Company Registration No. 02902416

FCC Environment (UK) Limited

Annual Report and Financial Statements

31 December 2021

FCC Environment (UK) Limited

Annual Report and Financial Statements 2021

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FCC Environment (UK) Limited

Annual report and financial statements 2021

Officers and professional advisers

Directors

P Taylor (Chief Executive)
V F Orts-Llopis
M A Martinez Parra
P Colio Abril

Registered Office

3 Sidings Court
White Rose Way
Doncaster
DN4 5NU

Auditor

Ernst & Young LLP
Statutory Auditor
1 Bridgewater Place
Water Lane
Leeds
LS11 5QR
United Kingdom

FCC Environment (UK) Limited

Strategic report

Overview

The ultimate parent company of FCC Environment (UK) Limited ("the Company" or "Parent Company") is Fomento de Construcciones y Contratas, S.A. ("FCC"). FCC is a significant multi-national business listed on the Madrid stock exchange with operations in Europe, America, Africa, and the Middle East. FCC is among the top global players that deliver Environmental Services (including water and waste management), and has implemented a balanced business model, combining other activities such as Construction, Cement and Real Estate.

FCC's financial capacity and depth of experience in the European waste infrastructure sector is backed by over 100 years of experience in operating municipal services contracts. This complements both the position of the Company and 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. The Group is ideally placed to take advantage of local opportunities to provide the services and infrastructure required by the UK, to meet existing legislative framework and emerging proposals to promote circular economy infrastructure, by recognising the true value of the materials we handle. The Board continues to look forward to the opportunities that are presented to the Group and its employees by virtue of FCC's plans to expand and embed its operations in the UK.

The Board's overarching strategy headline for our business is "From Waste to Resource", which comprises four key components;

- Own the Waste
- Maximise the value of resources
- Produce renewable energy
- Provide 360 degree solutions

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

Commentary on the Group's results is set out in both the Business performance and Business developments during the year sections.

Future trends and developments

The Directors consider that the climate agenda has become the climate crisis: public concern for the environment has never been greater, and government focus at all levels – internationally, nationally and locally – has shifted significantly. In particular, the UK has committed to Net Zero carbon emissions by 2050 (2045 in Scotland), and new laws are taking shape under the emerging Environment Bill, informed by the 2018 Resources and Waste Strategy. The waste sector works collaboratively to ensure it is making a positive contribution to national and legally binding Net Zero obligations. Within this, the Directors believe that EfW is currently a vital part of today's waste hierarchy.

To tackle the environmental issues, the UK Government has presented to Parliament an ambitious range of measures to address how we better use our precious resources. The measures include a greater than ever emphasis on reduction, reuse and recycling aimed at shaping a new direction for resources and waste management to create a "cleaner, greener and more resilient country for the next generation".

By moving material further up the waste hierarchy away from landfill, the UK waste sector has already helped to reduce greenhouse gas emissions from landfill and has also enabled the UK to improve its municipal recycling rate. Whilst this represents a step towards achieving a Net Zero UK recycling and waste industry, in line with the Government's aspirations, challenges, and indeed opportunities, remain. A balance must be struck between complementing, rather than competing with, recycling. EfW plays an important role treating waste, generating electricity and heat as well as reducing the reliance on fossil fuels.

Strategic report

Future trends and developments (continued)

At FCC Environment, we wholeheartedly support the drive to more and better resource efficiency by reducing waste at source where possible – including the prevalence of single use plastics, reusing what we can and recycling valuable commodities. EfW is currently the best available and best proven technology to recover maximum value from end-of-life waste as an alternative to landfill. In doing so, EfW is contributing to reductions in landfill emissions, while also producing electricity – with the potential for heating local communities. The Group will also continue to pursue its stated four prong strategy of owning the waste, maximising the value of resource and investment in alternative waste treatment infrastructure and energy recovery technology whilst promoting the reduction of our carbon footprint.

Business developments

Covid-19 was declared a global pandemic on 11 March 2020 by the World Health Organisation and measures taken by governments around the world including the UK to combat this public health emergency have had far reaching implications on peoples' lives, economies and businesses. As a designated 'Key Worker' and provider of essential public services, the Group showed through 2020 and 2021 that it is well placed to weather periods of uncertainty. Further details of the measures taken by the Group to mitigate the crisis are described in the principal risks and uncertainties section on page 6.

In 2020, FCC undertook an internal reorganisation of its UK Environment Division which culminated in the formation of a new EfW sub-group under Green Recovery Projects Limited ("GRP"). This consisted of grouping FCC's five EfW plants (Allington, Eastcroft, Lincoln, Millerhill at Edinburgh & Midlothian and Greatmoor in Buckinghamshire) and their related SPV companies under a single parent company to form a new platform for growth. For FCC E UK, the reorganisation saw the sale of FCC Energy Limited and FCC Environment (Lincolnshire) Limited to the new sub-group and will see FCC E UK now focus on the operation and maintenance of these five facilities whilst retaining rights for the supply of waste to these plants.

Following the re-organisation, GRP's owner, FCC Medio Ambiente Reino Unido SLU, sold a 49% stake in GRP to iCON Infrastructure.

During the year the Group consolidated its position at several locations by renewing municipal contracts including Suffolk County Council Waste Transfer, Buckinghamshire County Council HWRC and Barnsley, Doncaster and Rotherham Councils HWRC sites and Cheshire West and Chester Transfer and Treatment contracts.

Business performance

Revenue from continuing operations in 2021 was £508.5million, an increase of £56.0million over the previous financial year (2020: £452.5million). Overall landfill revenues rose by £43.6million (of which £30.5million was landfill tax) as a result of higher active rate waste volumes received. Revenues from the Recycling division also improved where treatment revenues benefitted from a recovery in recyclate commodity prices following the COVID19 driven decline in 2020 whilst there was the full year effect of new contracts in 2020, in particular the Mid & East Kent and Tonbridge & Malling HWRC contracts in Kent. Revenue from the Group's EfW waste supply contracts was improved in 2021 due to better plant availability at Allington EfW.

Operating profit from continuing operations before the effects of impairment gains and losses in 2021 was £23.1million (2020: £5.0million), an increase of £18.1million. This trading result is attributable to higher volumes of active waste in the Landfill division and the flow-through effect of recovered recyclate commodity prices and full year results from 2020 contract wins within the Recycling division. The Green Energy division was boosted by the positive effects of better waste supply revenues but this was more than offset by higher lifecycle and maintenance costs which adversely impacted the division during the year.

Strategic report

Business performance (continued)

The Group's operating profit has been impacted by further impairments of landfill assets during the year, amounting to £11.1million (2020: £4.2million). The impairment relates primarily to lower expected returns from certain of the Group's landfill assets which is a result of an overall sustained decline in both the quantity and quality of active waste landfilled in the UK and the move towards recycling and recovery. The Group has also recorded exceptional impairment reversals on certain of its landfill property, plant and equipment assets totalling £1.7million (2020: £9.6million), where trading circumstances affecting those assets have either improved or the life of the site extended compared with the assumption in earlier years.

In 2021, the Group reported finance costs from continuing operations of £12.4million (2020: £17.9million), an overall decrease of £5.5million. This mainly reflects a £4.7million decrease in unwinding of discount charges relating to provisions following a reduction in the applicable discount rate in 2020. Finance income was unchanged at £0.1m (2020: £0.1million).

2020 included profit from the discontinued operations of FCC Energy Limited and FCC Environment (Lincolnshire) Limited amounting to £9.7million in the seven months to 30 July 2020. FCC E UK made a profit on disposal of these subsidiaries of £351.8million in 2020.

At 31 December 2021 total equity stood at £517.2million (2020: £508.3million), with the increase reflecting total comprehensive income for the year of £9.3million (2020: £347.4million) less dividends paid to non-controlling interests of £0.4m (2020: £nil).

Cash and cash equivalents at 31 December 2021 were £88.4million (2020: £83.8million), an overall increase of £4.6million in the year (2020: £15.9million). The 2020 figure comprises an increase of £39.5million from continuing operations partially offset by a decrease in cash from discontinued operations of £23.6million The increase in cash from continuing operations reflects net cash inflows from operating activities of £34.9million (2020: £73.8million), net cash outflows from investing activities of £24.3million (2020: £30.5million) and net cash outflows from financing activities of £6.0million (2020: £3.7million).

Financial Key Performance Indicators ("KPIs")

The following KPIs form part of the tools used by management to monitor business performance:

	2021	2020
Continuing operations		
Revenue £million	**508.5**	452.5
EBITDA £million	**50.1**	28.7

- Revenue: the reasons for the increase in annual revenue is described in the Business performance section above.

- EBITDA – earnings (excluding exceptional items) before interest, tax, depreciation and amortisation. This is used as a management tool on a site-by-site basis as it is a measure of performance including revenues and costs, which can be directly controlled by site. EBITDA is not a recognised measure under IFRS. Because not all companies use identical calculations of EBITDA, this presentation of EBITDA may not be comparable to other similarly titled measures of other companies, or to free cash flow. This presentation does not consider certain cash requirements such as interest payments, tax payments and debt service payments. EBITDA should not be considered as an alternative to net income or loss, nor as an alternative cash flow, or as an indicator of liquidity.

  The increase in EBITDA is predominantly attributable to the operating performance described in the Business performance section above.

Strategic report

Non-financial Key Performance Indicators ("KPIs")

The Group identify a number of Alternative Performance Measures (APMs) in addition to those reported under IFRS as detailed above. The Directors believe that the presentation of the results in this way, which is not meant to be a substitute for or superior to IFRS measures, is relevant to an understanding of the Group's underlying trends, financial performance and position. These APMs are also used to enhance the comparability of information between reporting periods and the Group's divisions, by adjusting for non-recurring or uncontrollable factors, which affect IFRS measures, to aid the user in understanding the underlying performance. Our APMs and KPIs are aligned to our strategy and together form the basis of the performance measures for remuneration. Consequently, APMs are consistent with how the business performance is planned and reported internally to the Board and Operating Committees to aid their decision-making. Additionally, some of these measures are used for the purpose of setting remuneration targets.

- FCC E UK's main safety KPI is to measure Lost Time Accidents (LTA). This includes any accident, which leads to an employee being off work for more than one day, which is a common KPI in the waste industry and all industries. During 2021, FCC E UK experienced a 7% improvement in its Lost Time Accidents (41 in 2021 versus 44 in 2020) and a 5% improvement in the Lost Time Accident Frequency Rate (LTAFR) from 8.20 in 2020 to 7.75 in 2021. "All Accidents" reduced from 275 in 2020 to 233 in 2021, an improvement of 15%.
- FCC E UK's main human resource KPI in 2021 has been to continue measuring employee engagement levels. Engaged employees are more productive which in turn affects the performance of the business. During 2021 we had an engagement score of 8.1/10 (2020: 8.3/10) which put us in the top 25% of energy and utility companies. Our average eNPS (employee net promoter score) score for 2021 was 41, slightly lower than 47 in 2020. We continue to implement engagement initiatives each year as we look to continuously improve employee satisfaction.

During 2021, FCC E UK maintained BSI certification to the latest versions of four globally recognised standards: ISO 9001 (quality), ISO 14001 (environmental management), ISO 50001 (energy management), and ISO 45001 (health and safety) covering all FCC E UK sites. This enables the Group to demonstrate best practice in protecting and growing its business by ensuring and proving that it is wholly committed to occupational health and safety, environmental management, energy efficiency and quality.

In 2021 FCC E UK was successful at the International Institute of Risk and Safety Management (IIRSM) Risk Excellence Awards, FCC Environment won the Barry Holt Award for Outstanding Risk Management Practice and the Head of SHEQ won a President's Commendation.

It is always a challenge to have the courage to put our Team, our People and our Systems to the test of external respected organisations such as the International Institute of Risk and Safety Management (IIRSM) and the British Standards Institute who are both respected around the world.

These results are testimony to the dedication of all within FCC E UK and the extraordinary efforts, time and trouble that we put ourselves through to achieve such results especially through these challenging years.

Strategic report

Principal risks and uncertainties

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

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

Strategic report

Principal risks and uncertainties (continued)

- **Economic:** The Group has exposure to reduced economic activity, and in the current year has seen waste volumes reduce where lower economic output has been a factor. We have reviewed the potential impacts and consider that we have sufficient mitigations in place. The Group's strategy is focused on growing through further investment in EfW infrastructure projects.
- **Litigation:** The Group could be subject to litigation from time to time. The outcome of legal action is always uncertain and there is a risk that it may prove more costly and time consuming than expected. There is also a risk that litigation could be instigated in the future that could materially impact the Group. In some liability cases legal expenses are covered by the Group's liability insurance. This risk is mitigated through continued monitoring and employing an experienced and dedicated in-house legal team.
- **Competitive risk:** The Group operates in highly competitive markets in which competitors' service offerings may react faster to legislative and market dynamics than those of the Group. To mitigate this risk, the Group ensures that its asset, cost and capital base is regularly reviewed and flexed to meet changes in customers' demands and to maximise cash generation.
- **Employees:** The loss of key employees or the inability to hire experienced management personnel could have a materially adverse effect on the business. To manage this risk, succession planning for senior positions within the Group is undertaken. In addition, the Group has the benefit of being able to draw on wider resources from within the FCC Group.
- **Technology:** The Group relies on a variety of information technology platforms for the efficient delivery of its services and has therefore employed a structured IT support team, using internal and external resources. In addition, as there are a wide variety of technologies available to the waste management industry, there is a risk that the technologies employed by the Group might fail to deliver expected performance levels or end products for its customers and so the Group has made a significant investment into establishing a dedicated technical and development team. This team review and assess the available technologies before any are adopted to ensure they will meet the needs of the business and those of its customers.

Financial risk management objectives and policies

The Group develops and implements risk management policies and procedures that promote a robust control environment at all levels of the organisation. The Group is exposed to financial risk through its financial assets and liabilities. The key financial risk is that the proceeds from financial assets are not sufficient to fund the obligations arising from liabilities as they fall due. The most important components of financial risk are interest rate risk, currency risk, credit risk, liquidity risk, cash flow risk and price risk. Due to the nature of the Company's business and the assets and liabilities contained within the Company's balance sheet the only financial risks the Directors consider relevant to the Company are credit risk, liquidity risk and interest rate risk.

Liquidity and credit risk

The Company and Group finances its operations by a combination of cash generated from operations, bank borrowings and inter-group loans. At 31 December 2021, the Group's borrowings are denominated in sterling at fixed rates of interest.

Liquidity risk is managed by ensuring that sufficient committed loan facilities and inter-group loans exist in order to meet short-term business requirements, after taking into account cash flows from operations and the holding of cash and cash equivalents.

Strategic report

Financial risk management objectives and policies (continued)

Liquidity and credit risk (continued)

Credit risk arises from cash and cash equivalents, and deposits with banks, as well as credit exposures to customers, including outstanding receivables. The credit risk on the former is limited because the counterparties are reputable banks. Management does not expect any significant losses on receivables that have not been provided for within note 12 "Trade and other receivables (current)".

Interest rate risk

The Group's interest bearing assets include cash and cash equivalents, which earn interest at floating rates. The Group's income and operating cash flows are substantially independent of changes in market interest rates.

Full details of the financial risk management objectives and policies, and the financial instruments in place, can be found in note 21 and note 22 of the financial statements.

Corporate social responsibility

The Group has been producing publicly available annual reports on corporate social responsibility issues since 1999. The report covers subjects such as Health and Safety; environmental and carbon management; our employees; and working with the community. These are all available on the Group's website at www.fccenvironment.co.uk.

The Board is mindful of its responsibility to operate a sustainable, efficient and profitable business that adds real value to the society of which the Group is a part. FCC E UK constantly challenges itself with aspirations of the highest quality of customer service and environmental management.

Contractual arrangements

FCC E UK has contractual and other arrangements with numerous third parties in support of its business activities. None of these are considered, individually, to be critical to the business of FCC E UK.

Going concern

The Directors have a reasonable expectation that, as at the date of this report, the Company and the Group have adequate resources to continue in operational existence for the foreseeable future and that the Group's business is a going concern. Accordingly, they continue to adopt the going concern basis in preparing the financial statements. Full details of the going concern considerations can be found in note 2 of the notes to the financial statements.

Strategic report

Section 172 Statement

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

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

The Board of directors have complied with these requirements. Details of the Board's decisions in 2021 to promote long-term success, and how it engaged with stakeholders and considered their interests when making those decisions, can be found throughout this Strategic report and in the Directors' report.

Details of our strategy are set out on page 2 of the Strategic report and the Statement of Corporate Governance on page 12 of the Directors' report. The Strategic report highlights performance in the year against that strategy together with future trends and developments.

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

The Group's main stakeholders are its members and external creditors and debtors. Open, constructive dialogue with our employees and other key stakeholders is critical to inform the Board's decisions. Details of how the Group has engaged with its stakeholders are set out on pages 14-15 of the Directors' report. Whilst the Board has overall responsibility for managing relationships with all our stakeholders, the day to day relationships are mainly managed through divisional senior management teams supervised principally through monthly management meetings between the divisional senior management teams and the UK based executive directors.

Operating within the UK's highly regulated waste management market, the Board's regard to the environment as well as the health and safety of all persons entering its sites is of paramount importance. How the Group addresses environmental and health and safety risk is set out on page 6 of the Strategic report and also in the Statement of Corporate Governance on page 12.

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

V F Orts-Llopis
Director

29 June 2022

Directors' report

The Directors present their Annual report and audited financial statements for the year ended 31 December 2021.

The principal risks and uncertainties, future developments and financial risk management objectives and policies are discussed within the Strategic report.

Principal activities

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

The Group provides a diverse range of cost effective and sustainable waste processing, recycling, treatment, disposal and energy recovery services for Local Authority and private commercial customers. During 2021, the Group received, treated, recycled and disposed of 7.9million (2020: 6.7million) tonnes of household, commercial and industrial waste and managed around 160 operational waste management facilities. Through innovative solutions, the Group is committed to working with its Local Authority partners and industrial and commercial customers to respond to often complex and far-reaching waste management strategies, to meet the challenges of increased regulation from the UK and EU, and to improve upon waste management targets.

FCC E UK comprises the following business activities;

- Recycling – comprising mechanical treatment plants ("MTP"), composting and household waste recycling centre ("HWRC") operations, waste supply to the FCC Group's EfW plants as well as several limestone quarries in Yorkshire;
- Green Energy – which provides Operations and Maintenance services to EfW plants at Eastcroft in Nottingham, at Allington in Kent, North Hykeham in Lincolnshire, Greatmoor in Buckinghamshire and Millerhill in Edinburgh & Midlothian. Green Energy is also involved in the planning for, or the construction of new EfW facilities in the UK.
- Waste Processing – comprising transfer station, landfill, hazardous waste treatment (including solid and liquid wastes) and clinical waste solutions; and
- Business Waste Solutions – which has UK responsibility for the collection of commercial, industrial, and healthcare waste from the Group's business customers to support the existing and planned infrastructure of the Recycling and Waste Processing activities.

Directors

The following individuals served as Directors of the Company during the year ended 31 December 2021 and up to the date of this report:

P Taylor (Chief Executive)
V F Orts-Llopis
M A Martinez Parra
P Colio Abril

Dividends

The Directors do not recommend the payment of a final dividend (2020: £nil).

Directors' indemnities

The Company has made qualifying third party indemnity provisions for the benefit of its Directors during the year, which remain in force at the date of this report.

Directors' report

Employees

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

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

Employees' ways of working changed during 2020 with staff adapting to home working and front line staff working within the safety parameters put in place by the Group. This has enabled the Company to continue to provide its day to day services. Employees fully embraced new working patterns and to their credit made them work.

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

Training continues to be a high priority for the Group and it recognises that it is vital that its employees have the relevant skills to take up the new and exciting roles that are being created as the industry, and therefore the business, evolves. We had to make adaptations to the way we provided training with much delivery moved to online provision. We have continued to pay particular attention to succession planning in the business and developing our future leaders and bringing new talent into the business by way of apprenticeships and graduate programmes.

We believe our employee value proposition is one that makes us a go to company to work for and this is reflected in higher rates of engagement by our employees.

Charitable and Political donations

The Group has supported local environmental and social projects in areas around its landfill sites by contributing £7.8million of its landfill tax liability to Waste Recycling Environmental Limited ("WREN") and other ENTRUST registered environmental bodies as permitted by Government regulations (2020: £5.9million). In addition, employees across the Group have organised various fund raising events to support local and national charities.

No political donations were made during the year ended 31 December 2021 (2020: £nil).

Streamlined energy and carbon reporting ("SECR")

	2021	2020
Energy consumption used to calculate emissions – kWh	**72,092,997**	65,577,513*
Energy consumption - gas (kWh)	**400,696**	458,266
Energy consumption - diesel (kWh)	**26,102,606**	21,590,029*
Energy consumption - gas oil (kWh)	**44,560,990**	41,602,670
Energy consumption - petrol (kWh)	**286,929**	-
Emissions from combustion of gas tCO2e (Scope 1)	**73**	84
Emissions from combustion of fuel for transport purposes tCO2e (Scope 1)	**17,575**	15,908*
Emissions from business travel in rental cars or employee-owned vehicles where company is responsible for purchasing the fuel tCO2e (Scope 3)	**185**	487
Emissions from purchased electricity tCO2e (Scope 2)	**0**	0
Total gross (scope 1,2,&3) tCO2e	**17,834**	16,480*
Intensity ratio: Total gross / tonnes waste processed	**0.00200**	0.00206*
Methodology	GHG Protocol Corporate Standard	

*Updated as a result of a user data entry error

Directors' report

Streamlined energy and carbon reporting ("SECR") (continued)

In the period covered by the report the Company has retained its zero emissions electricity supply (backed by REGOs) and continued with the replacement of inefficient lighting with LEDs.

Electric vehicle trials have been undertaken in addition to trials involving the use of hydrotreated vegetable oil. A number of fuel-efficient vehicles have been purchased. The first to arrive on site in 2021 was the world's first high-drive electric drive dozer, the Cat® D6 XE.

The Company has also developed a net zero carbon strategy and implemented a carbon reduction target from January 2022.

Statement of Corporate Governance

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

For the year ended 31 December 2021, under The Companies (Miscellaneous Reporting) Regulations 2018, the Board has applied the Wates Corporate Governance Principles for Large Private Companies published by the Financial Reporting Council ('FRC') in December 2018 (the "Principles"). These Principles provide a framework for ensuring that the Company is well run, well managed and aligned behind a clear purpose.

FCC E UK is one of the UK's leading waste and resource management companies. Our approach is to minimise the amount of waste that ends up in landfill by transforming it into valuable resources wherever possible. We are helping shape the policy landscapes, ensuring that our people, systems and strategy remain innovative and focused on delivering excellence.

1 – Purpose and Leadership

As one of the UK's most trusted resource and waste management businesses, we are a modern progressive company and pride ourselves on innovation. FCC is uniquely placed to provide services in an ever changing waste sector. With a clear focus on releasing the full potential from the resources it collects, the business continues to focus on greater volumes of recycling and the generation of green energy in line with Government policy.

FCC has invested in a wide range of waste management facilities that aim to minimise the amount of waste disposed of at landfill sites by processing the material to ensure it reaches its full potential as a valuable energy resource.

In considering the impact of coronavirus upon our stakeholders, our principal concern was and remains, the wellbeing of our employees and the communities within which they undertake their tasks. During the period, our priority was to ensure the protection and wellbeing of our employees and communities, whilst mitigating the impact upon the essential services we provide; especially those which impact on public health. To achieve this, we maintained a programme of continuous engagement with our stakeholders through planning, re-engineering, monitoring and review activities.

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

Principle 2 – Board Composition

The Board is collectively responsible for promoting the long term success of our business. The Company has four directors, comprising of the Chief Executive Officer, Chief Financial Officer and two directors from FCC SA, our parent company, to ensure that the effectiveness and accountability of the Board fulfils the strategic needs of the Company.

The Board leads and provides direction by promoting effective decision making and supports the delivery of the Company's strategy.

Our Senior Management Team (SMT), with its extensive expertise, skills and professional backgrounds, provides the Board with leadership assurance that the activities within our various business divisions are aligned to our strategic goals.

Each division of the Company is headed up by a member of the SMT, with the expertise to allow them to independently, effectively and objectively focus on the issues specific to their division.

The Board receives monthly updates from the SMT, providing an overview of each division both in terms of performance and strategy, but also issues relating to wider stakeholder matters.

Directors' report

Statement of Corporate Governance (continued)

Principle 3 – Directors Responsibilities

The Board supports our talented workforce, and upholds our commitment to sustainability. The Board agrees, and has the collective responsibility for the strategy of the Group, which is outlined in our strategic report on page 2. The SMT team oversee the day to day responsibilities and opportunities of our exceptional workforce.

The Board has established and maintained effective corporate governance with reference to the Group's four values:

- Environmental commitment: Ensure what we do is environmentally and socially responsible
- Forward thinking: Embrace change and prepare for the future
- People focus: Value, reward and motivate our team
- Doing the right thing: Secure our future by being better at what we do
- We want our company to be shaped by the values we hold and through the people we work with, as we all work together towards the same goal. This starts with how we treat our employees, our colleagues and our customers.

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

FCC continues to put its people first when it comes to their health, safety and wellbeing. In order to measure this, we use software to run monthly engagement surveys.

Keeping ourselves, our customers and our visitors safe is at the centre of the business values and the Directors at FCC together with the SMT, never lose sight of the potential hazards that exist in the workplace. The Group's health and safety performance and awards during the year are set out in the Non-financial KPIs section on page 5.

The Code of Ethics and Conduct suite provides practical insight into the values shared across the FCC Group, and enables a more robust culture of compliance and supporting the creation of long term value for our projects.

Principle 4 – Opportunity & Risk

In 2020, FCC entered into a new investment partnership with iCON Infrastructure LLP, aimed at fast-tracking investment into our existing Energy from Waste facilities in the UK, at Allington, Eastcroft, Greatmoor, Lincoln and Millerhill, along with the potential for new low carbon energy plants. FCC and iCON will join together their expertise and resources in providing low carbon energy infrastructure to help the UK meet its net zero ambitions and contribute to a better environmental outlook.

We want to be known as a company that looks after the needs of its customers and the environment. Our focus is to build a reputation for providing sustainable solutions that helps clients meet their legislative, corporate responsibility and commercial requirements. To do this, we are placing recycling and green energy at the heart of our business, along with a strong focus on waste management solutions for our commercial, industrial and municipal customers.

Operating in the UK's highly regulated waste management market presents numerous risks and uncertainties to the Group. The principal risks and uncertainties affecting the Group are set out in detail in our Strategic Report.

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

Directors' report

Statement of Corporate Governance (continued)

Principle 5 – Remuneration

The remuneration of the FCC UK Board members is controlled by its parent company, Fomento de Construcciones y Contratas, S.A. The regulations of the Board of Directors stipulates that the remuneration of directors should be in reasonable proportion to the importance of the company, its economic situation at all times and the market standards for comparable companies. The aim of the established remuneration system is to promote the long-term profitability and sustainability of the company, and should include the necessary precautions to avoid excessive risk taking and reward for unfavourable results.

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

From April 2017, the Government introduced gender pay gap reporting for all companies with more than 250 employees. The gender pay gap shows the difference between the average hourly pay for men and women across all ages, roles and levels. The gender pay gap differs from equal pay, which is the right for men and women to be paid at the same rate of pay for work of equivalent value. Our latest gender pay gap data for 2021 slightly favoured women with a mean of 1.43% and a median of 1.6%.

Principle 6 – Stakeholders

The Board is committed to promoting accountability and transparency with all stakeholders, fostering effective stakeholder relationships and meaningful engagement. We wish to build honest and enduring relationships, and seek to work with others, who share our ethics in compliance, and our commitments to the safety and wellbeing of our employees.

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

- Over 2,500 employees (1,705 in the FCC E UK)
- 100 major contracts with a total of 60 local authorities
- 280 UK sites of which 166 are operational
- 7 PFI and PPP Contracts
- 6,000 business waste customer agreements
- 3,500 customer accounts

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

In 2021, the Group engaged with various stakeholders and below are some examples:

FCC Communities Foundation, is a not for profit business that awards grants to communities, environmental and heritage projects through the Landfill Communities Fund and the Scottish Landfill Communities Fund. Funding is donated by FCC as part of the voluntary environmental tax credit scheme to divert a small percentage of landfill tax to projects in England and Scotland.

There are two grant programmes:

- FCC Community Action Fund (CAF) – for projects in England, this programme has 4 rounds per year. Applicants can apply for funding of between £2,000 and £100,000 and the total project cost must not exceed £500,000.

  183 applicants applied for CAF funding during 2021 and 132 projects were awarded funding totalling £6,159,609.
- FCC Scottish Action Fund (SAF) – for projects based in Scotland, this programme has 2 rounds per year. Applicants can apply for funding of between £2,000 and £40,000 and the total project cost must not exceed £250,000.

  28 Applicants applied for SAF funding during 2021 and 19 projects were awarded funding totalling £524,976.

Directors' report

Statement of Corporate Governance (continued)

Principle 6 – Stakeholders (continued)

In January 2021 the Winners of the Wychavon sunflower competition were awarded £20 Amazon vouchers. The competition was run in partnership between Wychavon and FCC Environment.

Also in January FCC Environment successfully completed a best practice, Five Star Occupational Health and Safety Audit conducted by the British Safety Council demonstrating its commitment towards the continual improvement of our health and safety management systems and associated arrangements.

In February FCC Environment once again supported the National Apprenticeship week which ran from the 8th to the 14th February.

Also in February, FCC Environment trialled environmentally friendly electric vehicles across the Wychavon District. More trials are planned to better understand how electric vehicles might work across the contract. As FCC is committed to the fight against climate change, a range of alternative fuel vehicles were considered to source a cost effective, efficient solution.

In March FCC Environment supported various projects sponsoring the 'Re-use and Grow' gardening challenge, creating the opportunity for students to use critical thinking about their environment and how they could contribute to a more sustainable future for their generation and generations to come.

Also in March, FCC Environment supported the Chorley Council's Green Agenda by planting 1,000 trees along the river Yarrow. Their goal is to plant 116,000 trees in the borough by 2025, one for every Chorley resident.

In April 2021, High Heavens waste transfer station welcomed the BBC's The One Show's 'Dom Digs In'. In the show Dom got to see first hand the different stages of non-recyclable household waste went through after being collected from the kerbsides.

In May, FCC Environment celebrated International Women in Engineering Day to raise the profile of women who work in engineering, as well as highlighting the wide ranging career opportunities available to women in the waste and energy sector.

In July, FCC Environment sponsored the Child of Courage Award in the annual Luton Best Award scheme, designed to celebrate the achievements of truly remarkable individuals and organisations who make Luton a better place.

Also in July, as part of National Thank You Day, staff at High Heavens were visited by local charity Seerah and recognised for all the hard work they had done in lockdown. Gifts were delivered and a "Thank You" poster displayed for a week.

In August, Hull & East Riding residents were urged to return medical equipment that was no longer needed as part of a new NHS initiative to reuse and recycle items such as crutches and commodes. Hull & East Riding councils, along with FCC Environment, aimed to reduce the NHS carbon footprint and wherever possible, reuse items which are in short supply.

In November, FCC Environment and Buckinghamshire Council issued a thank you to their residents as over 500 tonnes worth of reusable items had been donated to the nine recycling centres across the county. The pre-loved bargains are available for sale at the two reuse shops and proceeds from the shops benefit the South Bucks Hospice at Butterfly House.

In December Wigan Council and FCC Environment wanted to help out those less fortunate, so staff at the Recycling Centres collected books and toys for good causes. They contacted Wigan Youth Zone who took delivery and put them to good use. The Wigan Armed Forces helped with cleaning the books and toys beforehand, for Covid reasons. The Wigan staff also wore Christmas jumpers and raised money for charity.

Post balance sheet events

The conflict between Russia and Ukraine is a post balance sheet event that remains ongoing at the date of approval of the financial statements. See note 23 for details of the considerations and implications on the Group.

On 30 April 2022 the Group acquired the entire share capital of a number of subsidiary companies of PFI Holdings Limited, a fellow FCC subsidiary company, along with its holdings of unsecured subordinated loan notes issued by those subsidiaries. See note 23 for further details of these transactions.

FCC Environment (UK) Limited

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 group financial statements in accordance with UK-adopted international accounting standards as applied in accordance with the provisions of the Companies Act 2006 and the parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101").

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and company and of the profit or loss of the group and company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies in accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in FRSs and in respect of the parent company, FRS 101 is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the company financial position and financial performance;
- in respect of the group financial statements, state whether UK-adopted international accounting standards as applied in accordance with the provisions of the Companies Act 2006 have been followed, subject to any material departures disclosed and explained in the financial statements; and
- in respect of the parent company financial statements, state whether applicable UK Accounting Standards, including FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

Under applicable law and regulations, the directors are also responsible for preparing a strategic report and directors' report that comply with that law and those regulations.

Disclosure of information to the auditor

The Directors who held office at the date of approval of this Directors' report confirm 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").

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

V F Orts-Llopis
Director
29 June 2022

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

Opinion

We have audited the financial statements of FCC Environment (UK) Limited ('the parent company') and its subsidiaries (the 'group') for the year ended 31 December 2021 which comprise the Consolidated income statement, the Consolidated statement of comprehensive income, the Consolidate Balance Sheet, the Consolidated statement of changes in equity, the Consolidated statement of cash flows, the Company Balance Sheet, the Company statement of changes in equity and the related notes 1 to 33, including a summary of significant accounting policies. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and UK adopted International Accounting Standards. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

In our opinion:

- the financial statements give a true and fair view of the group's and of the parent company's affairs as at 31 December 2021 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with UK adopted International Accounting Standards;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements 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. We are independent of the group 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.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group and parent company's ability to continue as a going concern for a period of twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's ability to continue as a going concern.

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

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

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

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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and 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 group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or 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 by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company 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 set out on page 16, 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 group's and the parent 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 group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are those that relate to the reporting framework including the relevant tax compliance regulations in the UK. The Company also has to comply with general data protection regulations ('GDPR'), Health & Safety at Work Act, EU Directive on the Landfill of Waste, Environmental Permitting (England and Wales) Regulations, Employment Rights Act, Landfill Tax Regulations and Environmental Regulations.
- We understood how FCC Environment (UK) Limited is complying with those frameworks by making enquiries of management to understand how the Company maintains and communicates its policies and procedures in these areas. We corroborated this by reviewing supporting documentation to validate that the Company has a process for monitoring legal requirements and has a process for reporting matters of non-compliance and taking appropriate action.
- We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur by gaining an understanding of the Company's policies and making enquiries of management and those charged with governance. We also used data analytics and obtained the entire population of journals for the year, identifying the specific transactions for further investigation based on certain risk criteria. We understood the items identified for testing and agreed them to source documentation.
- Based on this understanding we designed our audit procedures to identify noncompliance with such laws and regulations. Our procedures involved, enquiry of management and those charged with governance as to any fraud identified or suspected in the period or any actual or potential litigation or claims or breaches of significant laws or regulations applicable to the Company, auditing the risk of management override of controls through enquiry of management as well as testing of a sample of journal entries based on certain risk criteria, challenging the judgements made by management through corroborating the basis for those judgments and considering contradicting evidence and reading financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations.

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

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.

DocuSigned by:

Ernst & Young LLP

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Kate Jarman (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Leeds
30 June 2022

FCC Environment (UK) Limited

Consolidated income statement
for the year ended 31 December 2021

	Notes	2021 £'000	2020 £'000
Revenue		**508,504**	452,484
Other operating income		**-**	2,195
Staff costs		**(71,176)**	(62,389)
Other operating expenses		**(387,218)**	(363,559)
Depreciation and amortisation		**(27,041)**	(23,746)
Net impairment (losses)/gains and gains on disposal of assets		**(10,259)**	4,988
Operating profit	4	**12,810**	9,973
Finance income	4	**98**	118
Finance costs	4	**(12,366)**	(17,926)
Profit/(loss) before tax from continuing operations		**542**	(7,835)
Income tax	5	**2,697**	10
Profit/(loss) for the year from continuing operations		**3,239**	(7,825)
Discontinued operations			
Profit for the year from discontinued operations	6	**-**	9,662
Profit on disposal of discontinued operations	6	**-**	351,848
		-	361,510
		3,239	353,685
Attributable to:			
Equity holders of the parent		**3,458**	353,417
Non-controlling interests		**(219)**	268
Profit for the year		**3,239**	353,685

Consolidated statement of comprehensive income for the year ended 31 December 2021

	2021 £'000	2020 £'000
Profit for the year	**3,239**	353,685
Continuing operations		
Items that will not be reclassified subsequently to profit or loss		
Remeasurement of defined benefit pension scheme	**7,074**	(4,016)
Income tax relating to items that will not be reclassified	**(1,013)**	934
	6,061	(3,082)
Discontinued operations		
Items that may be reclassified subsequently to profit or loss		
Losses arising during the year on cash flow hedges	**-**	(3,849)
Income tax relating to items that may be reclassified	**-**	654
	-	(3,195)
Other comprehensive expense for the year, net of income tax	**6,061**	(6,277)
Total comprehensive income for the year	**9,300**	347,408
Attributable to:		
Equity holders of the parent	**9,519**	347,140
Non-controlling interests	**(219)**	268
	9,300	347,408
Total comprehensive income attributable to equity holders of the parent arises from:		
Continuing operations	**9,519**	(11,175)
Discontinued operations	**-**	358,315
	9,519	347,140

FCC Environment (UK) Limited

Consolidated balance sheet
As at 31 December 2021

	Notes	£'000	2021 £'000	Restated £'000	Restated 2020 £'000
ASSETS					
Non-current assets					
Intangible assets	7	**144,745**		146,285	
Property, plant and equipment	9	**153,823**		158,664	
Cash held in deposits	13	**1,530**		1,530	
Financial assets	11	**495,860**		504,148	
Deferred taxation	5	**16,891**		10,758	
Pension asset	10	**814**		-	
			813,663		821,385
Current assets					
Inventories		**2,841**		2,112	
Trade and other receivables	12	**114,264**		105,631	
Cash and cash equivalents	13	**88,407**		83,807	
			205,512		191,550
TOTAL ASSETS			**1,019,175**		1,012,935
EQUITY AND LIABILITIES					
Share capital	14	**146,462**		146,462	
Share premium		**313,452**		313,452	
Retained earnings		**57,371**		47,847	
Equity attributable to equity holders of the parent			**517,285**		507,761
Non-controlling interests			**(76)**		523
Total equity			**517,209**		508,284
Non-current liabilities					
Interest-bearing loans and borrowings	15	**69,512**		66,067	
Provisions	16	**215,945**		213,170	
Other payables	17	**1,500**		1,500	
Deferred taxation	5	**5,037**		878	
Pension liability	10	-		7,444	
			291,994		289,059
Current liabilities					
Interest-bearing loans and borrowings	15	**2,031**		2,622	
Trade and other payables	18	**174,483**		186,810	
Income tax payable		**1,492**		477	
Provisions	16	**31,966**		25,683	
			209,972		215,592
Total liabilities			**501,966**		504,651
TOTAL EQUITY AND LIABILITIES			**1,019,175**		1,012,935

The financial statements of FCC Environment (UK) Limited, registered number 02902416 were approved by the Board of Directors and authorised for issue 29 June 2022.

Signed on behalf of the Board of Directors

V F Orts-Llopis
Director

FCC Environment (UK) Limited

Consolidated statement of changes in equity for the year ended 31 December 2021

	Share capital £'000	Share premium £'000	Retained earnings £'000	Cash flow hedging reserve £'000	Total £'000	Non-controlling interests £'000	Total equity £'000
At 1 January 2020	146,462	313,452	(295,800)	(3,429)	160,685	191	160,876
Profit for the year	-	-	353,417	-	353,417	268	353,685
Other comprehensive expense	-	-	(3,082)	(3,195)	(6,277)	-	(6,277)
Total comprehensive income/(expense)	-	-	350,335	(3,195)	347,140	268	347,408
Non-controlling interests reclassification	-	-	(64)	-	(64)	64	-
Transfer to retained earnings on disposal of business	-	-	(6,624)	6,624	-	-	-
At 31 December 2020	146,462	313,452	47,847	-	507,761	523	508,284
Profit/(loss) for the year	-	-	3,458	-	3,458	(219)	3,239
Other comprehensive income	-	-	6,061	-	6,061	-	6,061
Total comprehensive income/(expense)	-	-	9,519	-	9,519	(219)	9,300
Dividend paid to non-controlling interests	-	-	-	-	-	(375)	(375)
Non-controlling interests reclassification	-	-	5	-	5	(5)	-
At 31 December 2021	**146,462**	**313,452**	**57,371**	**-**	**517,285**	**(76)**	**517,209**

FCC Environment (UK) Limited

Consolidated statement of cash flows
for the year ended 31 December 2021

Continuing operations unless otherwise stated	2021 £'000	2021 £'000	2020 £'000	2020 £'000
Cash flow from operating activities				
Profit/(loss) for the year	3,239		(7,825)	
Adjustments for:				
Depreciation, impairment and amortisation	37,423		18,339	
Taxation credit	(2,697)		(10)	
(Profit)/loss on sale of property, plant and equipment	(123)		419	
Finance income	(98)		(118)	
Finance expenses	2,142		2,982	
Unwinding of discount relating to provisions	10,224		14,944	
Operating cash flow before changes in working capital and provisions	50,110		28,731	
Increase in inventories	(729)		(2,062)	
Decrease in trade and other receivables	2,271		15,236	
(Decrease)/increase in trade and other payables	(11,433)		35,822	
Decrease in provisions	(5,326)		(2,097)	
Cash generated from operations	34,893		75,630	
Income tax paid/(received)	27		(1,849)	
		34,920		73,781
Cash flows from operating activities (discontinued operations)		-		12,845
Net cash flows from operating activities		34,920		86,626
Cash flows from investing activities				
Proceeds from sale of property, plant and equipment	440		720	
Interest received	98		118	
Purchase of property, plant and equipment	(24,398)		(30,028)	
Purchase of intangible assets	(463)		(1,349)	
		(24,323)		(30,539)
Cash flows from operating activities (discontinued operations)		-		(28,960)
Net cash flows used in investing activities		(24,323)		(59,499)
Cash flows from financing activities				
Proceeds from leases	-		2,479	
Payment of leases	(2,986)		(3,217)	
Payments to parent undertakings	(1,920)		(2,043)	
Interest paid	(716)		(953)	
Payments to non-controlling interests	(375)		-	
		(5,997)		(3,734)
Cash flows from operating activities (discontinued operations)		-		(7,455)
Net cash flows used in financing activities		(5,997)		(11,189)

Consolidated statement of cash flows for the year ended 31 December 2021

Continuing operations unless otherwise stated	2021 £'000	2021 £'000	2020 £'000	2020 £'000
Net increase in cash and cash equivalents (continuing operations)		**4,600**		39,508
Net decrease in cash and cash equivalents (discontinued operations)		**-**		(23,570)
Total net increase in cash and cash equivalents		**4,600**		15,938
Cash and cash equivalents at 1 January		**83,807**		67,869
Cash and cash equivalents at 31 December (Note 13)		**88,407**		83,807

Notes to the consolidated financial statements for the year ended 31 December 2021

1. Corporate information

The consolidated financial statements of the Company for the year ended 31 December 2021 were authorised for issue in accordance with a resolution of the Directors on 29 June 2022. The Company is a private company limited by shares incorporated and registered in England and Wales under the Companies Act 2006. The Company's registered address is provided on page 1.

The principal activities of the Group are described in the Directors' report.

2. Accounting policies

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

New Standards and amendments to Standards and Interpretations that became mandatory for the first time for the financial year beginning 1 January 2021 are listed below. The amendments had no material impact on the Company or Group's results.

- Amendments to IFRS 4 Insurance Contracts regarding replacement issues in the context of the IBOR reform material (mandatory for the year commencing on or after 1 January 2021).
- Amendments to IFRS 7 Financial Instruments: Disclosures regarding replacement issues in the context of the IBOR reform (mandatory for the year commencing on or after 1 January 2021).
- Amendments to IFRS 7 Financial Instruments regarding replacement issues in the context of the IBOR reform (mandatory for the year commencing on or after 1 January 2021).
- Amendment to IFRS 16 Leases to provide lessees with an exemption from assessing whether a COVID-19-related rent concession is a lease modification (mandatory for the year commencing on or after 1 June 2020).
- Amendments to IFRS 16 Leases regarding replacement issues in the context of the IBOR reform (mandatory for the year commencing on or after 1 January 2021).
- Amendments to IAS 39 Financial Instruments: Recognition and Measurement regarding replacement issues in the context of the IBOR reform (mandatory for the year commencing on or after 1 January 2021).

New international accounting standards and interpretations not yet adopted

The following adopted IFRSs (by the United Kingdom and applicable law) have been issued but have not been applied in these financial statements. At the date of the financial statements, the Group has not applied the following new and revised IFRSs that have been issued but not yet effective:

- Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards
- Amendments to IFRS 3 Business Combinations
- Amendments to IFRS 9 Financial Instruments
- Amendment to IFRS 16 Leases
- Amendments to IAS 16 Property, Plant and Equipment
- Amendments to IAS37 Provisions, Contingent Liabilities and Contingent Assets

The Directors do not expect that the adoption of the aforementioned standards and interpretations will have a material impact on the financial statements of the Company or Group in future periods.

Notes to the consolidated financial statements for the year ended 31 December 2021

2. Accounting policies (continued)

Statement of compliance

The Group financial statements have been prepared and approved by the Directors in accordance with UK adopted International Accounting Standards and applicable law. The Company has elected to prepare its Parent Company financial statements in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' ("FRS 101"); these are presented on pages 69 to 74.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these Group financial statements.

Basis of preparation

The consolidated financial statements have been prepared on a historical cost basis, except derivative financial instruments, pension assets and liabilities and available for sale assets that have been measured at fair value. The carrying values of recognised assets and liabilities that are hedged are adjusted to record changes in the fair values attributable to the risks that are being hedged. The consolidated financial statements are presented in sterling and all values are rounded to the nearest thousand (£'000) except when otherwise indicated.

Restatement of comparatives

The comparative balances for both current and non-current trade and other receivables have been restated as the expected maturity profiles of intercompany receivables was incorrect. These balances are either receivable on demand or had a maturity profile of less than twelve months from the balance sheet date but as they were not expected to be recovered within twelve months, have been restated and reported as non-current in line with IAS 1.

	As previously reported £'000	Adjustment £'000	Restated 2020 £'000
Non-current trade and other receivables (note 11)			
Amounts due from parent company	-	258,361	258,361
Amounts due from FCC group undertakings	3,107	242,680	245,787
	3,107	501,041	504,148
Current trade and other receivables (note 12)			
Amounts due from parent company	258,361	(258,361)	-
Amounts due from FCC group undertakings	273,959	(242,680)	31,279
	532,320	(501,041)	31,279

Notes to the consolidated financial statements for the year ended 31 December 2021

2. Accounting policies (continued)

Going concern

At 31 December 2021 the Group had net assets of £517.2million and net current liabilities of £4.5million.

The Group is financed by a mix of non–current inter-group loans, a £30million revolving credit facility and cash generated from operations.

The Group's non-current inter-group loans are not repayable before December 2024.

FCC E UK treasury and cash flow management is undertaken on a centralised basis for the whole Group in the UK and benefits from advisory assistance by FCC's Group central treasury function. There were no overdrawn accounts and the Group has not utilised its revolving credit facility either during 2021 or since the balance sheet date.

The £30million revolving credit facility expires in December 2023 and is expected to provide the Group with reasonable headroom.

In addition to the above, the Group has a large number of contracts with its customers and suppliers across different industries, with a very well balanced portfolio between municipal and trade customers. As a consequence, the Directors believe the Group is well placed to manage its business risks successfully.

The Directors have reviewed projected cash flows, and have carefully considered the risks to the Group's trading performance and cash flows for the forthcoming twelve month period from the date of signing of the financial statements. The Directors have also considered various forecast scenarios, including significant downturns in operating profits, and cash flow timing variations.

They have a reasonable expectation that the Company and Group have adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Critical accounting judgements and key sources of estimation uncertainty

The preparation of financial statements in conformity with adopted IFRSs requires the Group's management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Judgements made by the Directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are as follows:

- Goodwill, intangible assets and property, plant and equipment – These are reviewed annually for impairment. Goodwill and intangible assets are tested for impairment on a value in use basis using business valuations, where available, or the Directors' current estimate of the medium-term forecast. Property, plant and equipment are tested for impairment where an indication of impairment exists. To assess if any impairment exists, estimates are made of the future cash flows expected to result from the use of the asset and its eventual disposal. Actual future cash flows could vary from those estimated. Factors such as closure of facilities and declining volumes could result in shortened asset lives or impairment. Management review and update the discount rates used annually. The discount rates used may also have an impact on the estimation of future cash flows. See note 7 and note 9 for further information about CGUs, recorded impairments and judgments.
- Pension asset/liability – The Company's defined benefit obligation is discounted at a rate set by reference to market yields at the end of the reporting period on high quality corporate bonds. Significant judgement is required when setting the criteria for bonds to be included in the population from which the yield curve is derived. The most significant criteria considered for the selection of bonds include the issue size of the corporate bonds, quality of the bonds and the identification of outliers which are excluded. See note 10 for sensitivity analysis performed on the defined benefit obligations.

Notes to the consolidated financial statements for the year ended 31 December 2021

2. Accounting policies (continued)

Critical accounting judgements and key sources of estimation uncertainty (continued)

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

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

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

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

An annual inflation rate of 2.0% (2020: 2.0%) has been assumed over the period of cost relating to the provisions and the provisions have been discounted at 4.0% (2020: 4.0%). Sensitivity analysis of the possible impact of a change in the real discount rate has been included in note 16.

Basis of consolidation

The Group financial statements consolidate those of the Parent Company and its subsidiaries. The Parent Company financial statements present information about that Company in isolation as a separate entity and not about the entire Group.

The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries. The financial statements of subsidiaries are prepared under FRS 101 for the same reporting year as the Parent Company. The accounting policies of the subsidiaries are materially consistent with those of the consolidated financial statements.

All inter-company balances and transactions, including unrealised profits arising from intra-Group transactions, have been eliminated in full. Unrealised losses are eliminated unless costs cannot be recovered.

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are currently exercisable or convertible are taken into account. Subsidiaries are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group. Where there is a loss of control of a subsidiary, the consolidated financial statements include the results for the part of the reporting year during which the Company had control. Non-controlling interests represent the interests in Shelford Composting Limited and BDR Property Limited that are not held by the Group.

Notes to the consolidated financial statements for the year ended 31 December 2021

2. Accounting policies (continued)

Foreign currency translation

The functional and presentation currency of the Company and its subsidiaries is sterling (£). Transactions in foreign currencies are initially recorded in the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date (unless they are hedged, in which case the hedged rate is used). All differences are taken to the consolidated income statement. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of initial transaction. Non-monetary items measured at fair value in a foreign currency shall be translated using the exchange rates at the date when the fair value was determined.

Goodwill and other intangible assets

In respect of business acquisitions that have occurred since August 2004, goodwill represents the difference between the cost of the business combination and the fair value of the identifiable assets, liabilities and contingent liabilities. Identifiable assets are those which can be sold separately or which arose from legal rights regardless of whether those rights are separable. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill relating to acquisitions is not amortised. Goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

In respect of acquisitions prior to August 2004, goodwill is included as at 1 January 2005 on the basis of its deemed cost, which represents the amount recorded under UK Generally Accepted Accounting Practice ("UK GAAP") which was broadly comparable save that only separable intangibles were recognised and goodwill was amortised. The classification and accounting treatment of business combinations that occurred prior to August 2004 by merger accounting were not reconsidered in preparing the Group's opening IFRS balance sheet at 1 January 2005.

As at the acquisition date, any goodwill acquired is allocated to each of the cash-generating units or groups of cash-generating units expected to benefit from the combination's synergies. Impairment is determined by assessing the recoverable amount of the cash-generating unit, to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised.

Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash-generating units and then to reduce the carrying amount of the other assets in the unit on a pro rata basis. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Impairment losses in respect of goodwill are not reversed.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured on the basis of the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Intangible assets acquired separately are capitalised at cost and from a business acquisition are capitalised at fair value as at the date of acquisition. Customer lists or contracts that will generate future economic benefits represent such intangible assets that may be acquired. Following initial recognition, the cost model is applied to the class of intangible assets.

Notes to the consolidated financial statements for the year ended 31 December 2021

2. Accounting policies (continued)

Goodwill and other intangible assets (continued)

The useful lives of these intangible assets are assessed to be either finite or indefinite. Customer lists or contracts that are held as intangible assets are subject to amortisation over the expected life of the asset and software over 3 years. This expense is taken to the income statement through the administrative expenses line item on a straight-line basis over the estimated useful life of the asset.

Intangible assets, excluding development costs, created within the business are not capitalised and expenditure is charged against profits in the year in which the expenditure is incurred. Intangible assets are tested for impairment annually either individually or at the cash-generating unit level. Useful lives and residual values are also examined on an annual basis and adjustments, where applicable, are made on a prospective basis.

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash generating units).

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. Depreciation is calculated on a straight-line basis over the estimated useful life of the asset as follows:

Freehold buildings	-	over 10 to 50 years
Plant and equipment	-	over 2 to 30 years
Motor vehicles	-	over 4 years
Landfill sites	-	based on the void used in the year as a proportion of total void

No depreciation is provided for assets under the course of construction.

Leased assets are depreciated over the term of the lease.

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

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount. The recoverable amount of property, plant and equipment is the greater of net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. Impairment losses are recognised in the income statement.

An impairment loss is reversed when there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

An item of property, plant and equipment is de-recognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the income statement in the year the item is de-recognised.

2. Accounting policies (continued)

Borrowing costs

Borrowing costs are recognised as an expense when incurred in accordance with the accounting treatment under IAS 23 unless they are directly attributable to the acquisition, construction or production of qualifying assets. In this case they are capitalised as part of the cost of the qualifying asset in line with the treatment in IAS 23.

Financial assets

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

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

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

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

Cash and cash equivalents

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

Cash held in escrow accounts

Cash balances held in restricted bank accounts are excluded from the definition of cash and cash equivalents for purposes of the cash flow statement and the balance sheet.

Trade and other payables

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

Notes to the consolidated financial statements for the year ended 31 December 2021

2. Accounting policies (continued)

Interest-bearing loans and borrowings

All loans and borrowings are initially recognised at fair value, net of issue costs associated with the borrowing. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method over the life of the borrowings. Amortised cost is calculated by taking into account any issue costs, and any discount or premium on settlement.

Gains and losses are recognised in net profit or loss when the liabilities are de-recognised or impaired, as well as through the amortisation process.

Provisions

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

Decommissioning and aftercare costs

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

All long term provisions for decommissioning and aftercare costs are calculated based on the NPV of estimated future costs. Current cost estimates are inflated at 2.0% (2020: 2.0%) and discounted at 4.0% (2020: 4.0%) to calculate the NPV.

Pensions and other post-employment benefits

The Group operates a defined contribution pension scheme. The assets are held separately from those of the Group in an independently administered fund. The amount charged to the income statement represents the contributions payable to the scheme in respect of the accounting period.

Certain employees of the Group are members of the Citrus (formerly LAWDC) defined benefit pension scheme in which the Group is a participating employer, which is closed to new members. This scheme provides benefits based on final pensionable pay. The assets of the scheme are held separately from those of the Group.

The Group's net obligation in respect of defined benefit pension plans is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the fair value of any plan assets is deducted. The liability discount rate is the yield at the balance sheet date on AA credit rated bonds that have maturity dates approximating to the terms of the Group's obligations. The calculation is performed by a qualified actuary using the projected unit credit method.

Where the calculation results in a benefit to the Group, the asset is recognised where the is limited to the present value of any future refunds from the plan or reductions in future contributions to the plan.

The movement in the scheme surplus or deficit is split between operating charges, finance items and actuarial gains and losses. Actuarial gains and losses are recognised in full as income or expense within the statement of comprehensive income in the period in which they occur.

2. Accounting policies (continued)

Leases

The Group as lessee

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

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

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

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

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

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

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

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

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

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

2. Accounting policies (continued)

Leases (continued)

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

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

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

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

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

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

Revenue

Revenue represents sales of goods and services including landfill tax but excluding value added tax. Revenue is recognised when the recognition conditions within IFRS 15 have been satisfied. For waste disposal services this is when the waste has been received and disposed of. Interest income is accrued on a time basis, by reference to the principal outstanding and the effective interest payable.

The Group acts as a construction sub-contractor in connection with long-term PFI contracts with fellow FCC UK subsidiaries. Such contracts are entered into on the signing date of the related PFI. Under the terms of the contracts, the Group has an enforceable right to payment for work done. Revenue from construction is therefore recognised over time on a cost-to-cost method, i.e. based on the proportion of contract costs incurred for work performed to date relative to the estimated total contract costs. The directors consider that this input method is an appropriate measure of the progress towards complete satisfaction of these performance obligations under IFRS 15.

The Group becomes entitled to invoice for construction based on achieving a series of performance-related milestones. When a particular milestone is reached, an invoice for the related milestone payment is issued. The Group will previously have recognised a contract asset for any work performed. Any amount previously recognised as a contract asset is reclassified to trade receivables at the point at which it is invoiced to the customer. If the milestone payment exceeds the revenue recognised to date under the cost-to-cost method then the Company recognises a contract liability for the difference. There is not considered to be a significant financing component in construction contracts as the period between the recognition of revenue under the cost-to-cost method and the milestone payment is always less than one year.

2. Accounting policies (continued)

Income tax

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

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

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

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

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

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

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

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

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

Exceptional items

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

2. Accounting policies (continued)

Derivative financial instruments

The Group uses derivative financial instruments, including interest rate swaps, to hedge specific risks associated with interest rate fluctuations. Such derivative financial instruments are recognised initially at fair value.

The fair value of interest rate swaps is the estimated amount that the Group would receive or pay to terminate the instrument at the balance sheet date. The gain or loss on re-measurement is recognised in profit or loss other than where hedge accounting can be applied.

For the purpose of hedge accounting, hedges are classified as either fair value hedges when they hedge the exposure to changes in the fair value of a recognised asset or liability; or cash flow hedges where they hedge exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a forecast transaction that is highly probable.

The Group does not have any fair value hedges.

For derivatives that do not qualify for hedge accounting, any gains or losses arising from changes in fair value are taken directly to net profit or loss for the year.

Where the Group enters into financial guarantee contracts to guarantee the indebtedness of other companies within it, it considers these to be insurance arrangements, and accounts for them as such. In this respect, the Group treats the guarantee contract as a contingent liability until such time as it becomes probable that the Group will be required to make a payment under the guarantee.

Cash flow hedges

Where a derivative financial instrument is designated as a cash flow hedge, the effective part of any gain or loss on the derivative financial instrument is recognised directly in the hedging reserve. Any ineffective portion of the hedge is recognised immediately in the income statement.

If a hedge of a forecast transaction subsequently results in the recognition of a financial asset or a financial liability, the associated gains and losses that were recognised directly in equity are reclassified into profit or loss in the same period or periods during which the asset acquired or liability assumed affects profit or loss, i.e. when interest income or expense is recognised.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting. For a cash flow hedge, any cumulative gain or loss on the hedging instrument which has been recognised in equity is retained in equity until the forecast transaction occurs.

If a hedged transaction in a cash flow hedge is no longer expected to occur, the net cumulative gain or loss on the hedging instrument recognised in equity is transferred immediately to profit or loss. For a fair value hedge, where the hedged item is an interest bearing asset or liability, the related fair value adjustment is amortised to profit or loss over the period to maturity (subject to impairment or the derecognition of the related asset or liability). Where the hedged asset or liability is not interest bearing, it is retained at its adjusted amount, subject to impairment, until it is disposed of.

2. Accounting policies (continued)

Classification of financial instruments issued by the Group

Financial instruments issued by the Group are treated as equity (i.e. forming part of shareholders' funds) only to the extent that they meet the following two conditions:

- they include no contractual obligations upon the Group to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Group; and
- where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the Company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

Finance payments associated with financial liabilities are dealt with as part of finance expenses. Finance payments associated with financial instruments that are classified in equity are dividends and are recorded directly in equity.

Equity

Equity issued by the Company is recorded as the proceeds received with the nominal amount of share capital being allocated to the share capital account and any excess being allocated to the share premium account. Direct issue costs are netted off the share premium account.

3. Segment information

IFRS 8 'Operating Segments' need only be applied by entities whose debt or debt securities are publicly traded and by entities that are in the process of issuing equity or debt securities in public securities markets. The Group has elected not to apply IFRS 8 voluntarily and consequently does not present any segmental information.

During the year, the Group has operated wholly within the United Kingdom in one class of business, being waste management.

Notes to the consolidated financial statements for the year ended 31 December 2021

4. Revenue and expenses

	2021 £'000	2020 £'000
Finance costs		
Other borrowings and charges	**760**	1,176
Interest on lease liabilities	**1,078**	766
Inter-company interest payable	**1,138**	1,124
Unwinding of discount relating to provisions (note 16)	**10,223**	14,944
Foreign exchange movement	**(935)**	(169)
Net interest expense on defined benefit pension obligations	**102**	85
	12,366	17,926

	2021 £'000	2020 £'000
Finance income		
Bank interest receivable	**71**	83
Inter-company interest receivable	**27**	30
Other interest receivable	**-**	5
	98	118

	2021 £'000	2020 £'000
The following items have been included in arriving at operating profit:		
Depreciation – owned assets	**23,336**	19,602
Depreciation of right-of-use assets	**2,635**	3,382
Impairment of property, plant and equipment – owned assets	**10,908**	3,886
Impairment of property, plant and equipment – right of use assets	**197**	309
Reversal of past impairment of property, plant and equipment	**(1,656)**	(9,602)
Net (profit)/loss on sale of property, plant and equipment	**(139)**	430
Net loss/(profit) on derecognition of right-of-use assets	**16**	(11)
Amortisation of intangible assets	**1,070**	762
Impairment of intangible assets	**933**	-
Charge to trade receivables impairment provision	**235**	267
Reassessment of environmental provisions (included within provisions charge)	**1,549**	(354)

The Directors have recorded impairment charges of £11,105,000 (2020: £4,195,000), alongside reversals of previous impairments of £1,656,000 (2020: £9,602,000). Further details are set out in notes 7 and 9. Tax arising as a result of the net impairments amounts to a credit of £2,362,000 (2020: £1,027,000 debit).

	2021 £'000	2020 £'000
Auditor's remuneration		
Amounts receivable by the auditor and their associates in respect of:		
Audit of Group financial statements pursuant to legislation	**36**	75
Audit of the Company's subsidiaries pursuant to legislation	**253**	192
Total audit fees	**289**	267

During the year no non-audit fees were payable to the Company's auditor, Ernst & Young LLP, (2020: £nil, Deloitte LLP).

Notes to the consolidated financial statements for the year ended 31 December 2021

4. Revenue and expenses (continued)

	2021 £'000	2020 £'000
Employee benefits expense (including Directors)		
Wages and salaries	**59,176**	51,356
Social security costs	**5,763**	5,319
Pension costs	**4,977**	4,806
Other staff costs	**1,260**	908
	71,176	62,389

	Number	Number
The average number of persons employed by the Group during the year was:		
Operational staff	**1,462**	1,473
Administration and management	**243**	207
	1,705	1,680

	£'000	£'000
Remuneration of Directors		
Directors' emoluments	**574**	600
Pension costs	**17**	17
	591	617

The total emoluments of the highest paid Director were £360,000 (2020: £378,000) and the pension contributions made by the Group amounted to £nil (2020: £nil). Two of the Directors had benefits accruing under defined contribution schemes at the year end (2020: two). Certain Directors were remunerated by fellow subsidiary companies of FCC without recharge to the Group.

Key management compensation

Details of Directors' remuneration are set out above. Only the Directors, as key management, exercise authority and responsibility for planning, directing and controlling the activities of the Group.

Notes to the consolidated financial statements for the year ended 31 December 2021

5. Income tax

Major components of the income tax charge for the years ended 31 December 2021 and 31 December 2020 are:

	2021 £'000	2020 £'000
Current income tax charge/(credit)		
Current tax	-	-
Adjustment in respect of prior years	**290**	(133)
Current income tax charge/(credit)	**290**	(133)
Deferred tax charge		
Origination and reversal of temporary differences	**1,547**	1,381
Adjustment in respect of prior years – change in tax rate	**(3,459)**	(1,040)
Adjustment in respect of prior years - other	**(1,075)**	(218)
Deferred tax charge	**(2,987)**	123
Income tax credit	**(2,697)**	(10)

Reconciliation of effective tax rate

	2021 £'000	2020 £'000
Profit/(loss) before income tax:		
Continuing operations	**542**	(7,835)
At United Kingdom statutory income tax rate of 19% (2020: 19%)	**103**	(1,489)
Non-taxable items	**1,444**	2,870
Adjustment in respect of prior years – change in tax rate	**(3,459)**	(1,040)
Adjustment in respect of prior years - other	**(785)**	(351)
At an effective income tax rate of 497.6% (2020: 0.1%)	**(2,697)**	(10)

The March 2021 Budget announced an increase to the main rate of corporation tax to 25% from April 2023. As a result deferred tax balances as at 31 December 2021 are measured at 25% (2020: 19%).

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

Notes to the consolidated financial statements for the year ended 31 December 2021

5. Income tax (continued)

Deferred income tax at 31 December 2021 and 31 December 2020 relates to the following:

	Liabilities		Assets		Net	
	2021	2020	**2021**	2020	**2021**	2020
	£'000	£'000	**£'000**	£'000	**£'000**	£'000
Property, plant and equipment	**3,778**	878	**(6,886)**	-	**(3,108)**	878
Provisions	**1,056**	-	**(6,734)**	(9,344)	**(5,678)**	(9,344)
Retirement benefit obligations	**203**	-	**-**	(1,414)	**203**	(1,414)
Tax losses	**-**	-	**(3,271)**	-	**(3,271)**	-
	5,037	878	**(16,891)**	(10,758)	**(11,854)**	(9,880)

Movement in deferred tax during the current and previous year:

	Property, plant and equipment £'000	Provisions £'000	Hedging interest rate swap £'000	Retirement benefit obligations £'000	Tax losses £'000	Total £'000
At 1 January 2020	15,046	(7,745)	(797)	(787)	-	5,717
Charge/(credit) to income statement – continuing operations	1,415	(1,599)	-	307	-	123
Recognised in other comprehensive income – continuing operations	-	-	-	(934)	-	(934)
Charge to income statement – discontinued operations	2,023	-	-	-	-	2,023
Recognised in other comprehensive income – discontinued operations	-	-	(654)	-	-	(654)
Derecognised on disposal of subsidiary undertakings	(17,606)	-	1,451	-	-	(16,155)
At 31 December 2020	878	(9,344)	-	(1,414)	-	(9,880)
Reclassification	-	425	-	-	(425)	-
Charge/(credit) to income statement	(3,986)	3,241	-	604	(2,846)	(2,987)
Recognised in other comprehensive income	-	-	-	1,013	-	1,013
At 31 December 2021	**(3,108)**	**(5,678)**	**-**	**203**	**(3,271)**	**(11,854)**

Notes to the consolidated financial statements for the year ended 31 December 2021

5. Income tax (continued)

The following deferred tax assets were not recognised due to uncertainty over recoverability:

	2021	2020
	£'000	£'000
Trading losses	**233**	266
Non-trading losses	**850**	850
	1,083	1,116

6. Sale of subsidiary undertakings and discontinued operations

On 30 July 2020, the Company agreed to sell its FCC Energy Limited Group together with FCC Environment (Lincolnshire) Limited to FCC Medio Ambiente Reino Unido, S.L., in connection with a re-structure of FCC's UK Environment business. Analysis of the performance of the discontinued operations (including intergroup operations with FCC E UK) and the profit on disposal are as follows:

	2020
	£'000
Revenue	55,030
Staff costs	(427)
Other operating expenses	(32,378)
Depreciation and amortisation	(4,668)
Profit before interest and tax of discontinued operations	17,557
Finance income	27
Finance expense	(5,899)
Tax	(2,023)
Profit for the period from discontinued operations	9,662
Profit on disposal of subsidiary undertakings	351,848
	361,510
Other comprehensive expense	(3,195)
Total comprehensive income from discontinued operations	358,315

Cash flows from the discontinued operations

	2020
	£'000
Operating cash flows	12,845
Investing cash flows	(28,960)
Financing cash flows	(7,455)
Total cash flows	(23,570)

Notes to the consolidated financial statements for the year ended 31 December 2021

6. Sale of subsidiary undertakings and discontinued operations (continued)

	2020 £'000
Consideration	
Promissory note from FCC Medio Ambiente Reino Unido S.L.	273,660
Analysis of assets and liabilities over which control was lost:	
Non-current assets	
Property, plant & equipment	147,847
Deferred taxation	1,447
Current assets	
Trade and other receivables	30,495
Cash and cash equivalents	28,803
Non-current liabilities	
Interest bearing loans and borrowings	(227,329)
Other payables	(18,676)
Deferred taxation	(17,602)
Current liabilities	
Interest bearing loans and borrowings	(8,576)
Trade and other payables	(14,597)
Total net liabilities disposed of	(78,188)
Profit on disposal of subsidiary undertakings	351,848

Net cash outflow on disposal of subsidiary undertakings

	2020 £'000
Consideration received in cash and cash equivalents	-
Less: cash and cash equivalent balances disposed of	(28,803)
Net cash outflow on disposal of subsidiary undertakings	(28,803)

Notes to the consolidated financial statements for the year ended 31 December 2021

7. Intangible assets

31 December 2021	Goodwill £'000	Software £'000	Contract rights £'000	Total £'000
Cost				
At 1 January 2021	353,730	6,523	4,712	364,965
Additions	-	463	-	463
At 31 December 2021	353,730	6,986	4,712	365,428
Amortisation				
At 1 January 2021	211,594	2,374	4,712	218,680
Charge for the year	-	1,070	-	1,070
Impairment	-	933	-	933
At 31 December 2021	211,594	4,377	4,712	220,683
Net book value				
At 31 December 2021	**142,136**	**2,609**	-	**144,745**
At 31 December 2020	142,136	4,149	-	146,285
At 31 December 2019	142,136	3,562	-	145,698

31 December 2020	Goodwill £'000	Software £'000	Contract rights £'000	Total £'000
Cost				
At 1 January 2020	353,730	5,174	4,712	363,616
Additions	-	1,349	-	1,349
At 31 December 2020	353,730	6,523	4,712	364,965
Amortisation				
At 1 January 2020	211,594	1,612	4,712	217,918
Charge for the year	-	762	-	762
At 31 December 2020	211,594	2,374	4,712	218,680

Goodwill is tested at least annually for impairment in accordance with IAS 36 Impairment of assets. In considering whether a goodwill impairment charge is required, the carrying value of the cash-generating units ("CGUs"), or groups of CGUs, is compared with the recoverable amount of the CGUs which is determined based on value in use calculations.

Goodwill arising on consolidation is allocated to the total core group operations. No goodwill is allocated to the independent operations of Allington EfW facility. Core operations are a fully integrated business and thus no further allocation of goodwill is required.

7. **Intangible assets (continued)**

These calculations use business valuations where available and where not, pre-tax cash flow projections to the end of site lives based on budgets and mid-term forecasts, which reflect past experience and management's future expectations. Cash flows have been projected based on budgets and forecasts over a period of ten years, beyond which a nil growth rate has been assumed. A period of ten years has been used because a significant proportion of the Group's revenue comes from contracted business with municipal customers, with predictable cash flows. The rates do not exceed the average long term growth rate for the relevant markets.

The budgets and forecasts are detailed on a market by market forecast of projected volumes, prices and costs. These forecasts reflect on an individual site by site basis, numerous assumptions and estimates. The key assumptions include market size and volumes, recyclate prices, gate fees and the future level of landfill tax. Management has assigned the value to each assumption based on historical experience, industry analysis and current legislation. Management has performed sensitivity tests on the cash flows including increasing the WACC by 1% and decreasing estimated cash flows by 10% and no impairment was indicated. A rise in the pre-tax discount rate to more than 17.9% (i.e. +10.3%) would result in an impairment.

Management estimates discount rates that reflect current market assessments of the time value of money and the risk specific to the CGUs of 7.6% (2020: 6.2%). The growth rates are based on industry growth forecasts and longer term, on gross domestic product.

8. **Subsidiaries**

The subsidiaries, all of which were engaged in the principal activity of the Group, incorporated in England and Wales, the principal place of business and 100% owned, unless otherwise stated, at 31 December 2021 were:

3C Holdings Limited
3C Waste Limited*
Allington O&M Services Limited
Allington Waste Company Limited
Anti-Waste Limited
Anti-Waste (Restoration) Limited*
Arnold Waste Disposal Limited
BDR Property Limited (80% owned)
BDR Waste Disposal Limited
Darrington Quarries Limited*
Derbyshire Waste Limited
East Waste Limited
FCC Environment Limited
FCC Environmental Services Limited*
FCC Environment (Berkshire) Limited
FCC Environment Lostock Limited
FCC Recycling (UK) Limited
FCC Waste Services (UK) Limited*
Finstop Limited
Hykeham O&M Services Limited*
Integrated Waste Management Limited
Landfill Management Limited*
Lincwaste Limited*
Norfolk Waste Limited
Pennine Waste Management Limited
Shelford Composting Limited (50% owned)*
T Shooter Limited*
Waste Recovery Limited
Waste Recycling Group (Central) Limited
Waste Recycling Group (Scotland) Limited+
Waste Recycling Group (UK) Limited*
Waste Recycling Group (Yorkshire) Limited*
WasteNotts O&M Services Limited
Welbeck Waste Management Limited
WRG Acquisitions 2 Limited
WRG Environmental Limited*
WRG (Midlands) Limited*+
WRG (Northern) Limited*+
WRG Waste Services Limited*+
Focsa Services (UK) Limited

** Companies held indirectly by an intermediate company. + Companies incorporated in Scotland*

The address of the registered office of all subsidiaries is the same as the parent company, with the exception of those Companies incorporated in Scotland. The address of the registered office of the subsidiaries incorporated in Scotland is Greengairs Landfill Site, Meikle Drumgray Road, Greengairs, Airdrie, Lanarkshire, ML6 7TD.

Notes to the consolidated financial statements for the year ended 31 December 2021

9. Property, plant and equipment

31 December 2021	Landfill sites £'000	Other property £'000	Motor vehicles £'000	Plant and equipment £'000	Total £'000
Cost					
At 1 January 2021	871,690	125,359	3,184	98,936	1,099,169
Additions	17,105	8,862	657	4,270	30,894
Disposals	-	(623)	(445)	(4,615)	(5,683)
Reclassification	36	(33)	-	(3)	-
At 31 December 2021	888,831	133,565	3,396	98,588	1,124,380
Accumulated depreciation					
At 1 January 2021	800,328	76,352	1,676	62,149	940,505
Charge for the year	11,443	6,149	674	7,705	25,971
Impairment charge	10,373	540	-	192	11,105
Reversal of past impairment charge	(1,656)	-	-	-	(1,656)
Disposals	-	(623)	(430)	(4,315)	(5,368)
At 31 December 2021	820,488	82,418	1,920	65,731	970,557
Net book value					
At 31 December 2021	**68,343**	**51,147**	**1,476**	**32,857**	**153,823**
At 31 December 2020	71,362	49,007	1,508	36,787	158,664
At 31 December 2019	62,265	176,434	1,722	59,331	299,752

31 December 2020	Landfill sites £'000	Other property £'000	Motor vehicles £'000	Plant and equipment £'000	Total £'000
Cost					
At 1 January 2020	858,648	326,034	3,043	138,389	1,326,114
Additions	13,078	5,054	708	11,372	30,212
Disposals	-	(567)	(567)	(5,062)	(6,196)
Disposal of subsidiary undertakings	-	(205,098)	-	(45,863)	(250,961)
Reclassification	(36)	(64)	-	100	-
At 31 December 2020	871,690	125,359	3,184	98,936	1,099,169
Accumulated depreciation					
At 1 January 2020	796,383	149,600	1,321	79,058	1,026,362
Charge for the year – continuing	9,960	5,340	865	6,819	22,984
Charge for the year – discontinued	-	2,662	-	2,006	4,668
Impairment charge	3,629	309	-	257	4,195
Reversal of past impairment charge	(9,602)	-	-	-	(9,602)
Disposals	-	(302)	(510)	(4,176)	(4,988)
Disposal of subsidiary undertakings	-	(78,854)	-	(24,260)	(103,114)
Reclassification	(42)	(2,403)	-	2,445	-
At 31 December 2020	800,328	76,352	1,676	62,149	940,505

9. Property, plant and equipment (continued)

The CGUs of the Group 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 are consistent with the testing of goodwill. 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 7.6% (2020: 6.2%).

An impairment loss of £11,105,000 (2020: £4,195,000) has been recognised in the year on assets primarily in the landfill sites category. This reflects the earlier than expected closure of the Group's landfill assets which is a result of a significant and sustained decline in the quantity and quality of active waste landfilled in the UK and the move towards recycling and recovery. This has been measured by reference to the value in use of the underlying assets.

As part of the impairment review process, previous impairments totalling £1,656,000 (2020: £9,602,000) were reversed. This was a result of changes in the estimates used to determine the recoverable amount of CGUs, based on future expected cash flows arising from changes to the future strategy and expectations of the business mainly driven by changes in the operating lives of assets.

Included in the net book value of property, plant and equipment at 31 December 2021, are assets under the course of construction totalling £11,989,000 (2020: £8,624,000). No depreciation has been provided on these assets.

Right-of-use assets

The Group holds a number of long-term lease agreements for various sites and categories of asset as shown in the table. A number of vehicle leases expired during the financial period and the assets were replaced with similar vehicles.

Notes to the consolidated financial statements for the year ended 31 December 2021

9. Property, plant and equipment (continued)

Right-of-use assets (continued)

The value of right-to-use assets included in Property, plant and equipment is as follows:

At 31 December 2021	**Other property £'000**	**Motor vehicles £'000**	**Plant and machinery £'000**	**Total £'000**
Cost				
At 1 January 2021	17,474	2,692	1,030	21,196
Additions	2,952	657	-	3,609
Disposal of leased assets	-	(427)	-	(427)
At 31 December 2021	20,426	2,922	1,030	24,378
Depreciation				
At 1 January 2021	2,790	1,185	477	4,452
Charge for the year	1,713	674	248	2,635
Disposal of leased assets	-	(412)	-	(412)
Impairment	197	-	-	197
At 31 December 2021	4,700	1,447	725	6,872
Net book value				
At 31 December 2021	**15,726**	**1,475**	**305**	**17,506**
At 31 December 2020	14,684	1,507	553	16,744
Average remaining term (years)	20	2	2	

At 31 December 2020	**Other property £'000**	**Motor vehicles £'000**	**Plant and machinery £'000**	**Total £'000**
Cost				
At 1 January 2020	17,006	2,544	13,517	33,067
Additions	1,688	708	81	2,477
Disposal of leased assets	-	(560)	(1,444)	(2,004)
Disposal of subsidiary undertakings	(1,220)	-	-	(1,220)
Transfers to owned assets	-	-	(11,124)	(11,124)
At 31 December 2020	17,474	2,692	1,030	21,196
Depreciation				
At 1 January 2020	1,255	822	7,946	10,023
Charge for the year	1,271	866	1,245	3,382
Impairment	309	-	-	309
Disposal of leased assets	-	(503)	(915)	(1,418)
Disposal of subsidiary undertakings	(45)	-	-	(45)
Transfers to owned assets	-	-	(7,799)	(7,799)
At 31 December 2020	2,790	1,185	477	4,452
Average remaining term (years)	19	2	3	

Notes to the consolidated financial statements for the year ended 31 December 2021

10. Employee benefits

The Group operates a defined contribution pension scheme on behalf of two of the Directors who served during the year and all eligible employees. The assets of the scheme are held separately from those of the Group in independently administered funds. There were no outstanding or prepaid contributions at either the beginning or end of the year in respect of defined contribution schemes. Contributions under defined contribution schemes amounted to £4,823,000 during the year (2020: £4,629,000).

Certain employees of the Group are members of the Citrus (formerly LAWDC) funded defined benefit pension scheme in which the Group is a participating employer.

The defined benefit scheme is administered by a separate fund that is legally separated from the Company. The trustees of the pension fund are required by law to act in the interest of the fund and of all relevant stakeholders in the scheme. The trustees of the pension fund are responsible for the investment policy with regard to the assets of the fund.

The scheme exposes the Company to actuarial risks such as: investment risk, interest rate risk, longevity risk and salary risk.

Investment risk	The present value of the defined benefit plan liability is calculated using a discount rate determined by reference to high quality corporate bond yields. Currently the plan has a relatively balanced investment in equity securities, debt instruments and diversified growth funds. Due to the long-term nature of the plan liabilities, the trustees of the pension fund consider it appropriate that a reasonable portion of the plan assets should be invested in equity securities to leverage the return generated by the fund. If future investment returns are lower than assumed, the plan's assets will be lower and the funding level worse than expected.
Interest risk	A decrease in the bond interest rate will increase the plan liability but this will be partially offset by an increase in the return on the plan's debt investments.
Longevity risk	The present value of the defined benefit plan liability is calculated by reference to the best estimate of the mortality of plan participants both during and after their employment. If improvements in life expectancy are greater than assumed, the liabilities will increase because members are living longer than expected.
Salary risk	The present value of the defined benefit plan liability is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the plan's liability.

An actuarial valuation of the scheme at 31 March 2021 indicated that the scheme was 81% funded based upon the minimum funding requirement basis. The agreed contribution rate which commences from April 2022 is equivalent to 30.7% of pensionable member salaries per month. In addition, FCC E UK has agreed with the scheme trustee to pay an additional annual contribution of £1,960,000 until 2028 to meet the ongoing funding of the scheme.

The most recent accounting actuarial valuations of the plan assets and the present value of the defined benefit liability were carried out at 31 December 2021 by a qualified independent actuary. The present value of the defined benefit liability, and the related current service cost and past service cost, were measured using the projected unit credit method.

Notes to the consolidated financial statements for the year ended 31 December 2021

10. Employee benefits (continued)

The year end asset/(liability) is as follows:

	2021 £'000	2020 £'000
Present value of funded defined benefit obligations	**(59,116)**	(63,614)
Fair value of plan assets	**59,930**	56,170
Benefit asset/(liability)	**814**	(7,444)

Movements in the fair value of plan assets are as follows:

	2021 £'000	2020 £'000
At 1 January	**56,170**	50,623
Interest income	**808**	1,003
Return on plan assets (excluding amounts included in net interest expense)	**2,967**	4,677
Contributions by employer	**1,579**	1,577
Contributions by members	**15**	15
Administrative expenses paid from plan assets	**(81)**	(90)
Benefits paid	**(1,528)**	(1,635)
At 31 December	**59,930**	56,170

Movements in the present value of the defined benefit obligation are as follows:

	2021 £'000	2020 £'000
At 1 January	**63,614**	55,250
Current service cost	**212**	181
Past service cost	**-**	22
Interest cost	**910**	1,088
Contributions by members	**15**	15
Remeasurement losses/(gains):		
Actuarial (gains)/losses arising from changes in demographic assumptions	**(4,476)**	1,173
Actuarial losses arising from changes in financial assumptions	**575**	7,520
Actuarial gains arising from experience adjustments	**(206)**	-
Benefits paid	**(1,528)**	(1,635)
At 31 December	**59,116**	63,614

Notes to the consolidated financial statements for the year ended 31 December 2021

10. Employee benefits (continued)

Expense recognised in the consolidated income statement:

	2021 £'000	2020 £'000
Current service cost	**212**	181
Administrative expenses	**81**	90
Past service cost	**-**	22
Net interest expense	**102**	85
Net benefit expenses	**395**	378

The expense is recognised in the following line items in the consolidated income statement:

	2021 £'000	2020 £'000
Staff costs	**293**	293
Finance costs	**102**	85
Net benefit expense	**395**	378

Amount recognised in the consolidated statement of comprehensive income:

	2021 £'000	2020 £'000
Return on plan assets (excluding amounts included in net interest expense)	**2,967**	4,677
Actuarial gains/(losses) arising from changes in demographic assumptions	**4,476**	(1,173)
Actuarial losses arising from changes in financial assumptions	**(575)**	(7,520)
Actuarial gains arising from experience adjustments	**206**	-
Actuarial gains/(losses)	**7,074**	(4,016)

At 31 December 2021, the cumulative amount of actuarial losses recognised in the statement of comprehensive income since 2005 (the earliest date at which figures prepared under IFRS are available) was £7,326,000 (2020: £14,400,000).

Notes to the consolidated financial statements for the year ended 31 December 2021

10. Employee benefits (continued)

The fair value of the plan assets and the return on those assets were as follows:

	2021 £'000	2020 £'000
Equity instruments	**4,661**	3,523
Debt instruments	**17,858**	11,767
Real estate	**3,629**	3,402
Diversified growth funds	**24,415**	29,265
Cash and cash equivalents	**9,367**	8,213
	59,930	56,170
Actual return on plan assets	**5,870**	5,669

All equity and debt instruments have quoted prices in active markets.

The principal assumptions used in determining pension and post-employment benefit obligations for the Group's plans are shown below:

	2021	2020
Weighted average assumptions used to determine benefit obligations:		
Discount rate	**1.80%**	1.45%
Rate of inflation (RPI)	**3.25%**	2.85%
Rate of inflation (CPI)	**2.75%**	2.15%
Weighted average assumptions used to determine benefit cost:		
Discount rate	**1.45%**	2.00%
Rate of inflation (RPI)	**2.85%**	2.65%
Rate of inflation (CPI)	**2.15%**	1.95%

The life expectancy assumed in the calculations is based on the S2PA CMI 2020 (YOB) (2020: S2PA CMI 2019 (YOB)). Life expectancy assumptions for members are set out below:

	2021	2020
Member retiring in 20 years (aged 45 at the balance sheet date)	22.8 years	24.0 years
Member retiring at the balance sheet date (aged 65)	21.8 years	22.6 years

Employer contributions to the Citrus (formerly LAWDC) scheme in 2021 are expected to be £1,576,000.

History of plan

	2021 £'000	2020 £'000	2019 £'000	2018 £'000	2017 £'000
Present value of defined benefit obligations	**(59,116)**	(63,614)	(55,250)	(49,529)	(51,717)
Fair value of plan assets	**59,930**	56,170	50,623	46,359	46,458
Surplus/(deficit)	**814**	(7,444)	(4,627)	(3,170)	(5,259)

Notes to the consolidated financial statements for the year ended 31 December 2021

10. Employee benefits (continued)

Significant actuarial assumptions for the determination of the defined benefit obligation are discount rate, expected inflation and mortality. The sensitivity analyses below have been determined based on reasonably possible changes in the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant.

Sensitivity analysis	Base 2021 £'000	Minus 0.25% discount rate £'000	Plus 0.25% discount rate £'000
Fair value of plan assets	59,930	59,930	59,930
Present value of benefit obligations	(59,116)	(61,891)	(56,508)
Surplus/(deficit)	814	(1,961)	3,422

	Base 2021 £'000	Minus 0.25% inflation rate £'000	Plus 0.25% inflation rate £'000
Fair value of plan assets	59,930	59,930	59,930
Present value of benefit obligations	(59,116)	(56,972)	(61,316)
Surplus/(deficit)	814	2,958	(1,386)

	Base 2021 £'000	Mortality sensitivity -1 year age rating £'000
Fair value of plan assets	59,930	59,930
Present value of benefit obligations	(59,116)	(61,331)
Surplus/(deficit)	814	(1,401)

The sensitivity analysis presented above may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

In presenting the above sensitivity analysis, the present value of the defined benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the defined benefit obligation liability recognised in the balance sheet.

There has been no change in the processes used by the Group to manage its risks from prior periods.

Notes to the consolidated financial statements for the year ended 31 December 2021

10. Employee benefits (continued)

The Group's subsidiaries should fund the cost of the entitlements expected to be earned on a yearly basis. The Group pays a fixed per cent of pensionable salary which is currently 30.7% (2020: 28.3%). The residual contribution (including back service payments) is paid by the entities of the Group. The funding requirements are based on a local actuarial measurement framework. In this framework the discount rate is set on a risk free rate. Furthermore, premiums are determined on a current salary base. Additional liabilities stemming from past service due to salary increases (back-service liabilities) should be paid immediately to the scheme. Apart from paying the costs of the entitlements the Group's subsidiaries are not liable to pay additional contributions in case the scheme does not hold sufficient assets. In that case the scheme should take other measures to restore its solvency such as a reduction of the entitlements of the scheme members.

The average duration of the benefit obligation at the end of the reporting period is around 18 years (2020: 20 years).

11. Financial assets (Non-current)

	2021 £'000	Restated 2020 £'000
Amounts due from parent company	**260,281**	258,361
Amounts due from FCC group undertakings	**235,579**	245,787
	495,860	504,148

Amounts due from parent company, Azincourt Investments S.L.U., are unsecured, non-interest bearing, and became due for repayment on 31 December 2021.

Amounts due from FCC group undertakings includes £3,107,000 (2020: £3,107,000) relating to retentions on construction relating to PFI projects in other Group companies. The amounts bear no interest and are not repayable in the next 12 months. The balance also includes £232,472,000 (2020: £242,680,000) of amounts receivable from FCC Medio Ambiente Reino Unido, S.L., of which £231,296,000 relates to unsecured, non-interest bearing promissory notes which are receivable on demand and £1,176,000 relates to unsecured loan notes bearing interest at 6% per annum and are receivable on demand.

Although the amounts due from Azincourt Investments S.L.U. and FCC Medio Ambiente Reino Unido, S.L are repayable on demand, they are not expected to be recovered in full within the next twelve months. The comparative balances were classified as current at 31 December 2020 and have been restated as detailed in note 2.

Notes to the consolidated financial statements for the year ended 31 December 2021

12. Trade and other receivables (Current)

	2021 £'000	Restated 2020 £'000
Trade receivables - gross	**59,371**	56,248
Allowance for expected credit losses	**(1,324)**	(1,114)
Trade receivables - net	**58,047**	55,134
Other receivables	**3,463**	3,472
Amounts due from FCC group undertakings	**40,875**	31,279
Prepayments	**11,879**	15,746
	114,264	105,631

Amounts due from FCC group undertakings bear no interest, are unsecured and are repayable on demand.

Credit quality of financial assets and allowance for doubtful debts

The trade receivables balance consists of a large number of customer balances, represented largely by local authority customers, and there is no significant concentration of credit risk. Included in the Group's trade receivables are debts with a carrying value of £12.2million (2020: £9.3million) which were in excess of agreed payment terms at the year end and arises due to the nature of the Group's client base. £11.1million (2020: £7.4million) of this was in excess of terms by less than one month. Of the excess to terms amount, £11.5million had been received in cash by 31 May 2022 (2020: £8.5million by 30 April 2021). The unrecovered balances have been considered within the calculation of the allowance for expected credit losses. The Group does not hold any collateral over these balances.

The allowance for expected credit losses against trade receivables is estimated by reference to past default experience on the debtor and an analysis of the debtor's current financial position, adjusted for specific factors that are specific to the debtors, general economic conditions of the industry in which the debtor operates and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

The movement on the allowance for expected credit losses is as follows:

	2021 £'000	2020 £'000
At 1 January	**1,114**	901
Utilised	**(24)**	(54)
Charge to income statement	**234**	267
At 31 December	**1,324**	1,114

The Group has not provided for amounts which are past due at the reporting date as there has not been a significant change in credit quality and the Group considers the amounts to be recoverable.

Allowances for expected credit losses during the year are charged to other operating expenses in the income statement. The carrying value of trade and other receivables approximate to their fair value.

Notes to the consolidated financial statements for the year ended 31 December 2021

12. Trade and other receivables (Current) (continued)

Financial risk management

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers.

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. Therefore, the maximum exposure to credit risk at the balance sheet date was £579,994,000 (2020: £598,557,000) being the total carrying amount of financial assets excluding equity investments.

13. Cash and cash equivalents

	2021 £'000	2020 £'000
Cash at bank and in hand (current)	**88,407**	83,807

For the purposes of the consolidated cash flow statement, cash and cash equivalents also comprise of the above amounts.

Escrow Cash

At 31 December 2021 the Group held cash in restricted accounts of £1,530,000 (2020: £1,530,000). Access to the cash will become unrestricted in 2031 upon satisfaction of certain contractual obligations.

14. Share capital and reserves

	2021 £'000	2020 £'000
Authorised		
600,000,000 (2020: 600,000,000) ordinary shares of 25p each	**150,000**	150,000
Called up, allotted and fully paid		
585,848,603 (2020: 585,848,603) ordinary shares of 25p each	**146,462**	146,462

Share premium

The share premium account comprises the excess proceeds above the nominal amount of share capital on issue of equity shares. Direct issue costs are netted off the share premium account.

Retained earnings

Retained earnings comprise cumulative profits or losses, including unrealised profits or losses recognised in the statement of comprehensive income.

15. Interest-bearing loans and borrowings

	Effective interest rate % 2021	Effective interest rate % 2020	2021 £'000	2020 £'000
Current liabilities				
Lease liabilities	**4.0%**	3.9%	**2,031**	2,622
Non-current liabilities				
Lease liabilities	**4.0%**	3.9%	**19,242**	16,935
Amounts due to FCC group undertakings	**2.7%**	2.7%	**50,270**	49,132
			69,512	66,067
Maturity profile				
Within one year or on demand			**2,031**	2,622
Between one and two years			**1,659**	2,201
Between two and five years			**53,558**	53,431
More than five years			**14,295**	10,435
			71,543	68,689

a) Amounts due to FCC group undertakings

The amounts shown under non-current liabilities above include £22.8million bearing interest at 2.75% and £27.5million bearing interest at 2.70%. These balances are unsecured and not repayable before 31 December 2024.

Notes to the consolidated financial statements for the year ended 31 December 2021

16. Provisions for liabilities

	Other provisions £'000	Decommis-sioning £'000	Aftercare £'000	Total £'000
At 1 January 2021	52,757	18,472	167,624	238,853
New provisions (capitalised as property, plant & equipment)	2,269	606	-	2,875
Charged to income statement	25,156	39	5,192	30,387
Unwinding of discounted amount	942	762	8,520	10,224
Utilised	(27,401)	(2,213)	(4,814)	(34,428)
At 31 December 2021	**53,723**	**17,666**	**176,522**	**247,911**
Current 2021	**24,987**	**2,231**	**4,748**	**31,966**
Non-current 2021	**28,736**	**15,435**	**171,774**	**215,945**
	53,723	**17,666**	**176,522**	**247,911**
Current 2020	18,843	2,198	4,642	25,683
Non-current 2020	33,914	16,274	162,982	213,170
	52,757	18,472	167,624	238,853

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. The provisions have been calculated assuming current waste management technology based upon estimated costs at future prices which are discounted at a real rate of 2.0% (2020: 2.0%) 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 (see note 2).

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. Other provisions also includes plant lifecycle costs relating to obligations around certain of the Group's EfW operations and maintenance contracts.

16. Provisions for liabilities (continued)

Sensitivity analysis

Due to the long-term nature of provisions they are sensitive to changes in the real discount rate. The following table illustrates the possible impact on provisions of changes to the real discount rate.

	Base 2021 £'000	Reduction 0.1% discount rate £'000	Increase 0.1% discount rate £'000
Other provisions	53,723	53,770	53,669
Decommissioning	17,666	17,828	17,512
Aftercare	176,522	179,980	173,166
	247,911	251,578	244,347
Charge/(credit) to income statement (included in finance charges)		3,667	(3,564)

17. Other payables (Non-current)

	2021 £'000	2020 £'000
Amounts due to FCC group undertakings	**1,500**	1,500

Amounts due to FCC group undertakings are held in escrow until the repayment due date of 31 March 2031.

Notes to the consolidated financial statements for the year ended 31 December 2021

18. Trade and other payables (Current)

	2021 **£'000**	2020 £'000
Trade payables	**37,557**	36,432
Landfill tax and indirect taxes	**57,464**	65,537
Amounts due to FCC group undertakings	**43,650**	39,064
Other payables	**1,485**	1,579
Accruals and deferred income	**34,327**	44,198
	174,483	186,810

Trade payables and other payables are non-interest bearing and have terms varying between 14 and 60 days. The Directors consider that the carrying value of trade payables approximate to their fair value. Amounts due to FCC group undertakings bear no interest, are unsecured and are repayable on demand.

19. Commitments and contingencies

Capital commitments

At 31 December 2021, the Group had capital commitments of £5.2million (2020: £10.0million).

Contingencies

The Group must comply with the Environment Agency and Natural Resources Wales' financial provisioning requirements for its landfill sites in England and Wales, which is satisfied by providing financial security bonds. The value of the bonds issued for this financial provisioning requirement at 31 December 2021 was £113.8million (2020: £110.0million).

Certain Group companies are party to further performance bonds totalling £5.3million (2020: £5.9million) in favour of various municipal authorities and others. At this time, there are a small number of disputed items on levels of service, charging and performance, which have been notified to FCC E UK as potential breaches of contract. However, the Directors do not consider it likely that bonds will be called upon and therefore, in accordance with the requirements of IAS 37, where the Group enters into such agreements it considers them to be insurance arrangements and accounts for them as such. In this respect, guarantees are treated as contingent liabilities unless it becomes probable that the Group will be required to make payment under the guarantee.

The Group is aware that a supplier has received a disputed claim for landfill tax from HM Revenue Customs totalling £8.7million (2020: £8.7million). If the supplier is unsuccessful in defending the claim, there is a possibility of a claim against the Group. At 31 December 2021 the Group had a number of property related matters on specific sites which, if not resolved, could result in the Group incurring legal, professional and other associated costs of approximately £4.8million (2020: £4.8million).

At the date of approval of the financial statements the Directors believe that there are only a small number of sites where it is possible that the Group may incur such costs. In accordance with the requirements of IAS 37 no provision had been made on the basis that the Directors believe it is not probable that an outflow of economic benefits will occur.

Notes to the consolidated financial statements for the year ended 31 December 2021

20. Related parties

The Directors regard all subsidiaries of FCC as being related parties.

The ultimate parent

The Directors regard FCC, a company registered in Spain, as the ultimate parent company. The ultimate controlling party is Inversora Carso S.A. de C.V., a company registered in Mexico.

During the year there have been a number of transactions with other subsidiaries of FCC. These are detailed below:

Year ended 31 December 2021	Sales to £'000	Purchases from £'000	Management fees and recharges from £'000	Finance costs £'000	Group relief claimed/ (surrendered) £'000
FCC Medio Ambiente Reino Unido S.L.	-	-	9,472	546	-
RE3 Limited	12,332	-	-	-	-
FCC Wrexham PFI Limited	5,451	-	-	-	-
FCC Wrexham PFI (Phase II) Limited	4,018	-	-	-	-
FCC Buckinghamshire Limited	18,663	16,931	-	-	-
FCC (E&M) Limited	7,606	2,996	-	-	-
FCC PFI Holdings Limited	-	-	-	-	-
FCC Environment Services (UK) Limited	1,582	1,648	-	394	
Telford & Wrekin Services Limited	-	-	-	127	-
Kent Enviropower Limited	30,645	14,727	-	-	-
Wastenotts (Reclamation) Limited	5,905	1,100	-	-	-
FCC Environment (Lincolnshire) Limited	9,241	427	-	-	-
	95,443	**37,829**	**9,472**	**1,067**	-

Notes to the consolidated financial statements for the year ended 31 December 2021

20. Related parties (continued)

Year ended 31 December 2020	Sales to	Purchases from	Management fees and recharges from	Finance costs	Group relief claimed/ (surrendered)
	£'000	£'000	£'000	£'000	£'000
FCC Medio Ambiente Reino Unido S.L.	-	-	11,577	591	-
RE3 Limited	13,988	-	-	-	-
FCC Wrexham PFI Limited	7,572	-	-	-	39
FCC Wrexham PFI (Phase II) Limited	4,098	-	-	-	13
FCC Buckinghamshire Limited	20,260	18,448	-	-	(243)
FCC (E&M) Limited	8,232	3,489	-	-	-
FCC PFI Holdings Limited	-	-	-	-	-
FCC Environment Services (UK) Limited	1,576	1,280	-	379	24
Telford & Wrekin Services Limited	-	-	-	124	-
Kent Enviropower Limited	36,757	14,461	-	-	-
Wastenotts (Reclamation) Limited	8,066	4,158	-	-	-
FCC Environment (Lincolnshire) Limited	9,195	124	-	-	-
	109,744	**41,960**	**11,577**	**1,094**	**(167)**

The outstanding balances between FCC E UK and these related parties as at 31 December 2021 and 31 December 2020 are detailed below:

	Loan (borrowings) / receivables		Receivables		Payables	
	2021	2020	**2021**	2020	**2021**	2020
	£'000	£'000	**£'000**	£'000	**£'000**	£'000
FCC Medio Ambiente Reino Unido S.L.	**226,934**	227,480	**1,633**	-	**(21,854)**	(11,921)
Azincourt Investment, S.L.	**260,281**	258,361	**-**	-	**(863)**	-
Enviropower Investments Limited	**-**	-	**-**	-	**-**	-
RE3 Limited	**-**	-	**2,006**	4,359	**(1,500)**	(1,500)
FCC Wrexham PFI Limited	**-**	-	**1,319**	1,639	**-**	-
FCC Wrexham PFI (Phase II) Limited	**-**	-	**1,180**	1,150	**-**	(361)
FCC Buckinghamshire Limited	**-**	-	**1,852**	2,317	**(1,851)**	(6,953)
FCC Environment Developments Limited	**-**	-	**-**	-	**-**	-
FCC (E&M) Limited	**-**	-	**712**	967	**(3,361)**	(3,295)
FCC PFI Holdings Limited	**-**	-	**-**	-	**(10,371)**	(10,371)
FCC Environment Services (UK) Limited	**(17,133)**	(16,739)	**4,021**	3,513	**(180)**	(201)
Telford & Wrekin Services Limited	**(5,645)**	(5,518)	**786**	786	**(30)**	(30)
FCC Lostock Holdings Limited	**-**	-	**374**	-	**(83)**	(83)
FCC Energy Limited *	**-**	-	**262**	174	**-**	-
Kent Enviropower Limited *	**-**	-	**5,600**	2,674	**(3,984)**	(1,260)
Wastenotts (Reclamation) Limited *	**-**	-	**1,237**	939	**(212)**	(354)
FCC Environment (Lincolnshire) Limited *	**-**	-	**1,046**	4,194	**(26)**	(4,236)
	464,437	463,584	**22,028**	22,712	**(44,315)**	(40,565)

* Wholly owned subsidiaries prior to 31 July 2020.

20. Related parties (continued)

Terms and conditions of transactions with related parties

Sales to and purchases from related parties are made at normal market prices. Outstanding balances at year end are unsecured and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables. For the year ended 31 December 2021, the Group has not raised any fair value adjustments against carrying value of debts relating to amounts owed by related parties as the payment history has been excellent (2020: £nil). This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

21. Financial risk management objectives and policies

The Group's principal financial instruments, other than derivatives, comprise bank loans, inter-company borrowings, leases, cash, escrow accounts and short term deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial instruments such as trade receivables and trade payables, which arise directly from its operations.

The Group also enters into derivative transactions, principally interest rate swaps. The purpose is to manage the interest rate arising from the Group's operations and its sources of finance.

It is, and has been throughout the year under review, the Group's policy that no trading in financial instruments shall be undertaken.

The main risks arising from the Group's financial instruments are interest rate risk, liquidity risk and credit risk. The Board reviews and agrees policies for managing each of these risks and they are summarised below. The Group also monitors the market price risk arising from all financial instruments. The magnitude of this risk that has arisen over the year is discussed in note 22. The Group's accounting policies in relation to derivatives are set out in note 2.

Cash flow interest rate risk

The Group's exposure to market risk for changes in interest rates relates primarily to the Group's short and long term debt obligations.

The Group's policy is to manage its interest cost using a mix of fixed and variable rate debt. To manage this mix in a cost efficient manner, the Group enters into interest rate swaps, in which the Group agrees to exchange, at specified intervals, the difference between fixed and variable interest amounts calculated by reference to an agreed-upon notional principal amount. These swaps are designated to hedge underlying debt obligations. At 31 December 2021, after taking into account the effect of interest rate swaps, approximately 100% (2020: 70%) of the Group's borrowings are at a fixed rate of interest.

It is the Group's policy to negotiate the terms of the hedge derivatives to match the terms of the hedged item to maximise hedge effectiveness.

Commodity price risk

The Group's exposure to fluctuation in commodity prices is not considered material and the Directors therefore consider this to be a low risk.

21. Financial risk management objectives and policies (continued)

Credit risk

The Group's financial assets are subject to the Expected Credit Loss (ECL) model of IFRS 9. The Group has calculated the ECLs for financial assets at amortised cost and cash and cash equivalents as nil. In order to assess the ECLs, instruments were grouped by counterparty type, age and instrument type. For further information on the Group's assessment of ECLs see the accounting policy for the impairment of financial assets and IFRS 9 policy updates (note 2).

The Group trades only with recognised, creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's net exposure to bad debts is not material.

With respect to credit risk arising from the other financial assets of the Group, which comprise cash and cash equivalents, available-for-sale financial assets and certain derivative instruments, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

There are no significant concentrations of credit risk within the Group.

With the exception of certain elements of the trade receivables balance, no financial asset is past due or impaired. See note 12 for the overdue element of the trade receivables balance and the impairment which is booked to cover the risk of non-recovery of any element of the trade receivables balance.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of, and reliance upon bank overdrafts, renewable revolver facilities, bank loans, inter-company borrowings and lease contracts.

Foreign exchange risk

The Group operates solely in the United Kingdom. However it does make purchases denominated in foreign currencies (mainly Euros). Currency exposures are reviewed regularly. The finance function is responsible for managing the net position in each foreign currency.

The Group's exposure to exchange rate risk is minimal.

Concentration of risk

Other than disclosed elsewhere, the Directors believe that they do not have any significant concentrations of risk, although the situation continues to be monitored.

22. Financial instruments

Fair values of financial instruments

Trade and other receivables
The fair value of trade and other receivables, excluding construction contract receivables, is estimated as the present value of future cash flows, discounted at the market rate of interest at the balance sheet date if the effect is material.

Trade and other payables
The fair value of trade and other payables is estimated as the present value of future cash flows, discounted at the market rate of interest at the balance sheet date if the effect is material.

Notes to the consolidated financial statements for the year ended 31 December 2021

22. Financial instruments (continued)

Cash and cash equivalents
The fair value of cash and cash equivalents is estimated as its carrying amount where the cash is repayable on demand. Where it is not repayable on demand then the fair value is estimated at the present value of future cash flows, discounted at the market rate of interest at the balance sheet date.

Interest bearing borrowings
Fair value, which after initial recognition is determined for disclosure only, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the balance sheet date.

Set out below is a comparison by category of carrying amounts and fair values of all of the Group's financial instruments:

	Carrying amount		**Fair value**	
	2021	2020	**2021**	2020
	£'000	£'000	**£'000**	£'000
Financial assets				
Amortised cost				
Cash at bank and in hand	**88,407**	83,807	**88,407**	83,807
Cash in escrow deposits	**1,530**	1,530	**1,530**	1,530
Trade and other receivables*	**579,995**	572,967	**579,995**	572,967
Financial liabilities				
Amortised cost				
Trade and other payables**	**82,707**	76,996	**82,707**	76,996
Interest bearing loans and borrowings:				
Lease liabilities	**21,273**	19,559	**21,273**	19,559
Bank loans	**-**	-	**-**	-
Inter-company borrowings	**50,270**	49,132	**50,270**	49,132

* *Defined as total trade and other receivables excluding prepayments, accrued income and amounts relating to taxation*

** *Defined as total trade and other payables excluding deferred income, taxation and social security and other non-financial liabilities*

The fair value of the current borrowings equates to their carrying amount as the impact of discounting is not significant.

Cash flow sensitivity analysis for variable rate instruments

Movements in interest rates will impact upon the interest cost in the income statement. It is estimated that a movement in interest rates by 100 basis points throughout the year would not have changed the interest cost in the income statement as all the Group's instruments are fixed (2020: £nil).

Notes to the consolidated financial statements for the year ended 31 December 2021

22. Financial instruments (continued)

Interest rate risk

The following table sets out the carrying amount, by maturity, of the Group's financial instruments that are exposed to interest rate risk. See note 15 for effective interest rates.

There were no variable rate financial instruments for either year.

Year ended 31 December 2021

	Within 1 year £'000	1 – 2 years £'000	2 – 3 years £'000	3 – 4 years £'000	4 – 5 years £'000	More than 5 years £'000	Total £'000
Fixed rate							
Lease liabilities	2,031	1,659	1,301	1,116	871	14,295	21,273
Loans from FCC group undertakings	-	-	50,270	-	-	-	50,270
	2,031	**1,659**	**51,571**	**1,116**	**871**	**14,295**	**71,543**

Year ended 31 December 2020

	Within 1 year £'000	1 – 2 years £'000	2 – 3 years £'000	3 – 4 years £'000	4 – 5 years £'000	More than 5 years £'000	Total £'000
Fixed rate							
Lease liabilities	2,622	2,201	1,852	1,331	1,116	10,435	19,557
Loans from FCC group undertakings	-	-	-	49,132	-	-	49,132
	2,622	**2,201**	**1,852**	**50,463**	**1,116**	**10,435**	**68,689**

Notes to the consolidated financial statements for the year ended 31 December 2021

22. Financial instruments (continued)

Liquidity risk

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the effect of netting agreements:

Year ended 31 December 2021

	Carrying amount £'000	Contractual cash flows £'000	1 year or less £'000	1 to < 2 years £'000	2 to < 5 years £'000	5 years and over £'000
Non-derivative financial liabilities						
Lease liabilities	21,273	30,499	2,680	2,135	4,556	21,128
Loans from FCC group undertakings	50,270	50,270	-	-	50,270	-
	71,543	**80,769**	**2,680**	**2,135**	**54,826**	**21,128**

Year ended 31 December 2020

	Carrying amount £'000	Contractual cash flows £'000	1 year or less £'000	1 to < 2 years £'000	2 to < 5 years £'000	5 years and over £'000
Non-derivative financial liabilities						
Lease liabilities	19,557	31,739	2,577	2,337	4,941	21,884
Loans from FCC group undertakings	49,132	49,132	-	-	49,132	-
	68,689	**80,871**	**2,577**	**2,337**	**54,073**	**21,884**

23. Post balance sheet events

a) Following the balance sheet date, Russia entered a military conflict with Ukraine and this action remains ongoing at the date of approval of the financial statements. The conflict has resulted in elevated levels of political instability and uncertainty across Europe and contributed to significantly higher fuel prices (gas, electricity and oil derived products) as well as impacting supply chains.

   The directors have considered the likely impacts on the business from the resultant inflation and supply chain disruption and continue to engage with suppliers to monitor and manage any potential issues. The Company has limited exposure to overseas markets as its customer base arises entirely in the United Kingdom.

b) On 30 April 2022 the Group acquired the entire shareholdings in RE3 Holding Limited, FCC Wrexham PFI Holdings Limited and FCC Wrexham PFI (Phase II Holding) Limited from FCC PFI Holdings Limited, a fellow FCC subsidiary company, for total consideration of £24.3million. The consideration was settled by an inter-company loan. In addition, FCC Recycling (UK) Limited also purchased the unsecured subordinated loan notes held by the FCC PFI Holdings Limited and issued by RE3 Holding Limited, FCC Wrexham PFI Holdings Limited and FCC Wrexham PFI (Phase II Holding) Limited, for a combined nominal value of £9.5million.

Company balance sheet
As at 31 December 2021

	Notes	£'000	2021 £'000	Restated £'000	Restated 2020 £'000
ASSETS					
Non-current assets					
Investments in subsidiary undertakings	27	**345,290**		378,192	
Financial assets	28	**260,271**		258,351	
Pension asset	10	**814**		-	
Deferred taxation		**455**		1,414	
			606,830		637,957
Current assets					
Financial assets	28	**146,530**		400,386	
Cash and cash equivalents		**-**		-	
			146,530		400,386
TOTAL ASSETS			**753,360**		1,038,343
EQUITY AND LIABILITIES					
Share capital	31	**146,462**		146,462	
Share premium	31	**313,452**		313,452	
Merger reserve	31	**15,210**		15,210	
Retained earnings	31	**61,216**		51,707	
Total equity			**536,340**		526,831
Non-current liabilities					
Interest bearing loans and borrowings	30	**-**		100,618	
Pension liability	10	**-**		7,444	
			-		108,062
Current liabilities					
Trade and other payables	29	**217,020**		403,450	
			217,020		403,450
Total liabilities			**217,020**		511,512
TOTAL EQUITY AND LIABILITIES			**753,360**		1,038,343

As permitted by section 408 of the Companies Act 2006 the Company has elected not to present its own income statement for the year. The Company reported a profit for the financial year ended 31 December 2021 of £3,448,000 (2020: £261,017,000).

The financial statements of FCC Environment (UK) Limited, registered number 02902416 were approved by the Board of Directors on and authorised for issue on 29 June 2022.

Signed on behalf of the Board of Directors

V F Orts-Llopis
Director

FCC Environment (UK) Limited

Company statement of changes in equity for the year ended 31 December 2021

	Share capital £'000	Share premium £'000	Merger reserve £'000	Retained earnings £'000	Total £'000
At 1 January 2020	146,462	313,452	15,210	(206,228)	268,896
Profit for the year	-	-	-	261,017	261,017
Actuarial loss in pension scheme	-	-	-	(4,016)	(4,016)
Tax related to loss recognised in equity	-	-	-	934	934
At 31 December 2020	146,462	313,452	15,210	51,707	526,831
Profit for the year	-	-	-	3,448	3,448
Actuarial gain in pension scheme	-	-	-	7,074	7,074
Tax related to gain recognised in equity	-	-	-	(1,013)	(1,013)
At 31 December 2021	**146,462**	**313,452**	**15,210**	**61,216**	**536,340**

Notes to the Company's financial statements for the year ended 31 December 2021

24. Summary of significant accounting policies

The separate financial statements of the Company are presented as required by the Companies Act 2006. The Company meets the definition of a qualifying entity under FRS 100 (Financial Reporting Standard 100) issued by the Financial Reporting Council. Accordingly, the financial statements are therefore prepared in accordance with FRS 101 (Financial Reporting Standard 101) 'Reduced Disclosure Framework' as issued by the Financial Reporting Council.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to financial instruments, capital management, presentation of comparative information in respect of certain assets, presentation of a cash flow statement and certain related party transactions.

Where required, equivalent disclosures are given in the consolidated financial statements.

The financial statements have been prepared on the historical cost basis except for the remeasurement of certain financial instruments to fair value. The principal accounting policies adopted are the same as those set out in note 2 to the consolidated financial statements except as noted below.

Investments in subsidiaries and associates are stated at cost less, where appropriate, provisions for impairment.

The auditor's remuneration for audit and other services is disclosed in note 4 to the consolidated financial statements.

Restatement of comparative balance sheet

See notes 28 and 29 for details of the revision to the maturity of intercompany receivables. There was no impact on either net assets or reported profits.

25. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, which are described in note 24, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

- Fixed asset investments – Fixed asset investments are tested for impairment on a value in use basis using business valuations of the subsidiaries, where available, or the Directors' current estimate of the medium-term forecasts. The value in use calculations require the entity to estimate the future cash flows expected to arise from the investments and suitable discount rates in order to calculate present values. Actual future cash flows could vary from those estimated. Factors such as closure of facilities and declining volumes could result in lower expected future cash flows or impairment. Management review and update the discount rates used annually. The discount rates used may also have an impact on the estimation of future cash flows. A 1% increase in the WACC rate (to 8.6%) would result in a further impairment of £11.9million. A 1% reduction in the WACC rate (to 6.6%) would result in a reduction in impairment of £13.9million.

26. Information regarding Directors and employees

The company had no employees during the current or previous financial year.

None of the Directors received any remuneration or other benefits through the Company during the year ended 31 December 2021 or the previous financial year. They are all remunerated 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. See note 4 for further information.

Notes to the Company's financial statements for the year ended 31 December 2021

27. Investments in subsidiary undertakings

	Total £'000
Cost	
At 1 January 2021	649,926
Disposals	-
At 31 December 2021	649,926
Provisions	
At 1 January 2021	271,734
Impairment in the year	32,902
At 31 December 2021	304,636
Net book value	
At 31 December 2021	**345,290**
At 31 December 2020	378,192

A complete list of the Company's subsidiaries is disclosed in note 8.

An impairment loss of £32,902,000 was recognised in 2021 (2020: £31,821,000). This was measured by reference to the value in use of the underlying investments. Management estimates discount rates that reflect current market assessments of the time value of money and the risk specific to the CGUs of 7.6% (2020: 6.2%). The rates used to discount the cash flows in both 2021 and 2020 for the CGUs have been based on the Group's pre-tax weighted average cost of capital. The cash flow forecasts have been projected on a life of site basis applying growth rates based on economic indicators including gross domestic product and demographics.

28. Financial assets

Non-current	**2021 £'000**	Restated 2020 £'000
Amounts due from parent company	**260,271**	258,351

Amounts due from parent company are unsecured and were due for repayment on 31 December 2021. Accordingly, the balance was previously classified as current at 31 December 2020. However, as repayment was not anticipated within the next twelve months at 31 December 2020, this has been restated as non-current. Repayment is not anticipated in the next twelve months and therefore continues to be presented as non-current. There was no loan interest accrued in either the current or previous financial year.

Notes to the Company's financial statements for the year ended 31 December 2021

28. Financial assets (continued)

Current

	2021	Restated 2020
	£'000	£'000
Amounts due from FCC group undertakings	**146,530**	398,758
Other debtors	**-**	1,628
	146,530	400,386

On 30 November 2021, the Company undertook a simplification of inter-company balances. This included the assignment of an intercompany receivable totalling £253,149,000 due from FCC Medio Ambiente Reino Unido, S.L to FCC Recycling (UK) Limited. This was used in settlement of a non-current interest bearing loans and borrowings balance (see note 30) due to FCC Recycling (UK) Limited totalling £100,673,000 with the balance being offset against other undocumented current intercompany payables with the same party.

Amounts due from FCC group undertakings at 31 December 2021 bore no interest, were unsecured and were repayable on demand. There was no loan interest accrued in either the current or previous financial year.

Amounts due from FCC group undertakings at 31 December 2021 included impairments for expected credit losses of £114,137,000 (2020: £65,953,000).

29. Trade and other payables (current)

	2021	2020
	£'000	£'000
Amounts due to FCC group undertakings	**217,020**	403,450

Amounts due to FCC group undertakings bear no interest, are unsecured and are repayable on demand.

30. Interest bearing loans and borrowings (non-current)

	2021	2020
	£'000	£'000
Amounts due to FCC group undertakings	**-**	100,618

On 19 December 2008, the Company entered into a formal loan agreement with its wholly owned subsidiary FCC Recycling (UK) Limited for £100,000,000. This loan bore interest at 1.55% above LIBOR, was unsecured and was repayable on 31 December 2030. On 30 November 2021, as part of a simplification of inter-company debt, the loan was settled by an offset against the assignment of intercompany debt assets (see note 28).

Notes to the Company's financial statements for the year ended 31 December 2021

31. Share capital and reserves

	2021 £'000	2020 £'000
Authorised		
600,000,000 (2020: 600,000,000) ordinary shares of 25p each	**150,000**	150,000
Called up, allotted and fully paid		
585,848,603 (2020: 585,848,603) ordinary shares of 25p each	**146,462**	146,462

Share premium

The share premium reserve comprises the excess proceeds above the nominal amount of share capital on issue of equity shares. Direct issue costs are netted off the share premium account.

Merger reserve

The merger reserve comprises the excess value of nominal shares issued over the fair value of net assets transferred upon a merger.

Retained earnings

Retained earnings comprises cumulative profits or losses, including unrealised profits or losses recognised in the statement of comprehensive income.

32. Commitments and contingencies

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.

33. Ultimate parent company

The immediate parent of the Company is Azincourt Investment S.L., a company registered in Spain.

The Directors regard Fomento de Construcciones y Contratas, S.A., a company registered in Spain, as the ultimate parent entity. The ultimate controlling party is Inversora Carso S.A. de C.V, a company registered in Mexico

Fomento de Construcciones y Contratas, S.A. is the parent company of the largest group of which the Company is a member and for which group accounts are drawn up. FCC Environment (UK) Limited is the Parent Company of the smallest group of which the Company is a member and for which group accounts are drawn up. Copies of the financial statements of both FCC Environment (UK) Limited and Fomento de Construcciones y Contratas, S.A. are available from the Company Secretary, 3 Sidings Court, White Rose Way, Doncaster, DN4 5NU.

The registered office of Fomento de Construcciones y Contratas, S.A. is c/Balmes, 36. 08007 Barcelona, Spain. The registered office of FCC Environment (UK) Limited is 3 Sidings Court, White Rose Way, Doncaster, DN4 5NU.