amounts paid up on their shares. The 'C' shareholders are then entitled to receive an amount equal to their proportion of the nominal amounts paid up from the remaining assets of the Company.

13. Reserves

	Profit and loss account £'000
At 1 January 2014	5,999
Loss for the financial year	(3,226)
At 31 December 2014	**2,773**

14. Reconciliation of movements in shareholder's funds

	2014 £'000	2013 £'000
(Loss)/Profit for the financial year	(3,226)	248
Opening shareholder's funds	5,999	5,751
Closing shareholder's funds	**2,773**	5,999

15. Pension contributions

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.

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 period 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 2012 indicated that the scheme was 70% funded based upon the minimum funding requirement basis. At 31 December 2014 the deficit on the FCC E UK section of the Citrus scheme, calculated on an FRS 17 basis, was £4,179,000 (2013: £2,119,000). There were no outstanding or prepaid contributions at either the beginning or end of the financial year.

Notes to the financial statements
Year ended 31 December 2014

15. Pension contributions (continued)

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

	2014 £'000	2013 £'000
Citrus defined benefit multi-employer pension scheme	5	5
Defined contribution scheme	3	-
	8	5

16. 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.

(c) The Group must comply with the Environment Agency's financial provisioning requirements for its landfill sites in England and Wales, which is satisfied by providing financial security bonds. The total value of the bonds issued for this financial provisioning requirement at 31 December 2014 was £101.0million (2013: £103.8million) of which £1.9million (2013: £1.9million) related to the Company.

17. Operating lease commitments

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

	Land and buildings	
	2014 £'000	2013 £'000
Which expire:		
In two to five years	2,036	2,036

Notes to the financial statements
Year ended 31 December 2014

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.

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

19. Ultimate parent company

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

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