Company Registration No. 03525188

MERCIA WASTE MANAGEMENT LIMITED

Annual Report and Financial Statements
For the year ended 31 December 2017

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

FCC Environment Services (UK) Limited
Urbaser Limited
V. Orts
J. Peiro

REGISTERED OFFICE

The Marina
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Evesham
Worcestershire
England
WR11 3XZ

BANKERS

HSBC plc
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6 Broad Street
Worcester
WR1 2EJ

SOLICITORS

Clifford Chance LLP
10 Upper Bank Street
London
E14 5JJ

Harrison Clark Rickerbys LLP
5 Deansway
Worcester
WR1 2JG

AUDITOR

Deloitte LLP
Statutory Auditor
Birmingham
United Kingdom

STRATEGIC REPORT

The directors present their strategic report on the affairs of the group, together with the audited financial statements, for the year ended 31 December 2017.

PRINCIPAL ACTIVITIES

The group and company's principal activity is the management of household and civic amenity waste in the counties of Worcestershire and Herefordshire. The main undertakings of the business are as follows:

- the operation of an Energy from Waste Facility, and the Hill and Moor Landfill site for the disposal of domestic and commercial waste;
- the operation of a Commingled Waste Recycling facility;
- the operation of Household Waste Sites in Herefordshire and Worcestershire;
- the operation of sites for the storage, prior to transportation, of recyclable materials;
- transportation activities associated with the above;
- the production and sale of electricity;
- the recovery and sale of recyclable material; and
- the production and sale of compost.

REVIEW OF THE BUSINESS AND KEY PERFORMANCE INDICATORS

The group's key source of trade arises from a 25-year contract with the County Councils of Herefordshire and Worcestershire ('the Councils') for the management of household and civic amenity waste in the two counties. The contract, which has an extension provision within it, is due to expire at the end of 2023.

Severn Waste Services Limited ('Severn'), a fellow company under common control, operates all of the group's waste management installations under the terms of an Operating and Maintenance Agreement ('OMA'). Severn is responsible for performing the obligations of the group for which it receives reimbursements of operating costs and a management fee.

In May 2014 the company and the Councils of Herefordshire and Worcestershire signed a variation to the original 1998 Contract between the parties. As a result of the Variation, the company has in place loan facilities which enabled it to finance the construction of an Energy from Waste ('EfW') Plant at Hartlebury in Worcestershire. Construction of the Plant commenced during 2014, and the Plant was taken over by the Company in March 2017, the point at which it became fully operational. A Completion Certificate was issued at the end of testing in August 2017. The facility provides the group and the Councils with the necessary infrastructure to deal with material that cannot be recycled.

As shown in the group's profit and loss account on page 10, the group's turnover increased by 26% from the prior year (2016 – 1% increase). The current sales performance for the group is in line with expectations. Turnover is considered the key performance indicator for the business, and the increase is largely arises from new income generated from gate fees and electricity sales at the EfW Plant, although there is some consequential reduction in income relating to Landfill Tax, as waste is diverted away from Landfill.

The group balance sheet on page 11 of the financial statements shows the group's financial position at the year end. The group's cash levels have increased by £5,442,210, from £28,644,736 at the end of 2016 to £34,086,946 at the end of the current financial year following the final draw down on loan balances and additional revenue earnt from operating the EfW. The cash balance remains significant and is sufficient for the group's requirements. Capital expenditure in the year was £15,587,720 (2016 – £63,141,128), the reduction reflecting the completion of the EfW Plant.

The group does not have any other key performance indicators other than those outlined above.

The directors confirm that there are no other significant events arising since the balance sheet date.

STRATEGIC REPORT (continued)

RESULTS AND DIVIDENDS

The audited consolidated and company financial statements for the year ended 31 December 2017 are set out on pages 10 to 28. The group's profit for the year after taxation was £10,034,375 (2016 – £3,645,581). An interim and final dividend of £4,863,000 (£48.63 per £1 ordinary share) was declared and paid on 20th December 2017 (2016 – £nil).

PRINCIPAL RISKS AND UNCERTAINTIES

The majority of the company's turnover and profit is derived from its contract with the Councils. The agreement in 2014 of the contractual variation for and subsequent completion of the EfW plant has given the group a strong platform from which to move forward in the coming years. Principal risks are identified and assessed by the management team and reviewed by the Board of Directors. Resources are then allocated as appropriate.

In respect of the major construction project which has now been completed and has entered into full operation, quality and delivery risks have been mitigated by the use of suitably qualified management and consultants. Insurance, commensurate with the risks and sums involved, has been placed following advice from the group's broker. Risks relating to malfunction or breakdowns are mitigated through ongoing and scheduled maintenance.

Compliance with the terms of the loan facilities is essential. Appropriately qualified staff are engaged in administering the facility, and the group maintains regular contact with the lenders and their advisers.

Uncertainties surrounding prices are being experienced in the market for recyclable materials. The directors are monitoring developments and on-going risk mitigation is in place.

Determination of the provision requirements for the restoration and aftercare provisions is a financial risk for the company. Management consider that this risk is mitigated through a regular review of expenditure incurred during the financial period together with an assessment of future costs prepared in conjunction with external specialists.

FUTURE DEVELOPMENTS

Results for the year were satisfactory and the group continues to benefit from its strong contractual base with the two Councils. Management expects the volume of trade for 2018 to continue at similar levels to those experienced in 2017. During 2018, the group will see the Energy from Waste facility complete its first full year of operation and the strong performance observed so far is expected to continue. The group will also continue the repayment of the loan in line with repayment schedule agreed with the lenders.

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

J Peiro
Director
29 June 2018

DIRECTORS' REPORT

The directors' present their annual report and audited group and company financial statements for the year ended 31 December 2017. The group and company's principal activities, review of the business, results and dividends, future developments and principal risks and uncertainties are presented in the Strategic report and form part of this report by cross reference. There were no material events after the balance sheet date.

DIRECTORS

The directors who served during the year and thereafter were as follows:

FCC Environment Services (UK) Limited
Urbaser Limited
V. Orts
J. Peiro

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The group's activities expose it to a number of financial risks including cash flow risk, credit risk and liquidity risk.

Cash flow and credit risk
The group's largest customers are local authorities which minimises the risk of significant bad debts. Customer payments are monitored taking into account current market conditions. The group has a set of objectives in respect of the management of cash which encompass the requirements of the loan facility. Interest bearing liabilities are held at fixed rates.

Liquidity risk
In order to maintain liquidity to ensure that sufficient funds are available for ongoing operations and future developments, the group uses long-term debt finance. The group does not use derivative financial instruments.

DONATIONS

The company and group made no political or charitable donations during the year (2016 – none).

GOING CONCERN

From 21 May 2014, the date that the variation in respect of the EfW Plant was agreed, the group signed a combined Senior Term Loan Facilities Agreement with the County of Herefordshire District Council and Worcestershire County Council. Further details relating to the Facilities Agreement are noted within note 13 to the financial statements. The group continued to comply with the requirements of the facility during 2017.

The group's forecasts and projections, taking account of potential changes in trading performance, show that the group should be able to operate within its current loan facility. After making enquiries, the directors have a reasonable expectation that the company and the 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. Further details can be found in note 1.

DIRECTORS' REPORT (continued)

AUDITOR

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- the director has taken all the steps that he ought to have taken as a director in order 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 s418 of the Companies Act 2006.

Deloitte LLP have expressed their willingness to continue as auditor and a resolution to re-appoint them will be proposed at the forthcoming Annual General Meeting.

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

J Peiro
Director
29 June 2018

DIRECTORS' RESPONSIBILITIES STATEMENT

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and parent company and of the profit or loss of the group for that period. In preparing these financial statements, the directors are required to:

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MERCIA WASTE MANAGEMENT LIMITED

Opinion

In our opinion the financial statements:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2017 and of the group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Mercia Waste Management Limited (the 'parent company') which comprise:

- the consolidated profit and loss account;
- the consolidated and parent company balance sheets;
- the consolidated and parent company statements of changes in equity;
- the consolidated cash flow statement; and
- the related notes 1 to 21.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

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 and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

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

We have nothing to report in respect of these matters.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MERCIA WASTE MANAGEMENT LIMITED (continued)

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

We have nothing to report in respect of these matters.

Responsibilities of directors

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

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

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.

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

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.

Report on other legal and regulatory requirements

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 the directors' report has been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the directors' report and the strategic report.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MERCIA WASTE MANAGEMENT LIMITED MERCIA WASTE MANAGEMENT LIMITED

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

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

We have nothing to report in respect of these matters.

William Smith

William Smith MA FCA (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Statutory Auditor
Birmingham, United Kingdom
29 June 2018

GROUP PROFIT AND LOSS ACCOUNT
For the year ended 31 December 2017

	Note	2017 £	2016 £
TURNOVER	3	57,431,020	45,647,167
Cost of sales		(39,506,609	(38,219,366)
GROSS PROFIT		17,924,411	7,427,801
Administrative expenses		(25,500)	(14,578)
OPERATING PROFIT		17,898,911	7,413,223
Finance costs (net)	6	(8,281,392)	(58,475)
PROFIT BEFORE TAXATION	5	9,617,519	7,354,748
Tax on profit	7	422,567	(3,709,167)
PROFIT FOR THE FINANCIAL YEAR ATTRIBUTABLE TO THE EQUITY SHAREHOLDERS OF THE COMPANY		10,040,086	3,645,581

There are no recognised gains or losses in either year other than the profit for that financial year shown above. Accordingly, no separate group statement of other comprehensive income has been presented.

All activity arose from continuing operations.

The accompanying notes are an integral part of this profit and loss account.

GROUP BALANCE SHEET
As at 31 December 2017

	Note	2017 £	2016 £
FIXED ASSETS			
Tangible assets	8	175,518,356	164,484,421
CURRENT ASSETS			
Stock	10	-	22,500
Debtors – due within one year	11	11,386,061	9,472,578
Cash at bank and in hand		34,086,946	28,644,736
		45,473,007	38,139,814
CREDITORS: amounts falling due within one year	12	(16,520,616)	(13,135,078)
NET CURRENT ASSETS		28,952,391	25,004,736
TOTAL ASSETS LESS CURRENT LIABILITIES		204,470,747	189,489,157
CREDITORS: amounts falling due after one year		(156,978,829)	(146,783,390)
PROVISIONS FOR LIABILITIES	14	(13,914,069)	(14,305,004)
NET ASSETS		33,577,849	28,400,763
CAPITAL AND RESERVES			
Called-up share capital	17	100,000	100,000
Profit and loss account		33,477,849	28,300,763
SHAREHOLDERS' FUNDS		33,577,849	28,400,763

The financial statements of Mercia Waste Management Limited, company registration number 03525188, were approved by the Board of Directors and authorised for issue on 29 June 2018.

J Peiro

Director

COMPANY BALANCE SHEET
As at 31 December 2017

	Note	2017 £	2016 £
FIXED ASSETS			
Tangible assets	8	175,518,356	164,484,421
Investments	9	641,320	641,320
		176,159,676	165,125,741
CURRENT ASSETS			
Stock	10	-	22,500
Debtors – due within one year	11	12,946,405	11,032,884
Cash at bank and in hand		34,081,886	28,639,597
		47,028,291	39,694,981
CREDITORS: amounts falling due within one year	12	(20,907,545)	(17,562,897)
NET CURRENT ASSETS		26,120,746	22,132,084
TOTAL ASSETS LESS CURRENT LIABILITIES		202,280,422	187,257,825
CREDITORS: amounts falling due after more than one year	13	(156,978,829)	(146,783,390)
PROVISIONS FOR LIABILITIES	14	(13,914,069)	(14,305,004)
NET ASSETS		31,387,523	26,169,431
CAPITAL AND RESERVES			
Called-up share capital	17	100,000	100,000
Profit and loss account		31,287,523	26,069,431
SHAREHOLDERS' FUNDS		31,387,523	26,169,431

The profit of the parent company for the year ending 31 December 2017 was £10,081,092 (2016: £3,468,515). As permitted by Section 408 of the Companies Act 2006, no separate profit and loss account or statement of comprehensive income is presented in respect of the parent company.

The financial statements of Mercia Waste Management Limited, company registration number 03525188, were approved by the Board of Directors and authorised for issue on 29 June 2018.

J Peiro
Director

GROUP STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2017

	Called-up share capital £	Profit and loss account £	Total £
At 1 January 2016	100,000	24,655,182	24,755,182
Profit for the financial year and total comprehensive income	-	3,645,581	3,645,581
At 31 December 2016	100,000	28,300,763	28,400,763
Profit for the financial year and total comprehensive income	-	10,040,086	10,040,086
Dividend in the year	-	(4,863,000)	(4,863,000)
At 31 December 2017	100,000	33,477,849	33,577,849

COMPANY STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2017

	Called-up share capital £	Profit and loss account £	Total £
At 1 January 2016	100,000	22,420,916	22,520,916
Profit for the financial year and total comprehensive income	-	3,648,515	3,648,515
At 31 December 2016	100,000	26,069,431	26,169,431
Profit for the financial year and total comprehensive income	-	10,081,092	10,081,092
Dividend in the year	-	(4,863,000)	(4,863,000)
At 31 December 2017	100,000	31,287,523	31,387,523

GROUP CASH FLOW STATEMENT
For the year ended 31 December 2017

	Note	2017 £	2016 £
Net cash flows from operating activities	16	10,655,360	3,574,229
Cash flows from investing activities			
Proceeds from sale of equipment		57,241	194,925
Purchase of equipment		(14,113,979)	(54,985,607)
Interest received		79,927	71,189
Interest paid		(8,228,399)	-
Net cash flows used in investing activities		(22,205,210)	(54,719,493)
Cash flows from financing activities			
Loan facilities drawn down		25,795,018	59,165,255
Repayment of loan facilities		(3,956,458)	-
New grant received		16,500	789,312
Dividends paid		(4,863,000)	-
Net cash flows from financing activities		16,992,060	59,954,567
Net increase in cash and cash equivalents		5,442,210	8,809,303
Cash and cash equivalents at beginning of year		28,644,736	19,835,433
Cash and cash equivalents at end of year		34,086,946	28,644,736

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2017

1. ACCOUNTING POLICIES

The principal accounting policies are summarised below. They have all been applied consistently throughout the current and preceding year.

a) General information and basis of accounting

Mercia Waste Management Limited is a private company limited by shares and Registered in England and Wales and incorporated in the United Kingdom under the Companies Act 2006. The address of the registered office is given on page 1. The nature of the group's operations and its principal activities are set out in the Strategic report on pages 2 and 3.

The financial statements have been prepared under the historical cost convention and in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council.

The functional currency of Mercia Waste Management Limited is considered to be pounds sterling because that is the currency of the primary economic environment in which the company operates. The consolidated financial statements are also presented in pounds sterling.

Mercia Waste Management Limited meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions available to it in respect of its separate financial statements, which are presented alongside the consolidated financial statements. Exemptions have been taken in relation to presentation of a cash flow statement, intra-group and related party transactions and remuneration of key management personnel.

b) Going concern

The group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Director's Report. The Director's Report also describes the financial position of the group; the group's objectives, policies and processes for managing its capital; and the group's policies to mitigate its principal risks and uncertainties. From 21 May 2014, the date that the variation in respect of the EfW Plant was agreed, the group signed a combined Senior Term Loan Facilities Agreement with the County of Herefordshire District Council and Worcestershire County Council. Further details relating to the Facilities Agreement are noted within note 13 to the financial statements. The group continued to comply with the requirements of the facility during 2017. The details of the loan facilities are included within note 13. These facilities provide for the group's working capital requirements along with its capital expenditure obligations.

The group's forecasts and projections, taking account of potential changes in trading performance, show that the group should be able to operate within its current loan facility. After making enquiries, the directors have a reasonable expectation that the company and the 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.

c) Basis of consolidation

The group financial statements consolidate the financial statements of the company and its subsidiary undertakings drawn up to 31 December each year. Beacon Waste Limited is accounted for at cost less impairment in the company only financial statements.

Business combinations are accounted for under the purchase method. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the group. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2017

1. **ACCOUNTING POLICIES (continued)**

d) Tangible fixed assets

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment.

Depreciation is provided on tangible fixed assets at rates calculated to write off the cost of each asset over their expected useful lives as follows:

Freehold – buildings	22 years
Short leasehold land and buildings	4 – 23 years
Long leasehold land and buildings	25 years
Plant and machinery	5 – 15 years
Vehicles	4 – 12 years
Fixtures, fittings and equipment	4 – 12 years
EfW Plant	7 years

No depreciation is provided on freehold land and assets under construction. Depreciation commences when substantially all the activities that are necessary to get the asset ready for use are complete. Leasehold land is depreciated over the term of the contract to which it is held.

Residual value is calculated on prices prevailing at the date of acquisition.

In respect of the EfW Plant, the residual value is determined by reference to a contracted payment, to be received on termination of the Waste Management Service Contract at the end of 2023 when the ownership of the Plant will transfer to the Councils.

The landfill site is depreciated over its useful life by reference to the volume of waste deposited during the year and the directors' assessment of the total capacity of the site.

Cell preparation costs are capitalised and depreciated on the basis of waste deposited.

e) Fixed asset investments

Fixed asset investments are shown at cost less provision for impairment.

f) Stocks

Stock consists wholly of finished goods and is stated at the lower of cost and estimated selling price less costs to sell, which is equivalent to the net realisable value. The cost formula used is simply the purchase price paid for the stock. Provision is made for obsolete, slow moving or defective items where appropriate.

g) Borrowing costs

Borrowing costs which are directly attributable to the construction of tangible fixed assets are capitalised as part of the cost of those assets. The commencement of capitalisation begins when both finance costs and expenditures for the asset are being incurred and activities that are necessary to get the asset ready for use are in progress. Capitalisation ceases when substantially all the activities that are necessary to get the asset ready for use are complete.

h) Debt

Debt is initially stated at the amount of the net proceeds after deduction of issue costs. The carrying amount is increased by the finance cost in respect of the accounting period and reduced by payments made in the year. Issue costs incurred in advance of debt being drawn down are shown in prepayments and accrued income.

i) Revenue Recognition

Turnover represents amounts receivable for goods and services provided in the normal course of business, net of trade discounts and VAT. Turnover from the supply of services represents the value of services provided under contracts to the extent there is a right to consideration and is recorded at the value of the consideration due and on the date on which the service has been provided.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2017

1. **ACCOUNTING POLICIES (continued)**

j) Taxation

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

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

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date that are expected to apply to the reversal of the timing difference.

Current tax assets and liabilities are offset only when there is a legally enforceable right to set off the amounts and the group intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Deferred tax assets and liabilities are offset only if: a) the group has a legally enforceable right to set off current tax assets against current tax liabilities; and b) the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

k) Government grants

Government grants are recognised based on the accrual model and are measured at the fair value of the asset received or receivable. Grants are classified as relating either to turnover or to assets. Grants relating to turnover are recognised in income over the period in which the related costs are recognised. Grants relating to assets are recognised over the expected useful life of the asset. Where part of a grant relating to an asset is deferred, it is recognised as deferred income.

l) Financial instruments

Financial assets and financial liabilities are recognised when the company becomes a party to the contractual provisions of the instrument.

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

(i) Financial assets and liabilities

All financial assets and liabilities are initially measured at transaction price (including transaction costs).

Financial assets and liabilities are only offset in the statement of financial position when, and only when there exists a legally enforceable right to set off the recognised amounts and the company intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

1. **ACCOUNTING POLICIES (continued)**

l) Financial instruments (continued)

Debt instruments that are classified as payable or receivable within one year on initial recognition and which meet the above conditions are measured at the undiscounted amount of the cash or other consideration expected to be paid or received, net of impairment.

Debt instruments are subsequently measured at amortised cost using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Financial assets are derecognised when and only when a) the contractual rights to the cash flows from the financial asset expire or are settled, b) the company transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or c) the company, despite having retained some, but not all, significant risks and rewards of ownership, has transferred control of the asset to another party.

Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

(ii) Equity instruments

Equity instruments issued by the company are recorded at the fair value of cash or other resources received or receivable, net of direct issue costs.

m) Impairment of assets

Assets, other than those measured at fair value, are assessed for indicators of impairment at each balance sheet date. If there is objective evidence of impairment, an impairment loss is recognised in profit or loss as described below.

For financial assets carried at amortised cost, the amount of impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost less impairment, the impairment loss is the difference between the asset's carrying amount and the best estimate of the amount that would be received for the asset if it were to be sold at the reporting date.

Where indicators exist for a decrease in impairment loss, and the decrease can be related objectively to an event occurring after the impairment was recognised, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired financial asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised.

n) Landfill Cell Restoration

Full provision is made for the anticipated costs of landfill cell restoration. The liability is calculated on a cell by cell basis and is capitalised on commencement of tipping in each cell. The liability is an estimate based on the physical requirements of the restoration for each particular cell and the Directors knowledge of the relevant costs. As cell restoration takes place within a year or two of the cells being filled with waste an adjustment for the change in value of the liability due to inflation is not considered to be material. Depreciation takes place over the useful life of each cell. Restoration costs crystallise when a cell reaches full capacity and is subsequently capped and restored.

o) Decommissioning

Provision is made for the unavoidable costs of decommissioning certain assets which will crystallise on completion of the landfill site.

The value is capitalised and then depreciated over the useful life of the site.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2017

1. **ACCOUNTING POLICIES (continued)**

p) Aftercare

Provision is made over the life of the landfill site for the anticipated future costs of managing the landfill site which will crystallise after closure. The provision increases in line with the quantity of waste deposited in the year, since the liabilities in relation to these costs increase as waste is deposited. Anticipated future costs have been discounted at a rate of 2% and the unwinding of the discount is disclosed within interest payable and similar charges.

2. **CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY**

In the application of the group's accounting policies, which are described in note 1, 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.

Critical judgements in applying the group's accounting policies
The following are the critical judgements and estimations that the directors have made in the process of applying the group's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

a) Valuation of EfW Plant

The Company has agreed to give the EfW Plant to the Councils on the expiry of the Waste Management Service Contract (WMSC). In return the Company will receive a payment of cash. The Directors have considered the valuation at the date of expiry of the WMSC and consider it to be reasonable. The transaction which was entered into in 2014 accordingly defines the Company's policy for depreciating the asset.

Key sources of estimation uncertainty

a) Landfill liabilities

The company operates a large landfill facility in compliance with relevant operational permits, licences and regulations. Management include provisions in the financial statements for the future cost of decommissioning, restoration and aftercare in respect of its landfill site (see note 14). Each of these provisions is calculated in accordance with the relevant legal and practical requirements.

Inherent in calculating the sum to be recognised in the accounts is the need to make an estimate of all costs known to be relevant to the particular provision. Knowledge and experience of these types of operations and their resultant costs is accessed via the group and its shareholders and is utilised in the original and periodic review. In the case of restoration, estimates are viewed against regular work undertaken to restore the landfill cells as the site develops. However, in the case of the aftercare provision it is more difficult to predict the requirements of the provision until the site closes and the aftercare period is complete, a total period of more than seventy years. A discount rate of 2% is applied to the estimated future cash flows. This in recognition of the long term nature of the aftercare liability and to acknowledge the time value of money. The provision is based on currently known technologies and has been reviewed by a related company who operate a number of landfill sites and was developed in conjunction with a third party consultant engineer.

The directors considered the Landfill Aftercare Provision in the light of the commencement of operations at the Energy from Waste Plant which will lead to a fall in the tonnage landfilled by the Company. As a result the provision will continue to be built up on the same basis as before but will accrue more slowly in line with the predicted fall in volumes sent to the site. This has not had a material effect on the current year expense or liability.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2017

3. TURNOVER

Turnover relates to the principal activities and arose entirely within the UK. An analysis of the group's turnover is as follows:

	2017	2016
	£	£
Landfill tax charged	4,550,553	15,737,551
Waste management services (including disposal)	29,431,619	11,904,893
Recycling, composting, electricity and other sales	23,448,848	18,004,723
	57,431,020	45,647,167

4. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

The directors received no remuneration for their services to the group during either year.

Other than the directors, the group has no employees. The company's business activities are managed by the staff employed by Severn Waste Services Ltd.

5. PROFIT BEFORE TAXATION

Profit before taxation is stated after charging/(crediting):

	2017	2016
	£	£
Depreciation of tangible fixed assets	7,559,040	3,575,576
Profit on disposal of fixed assets	(497)	(180,576)
Amortisation of Government grant income	(562,480)	(159,593)

The analysis of auditor's remuneration is as follows:

	2017	2016
	£	£
Fees payable to the company's auditor for the audit of company's annual financial statements	32,000	29,100
The audit of the company's subsidiaries pursuant to legislation	2,000	2,000
Total audit fees	34,000	31,100
Tax services – compliance	-	7,760
Other taxation services	-	3,800
Total non-audit fees	-	11,560

The disclosures above are for the group. The company is not required, in its individual financial statements, to disclose separately information about fees for non-audit services provided to the company because the consolidated financial statements are required to disclose such fees on a consolidated basis.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2017

6. FINANCE COSTS (NET)

	2017 £	2016 £
Bank interest received	79,927	71,189
Loan interest payable	(8,228,399)	-
Unwinding of the discount on provisions	(132,920)	(129,664)
	(8,281,392)	(58,475)

7. TAX ON PROFIT

	2017 £	2016 £
Current tax on profit		
UK corporation tax	40,890	-
Adjustments in respect of prior years' tax provisions	14,300	2,855
Total current tax	55,190	2,855
Deferred tax		
Origination and reversal of timing differences	(28,468)	4,095,801
Adjustments in respect of previous periods	(157,692)	(255,009)
Effect of changes in tax rates	(291,597)	(134,480)
Total deferred taxation (see notes 14 & 15)	(477,757)	3,706,312
Total tax on profit	(422,567)	3,709,167

The standard rate of tax applied to profit on ordinary activities is 19% (2016 – 20%). Finance Act 2016, which was substantively enacted in September 2016, included provisions to reduce the rate of corporation tax to 19% with effect from 1 April 2017 and 18% from 1 April 2020. Accordingly, deferred tax balances have been revalued to the lower rate in these accounts. To the extent that deferred tax reverses before 1 April 2020 then the impact on the net deferred tax liability will be reduced.

The difference between the total tax charge shown above and the amount calculated by applying standard rate of UK corporation tax to the profit before tax is as follows:

	2017 £	2016 £
Group profit activities before tax	9,617,598	7,354,748
Tax on group profit at standard UK corporation tax rate of 19. 25% (2016 – 20%)	1,851,042	1,470,950
Effects of:		
Expenses not deductible for tax purposes	396,767	397,741
Tax rate changes	(291,597)	(867,004)
Transfer pricing adjustment	-	(4)
Deferred tax not recognised	(2,246,923)	2,959,638
Prior period adjustment	(143,392)	(252,154)
Group relief	11,536	-
Group total tax (credit)/charge for the year	(422,567)	3,709,167

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2017

8. TANGIBLE FIXED ASSETS

Group and company

	Freehold land and buildings (i)	Long leasehold land	Freehold land landfill site	Cell preparation assets	Short leasehold land and buildings	Long leasehold buildings	Plant, machinery, vehicles, fixtures, fittings and equipment	Assets under construction	Total (ii)
	£	£	£	£	£	£	£	£	£
Cost									
At 1 January 2017	95,776	232,252	3,078,046	8,970,681	23,700,063	833,171	20,113,875	142,988,051	200,011,915
Transfer	-	-	-	-	52,082,298	-	108,013,027	(160,095,325)	-
Additions	-	-	-	(32,910)	20,906	-	1,513,748	17,147,975	18,649,719
Disposals	-	-	-	-	-	-	(375,604)	(40,700)	(416,304)
At 31 December 2017	95,776	232,252	3,078,046	8,937,771	75,803,268	833,171	129,265,047	-	218,245,330
Depreciation									
At 1 January 2017	20,472	127,364	2,110,069	8,359,845	13,380,805	576,613	10,952,326	-	35,527,494
Charge for year	-	14,984	73,734	254,811	2,711,472	36,685	4,467,354	-	7,559,040
Disposals	-	-	-	-	-	-	(359,560)	-	(359,560)
At 31 December 2017	20,472	142,348	2,183,803	8,614,656	16,092,277	613,298	15,060,120	-	42,726,974
Net book value									
At 31 December 2017	75,304	89,904	894,242	323,115	59,710,991	219,873	114,204,927	-	175,518,356
At 31 December 2016	75,304	104,888	967,977	610,836	10,319,258	256,558	9,161,549	142,988,051	164,484,421

(i) Included in freehold land and buildings is land of £75,304 (2016 - £75,304) that has not been depreciated.

(ii) Cumulative finance costs capitalised included in the cost of tangible fixed assets amount to £7,387,160 (2016 - £7,371,488).

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2017

9. INVESTMENTS

Company	2017	2016
	£	£
Subsidiary undertaking		
At 1 January and 31 December	641,320	641,320

The above amounts represent cost and net book value. The parent company owns 100% of the ordinary share capital of Beacon Waste Limited, a non-trading company registered in England and Wales whose registered and principal business address is the same as that of Mercia Waste Management included in page 1.

10. STOCK

Group and company	2017	2016
	£	£
Consumables	-	22,500

There is no material difference between the balance sheet value of stocks and their replacement cost.

11. DEBTORS

	Group		Company	
	2017	2016	2017	2016
	£	£	£	£
Amounts falling due within one year:				
Trade debtors	10,654,106	6,587,035	10,654,106	6,587,035
Amounts owed by subsidiary undertakings	-	-	1,560,344	1,560,344
Amounts owed by related parties (note 21)	-	38,785	-	38,785
Corporation tax	-	1,622,844	-	1,622,806
Other debtors	730,561	351,311	730,561	351,311
Other taxation	-	871,265	-	871,265
Prepayments	1,394	1,338	1,394	1,338
Total	11,386,061	9,472,578	12,946,405	11,032,884

Amounts owed by subsidiary undertakings are non-interest bearing and repayable on demand.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2017

12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Company	
	2017	2016	2017	2016
	£	£	£	£
Trade creditors	2,400,360	5,236,322	2,400,360	5,236,322
Amounts owed to group undertakings	-	-	4,427,820	4,427,819
Amounts owed to fellow related parties (note 21)	3,247,004	3,332,406	3,247,004	3,332,406
Other creditors	765,476	-	765,476	-
Corporation tax	40,890	-	-	
Government grants	635,279	184,933	635,279	184,933
Accruals	3,743,124	47,487	3,743,124	47,487
Borrowings	5,688,483	4,333,930	5,688,483	4,333,930
	16,520,616	13,135,078	20,907,546	17,562,897

Amounts owed to group undertakings and related parties are non-interest bearing and repayable on demand.

13. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Group		Company	
	2017	2016	2017	2016
	£	£	£	£
Loans (secured)	153,849,589	145,719,825	153,849,589	145,719,825
Government grants	3,129,240	1,063,565	3,129,240	1,063,565
	156,978,829	146,783,390	156,978,829	146,783,390

Borrowings are repayable as follows:

Loans				
Between one and two years	5,667,938	6,231,203	5,667,938	6,231,203
Between two and five years	20,132,486	20,109,786	20,132,486	20,109,786
After five years	128,049,165	119,378,836	128,049,165	119,378,836
Due after more than one year	153,849,589	145,719,825	153,849,589	145,719,825
Due within one year (note 12)	5,688,483	4,333,930	5,688,483	4,333,930
	159,538,072	150,053,755	159,538,072	150,053,755
Government grants				
Between one and two years	635,279	184,931	635,279	184,931
Between two and five years	1,905,838	544,793	1,905,838	544,793
After five years	588,123	333,841	588,123	333,841
Due after more than one year	3,129,180	1,063,565	3,129,180	1,063,565
Due within one year (note 12)	635,279	184,933	635,279	184,933
	3,764,459	1,248,498	3,764,5459	1,248,498

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2017

13. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR (continued)

	Group		Company	
	2017	2016	2017	2016
	£	£	£	£
Total borrowings				
Between one and two years	6,190,788	6,416,134	6,190,788	6,416,134
Between two and five years	22,223,886	20,654,579	22,223,886	20,654,579
After five years	128,572,015	119,712,677	128,572,015	119,712,677
Due after more than one year	156,986,689	146,783,390	156,986,689	146,783,390
Due within one year (note 12)	6,315,853	4,518,863	6,315,853	4,518,863
	163,302,542	151,302,253	163,302,542	151,302,253

On 21 May 2014 the group entered into a Senior Term Loan Facility Agreement with Worcestershire County Council and The County of Herefordshire District Council. The total facility to be drawn down was £163m at scheduled available dates during the course of construction of the EnviRecover. The final loan drawdown was completed in February 2017 upon takeover of the EnviRecover.

The facility is split into two components; Facility A, £35m, is repayable in instalments between June 2017 and May 2023. During the year the first two repayment instalments were made in June and December 2017. Facility B, £128m, is repayable by single payment in January 2024.

Interest of 5.48 – 6.31% is calculated daily and rolled up. The interest is repayable alongside the principal loan capital.

The facility is secured via a suite of rights granted to the Lender via the Senior Term Loan Facility Agreement and Waste Management Service Contract of 1998 as varied in 2014. The net book value of the EnviRecover EfW Plant is £155,834,105 as at 31 December 2017, and this is held as security against the outstanding loan balance.

Government grants were received for capital costs incurred in set up of household waste site as well as an amount towards the cost of the EnviRecover. Grants are amortised over the remaining life of the council contracts, which expires in December 2023.

14. PROVISIONS FOR LIABILITIES

Group and company	De-commissioning provision £	Restoration provision £	Aftercare provision £	Deferred taxation (note 15) £	Total £
At 1 January 2017	492,840	534,140	6,645,999	6,632,025	14,305,004
Additional provision in the year	-	-	-	-	-
Utilisation of provision	-	(221,780)	-	-	(221,780)
Charged to profit and loss account	-	-	175,683	(477,756)	(302,073)
Adjustment arising from unwinding of discount	-	-	132,920	-	132,920
At 31 December 2017	492,840	312,359	6,954,602	6,154,268	13,914,069

Please refer to the statement of accounting policies for further information regarding the nature of the de-commissioning, restoration and aftercare provisions.

15. DEFERRED TAXATION

The deferred taxation asset/(liability) is provided as follows:

	2017 £	2016 £
Group and company		
Capital allowances	(8,701,922)	(6,826,249)
Other timing differences	2,547,654	194,224
	(6,154,268)	(6,632,025)

	2017 £	2016 £
Deferred tax assets and liabilities		
Asset recoverable after one year	2,547,654	194,224
Liability payable after one year	(8,701,922)	(6,826,249)

The timing difference on capital allowances is likely to reduce in future years as capital expenditure falls following completion of the EfW Plant. There is likely to be a large fall in the remainder of the balance on expiry of the Contract.

16. RECONCILIATION OF OPERATING PROFIT TO NET CASH FLOWS FROM OPERATING ACTIVITIES

	2017 £	2016 £
Operating profit	17,898,911	7,413,223
Depreciation charges	7,559,040	3,575,576
Profit on disposal of fixed assets	(497)	(180,578)
Amortisation of Government grant income	(562,480)	(159,593)
Operating cash flow before movement in working capital	24,894,975	10,648,628
Increase in debtors	(3,536,327)	(1,315,488)
Decrease in creditors	(12,321,144)	(5,503,371)
Decrease/(Increase) in stocks	22,500	(22,500)
Decrease in provisions	(13,188)	(225,989)
Net cash inflow from operating activities	9,046,816	3,581,280
Corporation tax received/(paid)	1,608,544	(7,051)
Net cash from operating activities	10,655,360	3,574,229

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2017

17. CALLED-UP SHARE CAPITAL

Group and company	2017	2016
	£	£
Called-up, allotted and fully paid		
100,000 ordinary shares of £1 each	100,000	100,000

18. FINANCIAL COMMITMENTS

At 31 December 2017 contracted capital commitments in the group and in the company amounted to £3,461,281 (2016 – £13,440,775).

19. FINANCIAL INSTRUMENTS

The carrying values of the group and company's financial assets and liabilities are summarised by category below:

	Group		Company	
	2017	2016	2017	2016
	£	£	£	£
Financial assets (note 11)				
Measured at undiscounted amount receivable:				
Trade and other debtors	27,000,432	6,938,346	27,000,432	6,938,346
Amounts owed by subsidiary undertakings	-	-	1,560,344	1,560,344
Amounts owed by related parties	-	38,785	-	38,785
	27,000,432	6,977,131	28,560,776	8,537,475
Financial liabilities				
Measured at amortised cost:				
Loans payable (see note 13)	159,538,072	150,053,755	159,538,072	150,053,755
Measured at undiscounted amount payable:				
Trade and other creditors (see note 12)	3,206,726	5,236,322	3,165,836	5,236,322
Amounts owed to group undertakings (see note 12)	-	-	4,427,820	4,427,819
Amounts owed to fellow related parties (see note 12)	3,247,004	3,332,406	3,247,004	3,332,406
	165,991,802	158,622,483	170,378,732	163,050,302

The group and company's income, expense, gains and losses in respect of financial instruments are summarised below:

	Group		Company	
	2017	2016	2017	2016
	£	£	£	£
Interest income and expense				
Total interest expense for financial liabilities at amortised cost	(8,361,319)	(129,664)	(8,361,319)	(129,664)
Total interest income for financial assets at amortised cost	79,927	71,189	79,927	71,189

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2017

20. ULTIMATE CONTROLLING PARTY

There is no ultimate controlling party as the group and company are jointly owned by FCC Environment Services (UK) Limited of Ground Floor West, 900 Pavillion Drive, Northampton Business Park, Northampton, NN4 7RG and Urbaser Limited of First Floor Westmoreland House, 80 – 86 Bath Road, Cheltenham, GL53 7JT.

21. RELATED PARTY TRANSACTIONS

Trading transactions

The group and company previously appointed Severn Waste Services Limited ("Severn"), a fellow company under common control, to operate all of the group's and company's planned and existing waste management installations under the terms of an Operating and Maintenance Agreement. Severn is responsible for performing the obligations of the group and company, and received a fee of £30,679,291 (2016 – £34,604,574) for this in the year.

On 21 May 2014, the company, as contractor, signed a Construction Management Agreement with Severn acting as the construction manager. Fees charged to the group and company during the year were £94,282 (2016 – £423,528) and amounts paid to cover commissioning costs were £641,226 (2016 – £2,020,624).

The trading balance owed to Severn by the group and company at 31 December 2017 was £3,247,004 (2016 – £3,332,406).

FCC Environment Services (UK) Limited and Urbaser Limited are the joint venture shareholders of Severn Waste Services Limited. The company invoiced waste disposal charges to FCC Environment Services (UK) Limited of £449,368 (2016 - £47,319) in the year. The amount owed to the company by FCC Environment Services (UK) Limited at 31 December 2017 was £nil (2016 – £38,785).

Other related party transactions

The key management personnel are employed to work on behalf of Severn Waste Services Limited and Mercia Waste Management Limited; they are remunerated by the former.