

**Company Registration No. 05567306**

**FCC PFI Holdings Limited**

**Annual report and financial statements  
for the year ended 31 December 2017**



# **FCC PFI Holdings Limited**

## **Annual report and financial statements 2017**

<b>Contents</b>	<b>Page</b>
<b>Officers and professional advisers</b>	<b>1</b>
<b>Strategic report</b>	<b>2</b>
<b>Directors' report</b>	<b>6</b>
<b>Independent auditor's report</b>	<b>8</b>
<b>Statement of comprehensive income and expense</b>	<b>11</b>
<b>Balance sheet</b>	<b>12</b>
<b>Statement of changes in equity</b>	<b>13</b>
<b>Notes to the financial statements</b>	<b>14</b>

# **FCC PFI Holdings Limited**

## **Annual report and financial statements 2017**

### **Officers and professional advisers**

#### **Directors**

P Taylor  
V F Orts-Llopis  
J Liebana Alcantarilla  
T Nunez Vega

#### **Company Secretary**

C Nunn

#### **Registered Office**

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

#### **Auditor**

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

# **FCC PFI Holdings Limited**

## **Strategic report**

The Directors present their strategic report on the affairs of FCC PFI Holdings Limited (“the Company”) for the year ended 31 December 2017.

### **Overview of Group**

The Company is a direct subsidiary of Fomento de Construcciones y Contratas, S.A. (“FCC”), the ultimate parent company domiciled in Spain. FCC is a significant multi-national business listed on the Madrid stock exchange with operations in Europe, America, Africa and the Middle East. FCC’s principal activities cover Environmental Services (including water and waste management), Construction, Cement and Infrastructure.

The activities, strategy and risks affecting the Company are inextricably similar to, and dependent on, those of FCC Environment (UK) Limited (“FCC E UK”) and FCC E UK’s subsidiary undertakings (together the “Group”), which, like the Company, are all fellow subsidiary undertakings of FCC. The Company relies upon the Group for the provision of many of its services and to operate the waste management facilities and contracts. Consequently the following narrative relates to the Group and includes the Company as a fellow subsidiary undertaking of FCC.

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 43 subsidiaries (together the “Group” or “FCC E UK”) as a leading waste management, recycling and renewable energy business, and the Group’s ambition to maintain its position as a significant player in establishing the next generation of waste treatment infrastructure in the UK. The core services provided by the Group are fully aligned with FCC’s strategic growth plans and it is ideally placed to take advantage of local opportunities to provide the services and infrastructure required by the UK to meet existing legislative framework and emerging proposals to create a circular economy 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 strategy is to “Own the Waste” where possible and to maximise the value of resource, produce renewable energy and to provide 360 degree solutions to its customers. 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. The Board remains of the view that Energy from Waste (“EfW”) will be 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 to reduce our carbon footprint.

### **Principal activities**

The principal activity of the Company during the year ended 31 December 2017 was that of an investment holding company for special purpose vehicles set up in the UK by its parent undertaking, FCC to undertake the trading activity relating to the preparation and submission of municipal infrastructure bids. Operation of the Private Finance Initiative (“PFI”) and Public Private Partnerships (“PPP”) business won by the Company’s subsidiaries is then sub-contracted out to FCC E UK, a fellow subsidiary of FCC, and/or its subsidiaries.

### **Developments in the year**

The Company continued to act as a holding company for special purpose vehicles. There were no significant changes to the nature of the Company’s business in the year.

### **Business review**

The Directors consider that the Company’s business performed in line with expectations during the year.

# FCC PFI Holdings Limited

## Strategic report

### Results, dividends and key performance indicators

The results for the year ended 31 December 2017 are set out on page 10. The loss for the financial year ended 31 December 2017 amounted to £1.2million (2016: £2.2million profit). The Company did not pay an interim dividend during the year (2016: £nil) and furthermore, the Directors do not recommend the payment of a final dividend (2016: £nil). The loss for the financial year has been withdrawn from reserves (2016: transferred to), resulting in a corresponding decrease (2016: increase) in total equity in the year.

The operating loss in 2017 was £0.2million (2016: £3.4million profit). The current year operating result reflects the amortisation of capitalised site development costs, whilst the prior year operating result reflected the recovery of previously expensed bid costs on the Edinburgh and Midlothian PFI which closed during 2016.

FCC manages its operations on a divisional basis and information regarding key performance indicators is included within the FCC annual report. For this reason, the Company's Directors believe that the disclosure of further financial and non-financial key performance indicators for the Company is not appropriate for an understanding of the development, performance or position of the business. Copies of the FCC annual report can be obtained from the address in note 16.

### Future developments

The Directors expect the Company to continue its activities as an investment holding company during the forthcoming year.

### Principal risks and uncertainties

Operating in the UK's highly regulated waste management market presents numerous risks and uncertainties to the Group. The Directors regard the following to be the principal risks and uncertainties affecting the Group and their approach to managing these risks and uncertainties is considered below:

- **Environmental risks:** The Group's environmental risks are tightly controlled under environmental legislation enforced principally by the Environment Agency ("EA"), Scottish Environment Protection Agency ("SEPA") and Natural Resources Wales ("NRW"). Compliance with all environmental legislation pertinent to the Group's activities is a minimum requirement. A dedicated in-house team prepare regular reports on environmental compliance at the Group's sites for the 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.

# FCC PFI Holdings Limited

## Strategic report

### Principal risks and uncertainties (continued)

- **Business continuity:** The Group, as part of its risk management programme, has developed business continuity planning for its operations. As part of this planning, the Group has developed a bespoke emergency plan for each operational facility (including the diversion of waste from single or multiple sites in the event of major disruption or disaster affecting a site or region). The Group's IT systems are outsourced to a specialist IT services company and are covered by an IT disaster recovery plan, to ensure business continuity.
- **Legislation:** The Group monitors forthcoming and current legislation to ensure full compliance and to anticipate and assess the impact upon its operations, including the significant opportunities it can present. The waste management industry is subject to extensive government regulation which has a substantial impact on the Group's business, FCC E UK therefore actively lobbies for its interests at European, national and regional levels through trade associations and federations.
- **Economic:** The Group has exposure to reduced economic activity, and in the current year has seen waste volumes reduce where lower economic output has been a factor. Reduced global demand for recyclates continues to suppress pricing and Brexit effects on exchange rates has impacted pricing of Refuse Derived Fuel (RDF) exports into mainland Europe. The Group's strategy is focused on growing through recycling and EfW where margins are generally higher than traditional landfill.
- **Litigation:** The Group is subject to litigation from time to time. The outcome of legal action is always uncertain and there is a risk that it may prove more costly and time consuming than expected. There is also a risk that litigation could be instigated in the future that could materially impact the Group. In some liability cases legal expenses are covered by the Group's liability insurance. This risk is mitigated through continued monitoring and employing an experienced and dedicated in-house legal team.
- **Competitive risk:** The Group operates in highly competitive markets in which competitors' service offerings may react faster to legislative and market dynamics than those of the Group. To mitigate this risk the Group ensures that its asset, cost and capital base is regularly reviewed and flexed to meet changes in customers' demands and to maximise cash generation.
- **Employees:** The loss of key employees or the inability to hire experienced management personnel could have a materially adverse effect on the business. To manage this risk, succession planning for senior positions within the Group is undertaken. In addition, the Group has the benefit of being able to draw on wider resources from within the FCC Group.
- **Technology:** The Group relies on a variety of information technology platforms for the efficient delivery of its services and has therefore employed a structured IT support team, using internal and external resources. In addition, as there are a wide variety of technologies available to the waste management industry, there is a risk that the technologies employed by the Group might fail to deliver expected performance levels or end products for its customers and so the Group has made a significant investment into establishing a dedicated technical and development team. This team review and assess the available technologies before any are adopted to ensure they will meet the needs of the business and those of its customers.

### Financial risk management objectives and policies

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

### Credit and liquidity risk

The Company's exposure to credit and liquidity risk is reduced as it is a wholly owned subsidiary of FCC. The Directors consider credit risk to be minimal as debtor balances included within the Company's balance sheet consist of amounts due from subsidiaries and post preferred bidder costs in respect of PFI and PPP contracts. Liquidity risk is the risk that the Company will not have sufficient resources to meet its cash flow commitments. The Directors consider that liquidity risk is also limited as the creditor balances included within the Company's balance sheet all relate to amounts owed to fellow members of FCC.

# **FCC PFI Holdings Limited**

## **Strategic report**

### **Going concern**

The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis in preparing the annual financial statements.

Further details regarding the adoption of the going concern basis can be found in the accounting policies in the financial statements.

Approved by the Board and signed on its behalf by:

A handwritten signature in black ink, appearing to read 'C Nunn', is written over a horizontal line.

**C Nunn**  
Company secretary  
24 April 2018

# **FCC PFI Holdings Limited**

## **Directors' report**

The Directors present their annual report and the audited financial statements of the Company for the year ended 31 December 2017. Information on the Company's going concern status, financial risk management policies and dividends are disclosed in the strategic report.

### **Directors**

The following individuals served as Directors of the Company during the year ended 31 December 2017 and up to the date of this report:

P Taylor  
V F Orts-Llopis  
J Liebana Alcantarilla  
T Nunez Vega

### **Directors' indemnities**

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

### **Future developments**

The future developments of the company are considered in detail in the Strategic report on page 3.

### **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 101 "Reduced Disclosure Framework".

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

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable 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.



# **FCC PFI Holdings Limited**

## **Directors' report**

### **Auditor**

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

- so far as the Directors are aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the Directors have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

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

Approved by the Board and signed on its behalf by:

A handwritten signature in black ink, appearing to be 'C Nunn', with a wavy line extending from the end.

**C Nunn**  
Company secretary

26 April 2018

# **FCC PFI Holdings Limited**

## **Independent auditor's report to the members of FCC PFI Holdings Limited**

### **Report on the audit of the financial statements**

#### **Opinion**

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2017 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of FCC PFI Holdings Limited (the 'company') which comprise:

- the statement of comprehensive income and expense;
- the balance sheet;
- the statement of changes in equity;
- the related notes 1 to 16.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework" (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 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.

# **FCC PFI Holdings Limited**

## **Independent auditor's report to the members of FCC PFI Holdings Limited**

### **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.

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](http://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.

## **FCC PFI Holdings Limited**

### **Independent auditor's report to the members of FCC PFI Holdings Limited**

#### **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 have 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 strategic report or the directors' report.

#### **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.



Makhan Chahal (Senior statutory auditor)  
For and on behalf of Deloitte LLP  
Statutory Auditor  
London, United Kingdom

30th April 2018

# FCC PFI Holdings Limited

## Statement of comprehensive income and expense For the year ended 31 December 2017

	Notes	2017 £'000	2016 £'000
Administrative (expenses)/income		(158)	3,370
<b>Operating (loss)/profit</b>		<b>(158)</b>	<b>3,370</b>
Interest receivable and similar income	6	1,161	1,284
Interest payable and similar charges	6	(2,250)	(2,778)
Income from shares in group undertakings		-	364
<b>(Loss)/profit before taxation</b>	<b>4</b>	<b>(1,247)</b>	<b>2,240</b>
Tax on (loss)/profit	7	-	-
<b>(Loss)/profit for the financial year</b>		<b>(1,247)</b>	<b>2,240</b>
<b>Other comprehensive result for the year, net of tax</b>		<b>-</b>	<b>-</b>
<b>Total comprehensive (expense)/income for the year</b>		<b>(1,247)</b>	<b>2,240</b>

All results in the year ended 31 December 2017 relate to continuing operations.

The notes on pages 14 to 24 are an integral part of these financial statements.

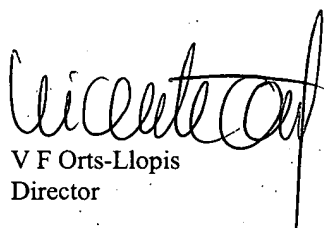
# FCC PFI Holdings Limited

## Balance sheet As at 31 December 2017

	Note	2017 £'000	2016 £'000
<b>Fixed assets</b>			
Intangible fixed assets	8	4,416	4,574
Investments	9	1,690	1,690
		<u>6,106</u>	<u>6,264</u>
<b>Current assets</b>			
Debtors: amounts due within one year	10	14,585	14,272
Debtors: amounts due after more than one year	11	25,063	31,417
		<u>39,648</u>	<u>45,689</u>
Total debtors			
Cash and cash equivalents		10	860
		<u>39,658</u>	<u>46,549</u>
<b>Creditors: amounts falling due within one year</b>	12	-	(123)
<b>Net current assets</b>		<u>39,658</u>	<u>46,426</u>
<b>Total assets less current liabilities</b>		<u>45,764</u>	<u>52,690</u>
<b>Non-current liabilities</b>			
Loans and borrowings	13	(75,652)	(81,331)
<b>Net liabilities</b>		<u>(29,888)</u>	<u>(28,641)</u>
<b>Capital and reserves</b>			
Called-up share capital	14	-	-
Profit and loss account		(29,888)	(28,641)
<b>Total equity</b>		<u>(29,888)</u>	<u>(28,641)</u>

The notes on pages 14 to 24 are an integral part of these financial statements.

The financial statements of FCC PFI Holdings Limited, registered number 05567306 were approved by the Board of Directors and authorised for issue on 26 April 2018. They were signed on its behalf by:

  
V F Orts-Llopis  
Director

# FCC PFI Holdings Limited

## Statement of changes in equity For the year ended 31 December 2017

	<b>Called-up share capital £'000</b>	<b>Profit and loss account £'000</b>	<b>Total £'000</b>
<b>Year ended 31 December 2017</b>			
<b>At 1 January 2017</b>	-	(28,641)	(28,641)
Loss for the year and total comprehensive expense	-	(1,247)	(1,247)
<b>At 31 December 2017</b>	<u>-</u>	<u>(29,888)</u>	<u>(29,888)</u>
<b>Year ended 31 December 2016</b>			
<b>At 1 January 2016</b>	-	(30,881)	(30,881)
Profit for the year and total comprehensive income	-	2,240	2,240
<b>At 31 December 2016</b>	<u>-</u>	<u>(28,641)</u>	<u>(28,641)</u>

# FCC PFI Holdings Limited

## Notes to the financial statements For the year ended 31 December 2017

### 1. Corporate information

FCC PFI Holdings Limited is a private company limited by shares incorporated in the United Kingdom under the Companies Act, registered in England and Wales. The address of the registered office is given on page 1. The nature of the Company's operations and its principal activities are set out in the Strategic report.

### 2. Accounting policies

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

#### General information and basis of accounting

The financial statements have been prepared under the historical cost convention and in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) issued by the Financial Reporting Council.

The functional and presentational currency of FCC PFI Holdings Limited is considered to be pounds sterling because that is the currency of the primary economic environment in which the Company operates.

#### Exemptions for qualifying entities under FRS 101

The Company has taken advantage of the following disclosure exemptions under FRS 101:

- (a) The requirements of paragraphs 45(b) and 46 to 52 of IFRS 2 *Share-based Payment*
- (b) The requirements of paragraphs 62, B64(d), B64(e), B64(g), B64(h), B64(j) to B64(m), B64(n)(ii), B64(o)(ii), B64(p), B64(q)(ii), B66 and B67 of IFRS 3 *Business Combinations*
- (c) The requirements of IFRS 7 *Financial Instruments: Disclosures*
- (d) The requirements of paragraphs 91 to 99 of IFRS 13 *Fair Value Measurement*
- (e) The requirement in paragraph 38 of IAS 1 *Presentation of Financial Statements* to present comparative information in respect of:
  - i. paragraph 79(a)(iv) of IAS 1;
  - ii. paragraph 73(e) of IAS 16 *Property, Plant and Equipment*;
  - iii. paragraph 118(e) of IAS 38 *Intangible Assets*;
- (f) The requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134 to 136 of IAS 1 *Presentation of Financial Statements*
- (g) The requirements of IAS 7 *Statement of Cash Flows*
- (h) The requirements of paragraphs 30 and 31 of IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*
- (i) The requirements of paragraph 17 of IAS 24 *Related Party Disclosures*
- (j) The requirements in IAS 24 *Related Party Disclosures* to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member
- (k) The requirements of paragraphs 134(d) to 134(f) and 135(c) to 135(e) of IAS 36 *Impairment of Assets*

Where relevant, equivalent disclosures have been given in the consolidated FCC accounts, copies of which are available from Ground Floor West, 900 Pavilion Drive, Northampton Business Park, Northampton, NN4 7RG.



# **FCC PFI Holdings Limited**

## **Notes to the financial statements For the year ended 31 December 2017**

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

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

In the current year, the Group has applied a number of amendments to IFRSs issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2017. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

- Amendments to IAS 7 (January 2016) – Disclosure initiative
- Amendments to IAS 12 (January 2016) – Recognition of deferred tax for unrealised losses
- Annual Improvements to IFRSs 2014 - 2016 Cycle (December 2016) (IFRS 12 Amendments)

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

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

- IFRS 9 – Financial Instruments
- IFRS 15 – Revenue from Contracts with Customers
- IFRS 16 – Leases
- IFRIC 22 – Foreign Currency Transactions and Advance Consideration
- IFRIC 23 – Uncertainty Over Income Tax Treatments
- Annual Improvements to IFRSs 2014 - 2016 Cycle (December 2016) (IFRS 1 and IAS 28 Amendments)
- Annual Improvements to IFRSs 2015-2017 Cycle (December 2017)
- Amendments to IFRS 10 and IAS 28 (September 2014) – Sale or contribution of assets between an investor and its associate or joint venture
- Amendments to IAS 28 (October 2017) – Long term interests in associates and joint ventures
- Amendments to IAS 19 (February 2018) – Plan amendment, curtailment and settlement

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 in future periods.

#### **Going concern**

At 31 December 2017, the Company had net liabilities of £29.9million. Having assessed the responses of FCC to their enquiries and reviewing projected cash flows and carefully considering the risks to the Company's trading performance and cash flows, the Directors have no reason to believe that a material uncertainty exists that may cast significant doubt about the ability of the Company to continue as a going concern. For these reasons, they continue to adopt the going concern basis in preparing the annual report and financial statements.

#### **Consolidation**

The Company has claimed exemption from the preparation of consolidated financial statements under section 400 of the Companies Act 2006 as it is a subsidiary of a group which has prepared consolidated financial statements. Accordingly, these financial statements present information about the Company and not the group. Copies of the FCC consolidated annual report can be obtained from the address in note 16.

#### **Investments**

Investments are stated at cost less provision for any impairment in value.

Investment income from investments in subsidiary undertakings is included in profit and loss when dividends have been declared.

# FCC PFI Holdings Limited

## Notes to the financial statements For the year ended 31 December 2017

### 2. Accounting policies (continued)

#### 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.

#### *Financial assets and liabilities*

All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value (which is normally the transaction price excluding transaction costs), unless the arrangement constitutes a financing transaction. If an arrangement constitutes a finance transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Non-current debt instruments which meet the following conditions, are subsequently measured at amortised cost using the effective interest method:

- (a) Returns to the holder are (i) a fixed amount; or (ii) a fixed rate of return over the life of the instrument; or (iii) a variable return that, throughout the life of the instrument, is equal to a single referenced quoted or observable interest rate; or (iv) some combination of such fixed rate and variable rates, providing that both rates are positive.
- (b) There is no contractual provision that could, by its terms, result in the holder losing the principal amount or any interest attributable to the current period or prior periods.
- (c) Contractual provisions that permit the issuer to prepay a debt instrument or permit the holder to put it back to the issuer before maturity are not contingent on future events, other than to protect the holder against the credit deterioration of the issuer or a change in control of the issuer, or to protect the holder or issuer against changes in relevant taxation or law.
- (d) There are no conditional returns or repayment provisions except for the variable rate return described in (a) and prepayment provisions described in (c).

Debt instruments that are classified as payable or receivable within one year 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.

Other debt instruments not meeting these conditions are measured at fair value through profit or loss.

Commitments to make and receive loans which meet the conditions mentioned above are measured at cost (which may be nil) less impairment.

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 Group transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or c) the Group, despite having retained some significant risks and rewards of ownership, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer.

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

# **FCC PFI Holdings Limited**

## **Notes to the financial statements For the year ended 31 December 2017**

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

#### **Taxation**

Expenses and assets are recognised net of the amount of sales tax except:

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

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

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

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

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

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

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

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

#### **Bid costs**

Costs incurred in bidding for contracts are expensed through the statement of comprehensive income and expense until such a point as the Company is awarded preferred bidder status. Costs incurred after this time are included on the balance sheet within other debtors until financial close. Thereafter, costs are capitalised as an intangible asset and amortised over the related contract period. Contract periods vary in length and are usually between 20-30 years.

# FCC PFI Holdings Limited

## Notes to the financial statements For the year ended 31 December 2017

### 3. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, which are described in note 2, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

- Impairment of investments in subsidiaries - Determining whether the Company's investments in subsidiaries have been impaired requires estimations of the investments' values in use. 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. Further details are disclosed in note 9 to the financial statements.

### 4. (Loss)/profit before taxation

	2017 £'000	2016 £'000
(Loss)/profit before taxation is after charging:		
Amortisation of intangible fixed assets	158	158

Auditor's remuneration in respect of audit fees totalling £1,000 (2016: £1,000) has been met by FCC Recycling (UK) Limited, a subsidiary undertaking of FCC E UK.

In accordance with SI 2008/489 the Company has not disclosed the fees payable to the Company's auditor for 'Other services' as this information is included in the consolidated financial statements of FCC E UK, copies of which are available from Company Secretary, Ground Floor West, 900 Pavilion Drive, Northampton Business Park, Northampton, NN4 7RG.

# FCC PFI Holdings Limited

## Notes to the financial statements For the year ended 31 December 2017

### 5. Directors' remuneration and transactions

None of the Directors received any remuneration or other benefits through the Company during the year ended 31 December 2017 or the previous financial year. They are remunerated as Directors or employees of the Company's fellow UK-domiciled subsidiary, FCC E UK for services to the UK Group as a whole and it is not practical to allocate their remuneration to individual Group companies. The Directors received total remuneration of £637,000 for services to the UK Group as a whole in the year ended 31 December 2017 (2016: £578,000). Certain Directors were remunerated by fellow subsidiary companies of FCC without recharge to the UK Group.

The Company had no employees during the current or previous years.

### 6. Net interest expense

#### a) Interest receivable and similar income

	2017 £'000	2016 £'000
Interest receivable on loan notes	1,155	1,281
Other interest	6	3
	<u>1,161</u>	<u>1,284</u>

#### b) Interest payable and similar expenses

	2017 £'000	2016 £'000
Interest payable on loan from FCC	<u>(2,250)</u>	<u>(2,778)</u>

#### c) Net interest expense

	2017 £'000	2016 £'000
Interest receivable and similar income	1,161	1,284
Interest payable and similar expenses	<u>(2,250)</u>	<u>(2,778)</u>
	<u>(1,089)</u>	<u>(1,494)</u>

# FCC PFI Holdings Limited

## Notes to the financial statements For the year ended 31 December 2017

### 7. Tax on (loss)/profit

The tax position comprises:

	2017 £'000	2016 £'000
<b>Current tax</b>		
United Kingdom corporation tax at 19.25% (2016: 20.00%) based on (loss)/profit for the year	-	-
<b>Total current tax</b>	-	-

#### Deferred tax

There is no provided or unprovided deferred tax in either the current or previous financial year.

Finance Act 2016, which was substantively enacted in September 2016, included provisions to reduce the rate of corporation tax to 19% with effect from 1 April 2017 and 17% from 1 April 2020.

The total tax position for both the current and previous year differs from the average standard rate of 19.25% (2016: 20.00%) for the reasons set out in the following reconciliation:

	2017 £'000	2016 £'000
<b>(Loss)/profit before tax</b>	<b>(1,247)</b>	<b>2,240</b>
Tax on (loss)/profit at average standard rate	240	(448)
Effects of:		
Non-taxable items	-	(256)
Group relief (surrendered)/claimed	(240)	704
<b>Total tax position</b>	<b>-</b>	<b>-</b>

# FCC PFI Holdings Limited

## Notes to the financial statements For the year ended 31 December 2017

### 8. Intangible fixed assets

	<b>Pre- contract costs £'000</b>
<b>Cost</b>	
At 1 January 2017 and at 31 December 2017	5,227
<b>Amortisation</b>	
At 1 January 2017	653
Charge for the year	158
At 31 December 2017	811
<b>Net book value</b>	
At 31 December 2017	<b>4,416</b>
At 31 December 2016	4,574

Intangible fixed assets relate to site development costs in respect of the Buckinghamshire PFI contract undertaken by FCC Buckinghamshire Limited, an indirectly held, wholly owned subsidiary. These site development costs are being amortised over the life of the 30 year contract.

# FCC PFI Holdings Limited

## Notes to the financial statements For the year ended 31 December 2017

### 9. Investments

Investments  
in subsidiary  
undertakings  
£'000

Cost and net book value

At 1 January 2017 and at 31 December 2017

1,690

The Company beneficially owns the issued ordinary share capital of the following companies in the proportions indicated:

Name of company	Country of incorporation	% Holding	Nature of business
RE3 Holding Limited	England and Wales	100	Investment holding company
FCC Wrexham PFI Holdings Limited	England and Wales	100	Investment holding company
FCC Buckinghamshire Holdings Limited	England and Wales	100	Investment holding company
FCC Wrexham PFI (Phase II Holding) Limited	England and Wales	100	Investment holding company
RE3 Limited *	England and Wales	100	Waste management services
FCC Wrexham PFI Limited *	England and Wales	100	Waste management services
FCC Buckinghamshire Limited *	England and Wales	100	Waste management services
FCC Wrexham PFI (Phase II) Limited *	England and Wales	100	Waste management services
FCC Buckinghamshire (Support Services) Limited *	England and Wales	100	Waste management services

*\*Companies held indirectly by an intermediate company.*

The address of the registered office of all companies listed above is Ground Floor West, 900 Pavilion Drive, Northampton Business Park, Northampton, NN4 7RG.

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

	2017 £'000	2016 £'000
Amounts due from fellow subsidiary undertakings	13,924	13,599
Other debtors	119	119
Unsecured subordinated loan notes in FCC Wrexham PFI Holdings Limited (note 9)	122	128
Unsecured subordinated loan notes in FCC Wrexham PFI (Phase II Holding) Limited (note 9)	132	124
Accrued interest	288	302
	<u>14,585</u>	<u>14,272</u>

Amounts due from fellow subsidiary undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

Other debtors includes a trade bond amounting to £119,000 (2016: £119,000).



# FCC PFI Holdings Limited

## Notes to the financial statements For the year ended 31 December 2017

### 11. Debtors: amounts due after more than one year

	2017	2016
	£'000	£'000
Unsecured subordinated loan notes in FCC Wrexham PFI Holdings Limited	2,370	2,493
Unsecured subordinated loan notes in RE3 Holding Limited	5,195	5,195
Unsecured subordinated loan notes in FCC Wrexham PFI (Phase II Holding) Limited	2,498	2,629
Unsecured subordinated loan notes in FCC Buckinghamshire Holdings Limited	15,000	21,100
	<u>25,063</u>	<u>31,417</u>

The subordinated loan notes in FCC Wrexham PFI Holdings Limited have a final redemption date of 30 September 2032 and bear interest at a fixed rate of 10% per annum. The subordinated loan notes in RE3 Holding Limited have a final redemption date of 31 March 2031 and bear interest at a fixed rate of 12% per annum. The subordinated loan notes in FCC Wrexham PFI (Phase II Holding) Limited have a final redemption date of 30 September 2032 and bear interest at a fixed rate of 10% per annum. The subordinated loan notes in FCC Buckinghamshire Holdings Limited are repayable in 2033 and bear no interest.

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

	2017	2016
	£'000	£'000
Other creditors	-	123
	<u>-</u>	<u>123</u>

### 13. Loans and borrowings

	2017	2016
	£'000	£'000
Amounts due to FCC	75,652	81,331

Interest is charged at a rate of 3.00% above LIBOR per annum on the amount due to the ultimate parent company FCC. The loan is repayable in full on 30 September 2024.

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

	2017	2016
	£	£
<b>Called up, allotted and fully paid</b>		
1 ordinary share of £1 each	<u>1</u>	<u>1</u>

The company has one class of ordinary shares which carry no right to fixed income.

#### *Profit and loss reserve*

The profit and loss reserve comprises cumulative profits or losses, including unrealised profits or losses recognised in the statement of comprehensive income and expense, net of dividends.

# **FCC PFI Holdings Limited**

## **Notes to the financial statements For the year ended 31 December 2017**

### **15. Related party transactions**

The Directors regard all subsidiaries of FCC as related parties. In the ordinary course of business, the Company has traded with fellow subsidiaries of FCC.

Under FRS 101, the company is exempt from disclosing related party transactions with other wholly owned subsidiaries of FCC.

### **16. Controlling party**

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

Fomento de Construcciones y Contratas, S.A. is the parent company of the largest and smallest group of which the Company is a member and for which group financial statements are drawn up. Copies of the financial statements of Fomento de Construcciones y Contratas, S.A. are available from the Company Secretary, Ground Floor West, 900 Pavilion Drive, Northampton Business Park, Northampton, NN4 7RG.