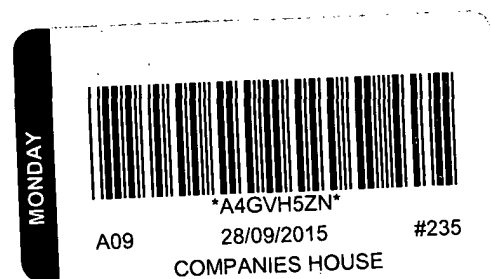


Company Registration No. 05572555

FCC Wrexham PFI Limited

Report and Financial Statements

31 December 2014



FCC Wrexham PFI Limited

Report and financial statements 2014

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FCC Wrexham PFI Limited

Report and financial statements 2014

Officers and professional advisers

Directors

P Taylor
V F Orts-Llopis

Company Secretary

C Nunn

Registered Office

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

Auditor

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

FCC Wrexham PFI Limited

Strategic report

Overview

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

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 complement the position of the Group as a leading waste management, recycling and renewable energy business, and the Group’s ambition to maintain its position as a significant player in establishing the next generation of waste treatment infrastructure in the UK. The core services provided by the Group are fully aligned with FCC’s strategic growth plans and it is ideally placed to take advantage of local opportunities to provide the services and infrastructure required by the UK to meet the European Waste Framework Directive; 50% of all municipal waste will have to be recycled by 2020 and the European Union’s target that 20% of all energy consumed should be from a renewable source by 2020. The Board continues to look forward to the opportunities that are presented to the Group and its employees by virtue of FCC’s plans to expand and embed its operations in the UK.

The Board’s strategy is to “Own the Waste” and to maximise the value of resource, produce renewable energy and to provide 360° 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 considerable activity and deployment of Group resources into recycling facilities, renewable energy projects, the development of innovative waste treatment solutions and the provision of regional waste management services and facilities. The Board remains of the view that Energy from Waste (“EfW”) will be a key component of some regional waste strategies and, in combination with other treatment, recycling and recovery operations, backed up by landfill disposal for residues, is a strategy that represents a long term sustainable solution for meeting the Group’s clients’ diversion targets.

Principal activity

The principal activity of the Company is the procurement, construction and operation of a new recycling infrastructure for Wrexham County Borough Council (“Wrexham Council”) under a 25 year £330million Public Finance Initiative (“PFI”) contract. The Company manages the disposal and recycling of Wrexham Council’s municipal waste and ensures compliance with Landfill Directive and National recycling targets.

The Group is one of the UK’s leading waste management, recycling and renewable energy service businesses. It is a key player within the municipal waste management sector, with over 60 Local Authority clients across England, Wales and Scotland.

Business review

The Directors consider that the Group’s business performance was satisfactory during 2014 albeit against a backdrop of the difficult and ongoing market conditions seen in recent years.

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

FCC Wrexham PFI Limited

Strategic report (continued)

Future trends and developments

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

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

Results, dividends and key performance indicators (KPIs)

The results of the Company for the year ended 31 December 2014 are presented on page 11. The profit for the year ended 31 December 2014 amounted to £496,000 (2013: £140,000 profit). The Company did not pay an interim dividend during the year (2013: £nil) and furthermore, the Directors do not recommend the payment of a final dividend (2013: £nil). The profit (2013: profit) for the financial year has been transferred to (2013: transferred to) reserves, resulting in a corresponding decrease (2013: decrease) in total shareholder's deficit in the year.

Cash at bank and in hand at 31 December 2014 was £3,121,000 (2013: £2,634,000), this increase reflects net cash inflows from operating activities.

Financial and non-financial KPIs

To help deliver the contract and to assist in managing operational performance of the business, the following KPI's have been identified to monitor performance in certain key areas:

- Health and safety – There were no RIDDOR reportable incidents during 2014 (2013: none).
- Waste management performance – The Company is required to meet targets for the effective processing of compostable and recyclable materials. In 2014 the Company comfortably exceeded the relevant target with the overall levels of recycling and composting for 2014 being 55.5% (2013: 53.2%) against a target of 40% (2013: 40%).
- Service level compliance KPIs – the Company is required to adhere to a variety of key service level KPIs, failure of which results in financial and performance penalties. There were no instances of compliance failures in 2014 (2013: none).
- Site availability – Site availability is a key element of the Wrexham Contract service provision and is of paramount importance to the Council. As a result, the availability of key sites to both members of the public and customer authorised vehicles is subject to financial and performance penalties. There has been one financial penalty during 2014 for the late opening of Plas Madoc HWRC site (2013: none).
- Debt cover ratios – The Credit Facility Agreement, between the Company and its Bank, NORD/LB, requires that the Company manages various Debt Cover Ratios within certain given limits. The Company is obliged to forecast, monitor and report against these ratios on a bi-annual basis following completion of construction of the project in 2009. The company has comfortably met all Debt Cover Ratios to date and is currently forecasting compliance with the Credit Facility requirements in all future periods.

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:

FCC Wrexham PFI Limited

Strategic report (continued)

Principal risks and uncertainties (continued)

- **Environmental risks:** The Group's environmental risks are tightly controlled under environmental legislation enforced principally by the Environment Agency ("EA") Scottish Environment Protection Agency ("SEPA") and Natural Resources Wales (NRW). Compliance with all environmental legislation pertinent to the Group's activities is a minimum requirement. A dedicated in-house team prepare regular reports on environmental compliance at the Group's sites for the Board's review. Environmental objectives are reviewed annually and highlighted within the group's Safety Health Environment and Quality (SHEQ) Policy Statement. In addition to this there are detailed environmental procedures to enable compliance with environmental legislation.
- **Health and safety:** Health and safety is a key issue for the Group due to the nature of its operations, including the use of heavy plant equipment and difficult working conditions. The Group is continually improving in this area as a result of ongoing consultation with the relevant authorities and the monitoring of best practice initiatives. Whenever an area is highlighted for improvement, the Group seeks to implement such improvement expeditiously; through bulletins, on-line training courses and tool-box briefings. The Group's Incident Review Panel meets quarterly, at which senior management review significant health and safety incidents that have occurred at Group sites to identify improvements and lessons for the business. All employees undertake a rigorous health and safety training programme, which is underpinned by the latest UK legislation, detailed policies and procedures. The Group's executive management receive regular, detailed reports on health and safety performance affecting the Group's operations and it employs a dedicated team, led by the Group Safety, Health, Environment and Quality Manager, to monitor and promote high standards. All employees are expected to recognise their role in achieving acceptable standards of health and safety and to exhibit such understanding through their approach and attitude to work.
- **Business continuity:** The Group, as part of its risk management programme, has developed business continuity planning for its operations. As part of this planning the Group has developed a bespoke emergency plan for each operational facility (including the diversion of waste from single or multiple sites in the event of major disruption or disaster affecting a site or region). The Group's IT systems are outsourced to a specialist IT services company and are covered by an IT disaster recovery plan, to ensure business continuity. The Group is working on the development of a new business continuity plan under the control of FCC E UK's IMS that will be designed around the British Standard 25999.
- **Legislation:** The Group monitors forthcoming and current legislation to ensure full compliance and to anticipate and assess the impact upon its operations, including the significant opportunities it can present. The waste management industry is subject to extensive government regulation which has a substantial impact on the Group's business, FCC E UK therefore actively lobbies for its interests at European, national and regional levels through trade associations and federations.
- **Economic:** The Group has exposure to reduced economic activity, and in the current year has seen waste volumes reduce where lower economic output has been a factor. Reduced global demand for recyclates continues to suppress pricing. 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.

FCC Wrexham PFI Limited

Strategic report (continued)

Principal risks and uncertainties (continued)

- **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

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 all of which the Directors consider relevant due to the nature of the Company's activities and the assets contained within the Company's balance sheet.

Liquidity and credit risk

The Company's exposure to credit and liquidity risk is reduced as it is an indirect wholly owned subsidiary of FCC and therefore has the ability to draw from the wider resources of FCC. Credit risk arises from the risk of having credit exposures to customers, including outstanding receivables. The Company reviews the credit ratings of all significant customers regularly and continues to monitor the quality of debtor balances on an ongoing basis. Liquidity risk is the risk that the Company does not have sufficient cash resources to meet its commitments. The Company prepares and reviews cash flow forecasts frequently to ensure that it has sufficient resources to meet its cash flow commitments.

Interest rate risk

The Company's exposure to changes in market interest rates arises primarily from the Company's bank loan. The risk is mitigated by the utilisation of an interest rate swap, in which the Company has agreed to exchange, at specified intervals, the difference between fixed and variable interest amounts calculated by reference to an agreed-upon notional principal amount. At 31 December 2014, 100% (2013: 100%) of the Company's borrowings are at a fixed rate of interest.

Going concern

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

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



C Nunn
Company Secretary

23 April 2015

FCC Wrexham PFI Limited

Directors' report

The directors of FCC Wrexham PFI Limited present their annual report and the audited financial statements for the year ended 31 December 2014.

Background

On the 2nd of May 2007 Wrexham Council signed a 25 year contract under the Governments Private Finance Initiative with FCC E UK for the provision and operation of new recycling infrastructure.

Construction of the facilities started in 2008 and reached full services commencement in October 2009. All operational services are sub-contracted by the Company to FCC Recycling (UK) Limited ("FCC R"), a subsidiary of FCC E UK.

Directors

The Directors who served as directors of the Company during the year ended 31 December 2014 and up to the date of this report were as follows:

P Taylor

V F Orts-Llopis

D M Rees (resigned 17 December 2014)

R P Morton (resigned 31 January 2014)

Directors' indemnities

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

Employees

The professionalism and commitment shown by the Group's employees over the last year continues to be a major contribution to its operations. The Board would like to thank all employees for their hard work, dedication and loyalty during the year.

FCC E UK is committed to ensuring that its policies and practices reflect human resource best practice. The Group's policy of equal opportunity gives all employees the same chance to succeed, irrespective of age, race, nationality, ethnic origin, disability, membership of a trade union, sex or marital status. The Group has a structured training and development programme and is fully committed to ensuring that all employees have the necessary skills and knowledge to do their jobs effectively. Subject to the nature of its businesses in the waste management industry, the policy of the Group is to ensure that there are fair opportunities for the employment, career development and training of disabled persons.

FCC Wrexham PFI Limited

Directors' report (continued)

Employees (continued)

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

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

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

Disclosure of information to the auditor

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

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

Auditor

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

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



C Nunn
Company Secretary

23 April 2015

FCC Wrexham PFI Limited

Directors' responsibilities statement

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Generally Accepted Accounting Practice, (United Kingdom Accounting Standards and applicable law).

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

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

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

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

Independent auditor's report to the members of FCC Wrexham PFI Limited

We have audited the financial statements of FCC Wrexham PFI Limited for the year ended 31 December 2014, which comprise of the profit and loss account, the balance sheet and the related notes 1 to 19. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective responsibilities of directors and auditor

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

Scope of the audit of financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2014 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on matters prescribed by the Companies Act 2006

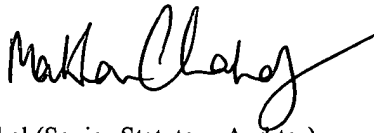
In our opinion the information in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Independent auditor's report to the members of FCC Wrexham PFI Limited (continued)

Matters on which we are required to report by exception

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

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



Makhan Chahal (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, United Kingdom

27th April 2015

FCC Wrexham PFI Limited

Profit and loss account Year ended 31 December 2014

	Notes	2014 £'000	2013 £'000
Turnover	2	12,528	11,233
Cost of sales		<u>(8,152)</u>	<u>(7,172)</u>
Gross profit		4,376	4,061
Administrative expenses		<u>(1,938)</u>	<u>(2,006)</u>
Operating profit		2,438	2,055
Interest receivable and similar income	5	20	17
Interest payable and similar charges	6	<u>(1,738)</u>	<u>(1,790)</u>
Profit on ordinary activities before taxation	3	720	282
Tax on profit on ordinary activities	7	<u>(224)</u>	<u>(142)</u>
Profit for the financial year	15	<u>496</u>	<u>140</u>

All results for the year ended 31 December 2014 derive from continuing operations.

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


FCC Wrexham PFI Limited

Balance sheet At 31 December 2014

	Notes	2014 £'000	2013 £'000
Fixed assets			
Tangible assets	8	19,005	20,270
Current assets			
Cash held in deposits		2,774	2,431
Debtors	9	761	815
Cash at bank and in hand		3,121	2,634
Creditors: amounts falling due within one year	10	6,656 (2,244)	5,880 (2,255)
Net current assets		4,412	3,625
Total assets less current liabilities		23,417	23,895
Creditors: amounts falling due after more than one year	11	(23,523)	(24,472)
Provisions for liabilities	13	(610)	(635)
Net liabilities		(716)	(1,212)
Capital and reserves			
Called-up share capital	14	20	20
Profit and loss account	15	(736)	(1,232)
Shareholder's deficit	16	(716)	(1,212)

The financial statements of FCC Wrexham PFI Limited registered number 05572555 were approved by the Board of Directors and authorised for issue on **23** April 2015.

Signed on behalf of the Board of Directors


V F Orts-Llopis
Director

FCC Wrexham PFI Limited

Notes to the financial statements Year ended 31 December 2014

1. Accounting policies

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

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

Accounting convention

The financial statements are prepared under the historical cost convention.

Going concern

The Directors have reviewed the Company's supply chain and do not believe that any specific risk has been identified. The Directors also considered the ability of Wrexham Council to continue to make payments due under the PFI contract to the Company and do not consider this to be a material risk.

The Company has net liabilities of £0.7million. However, the Company's forecasts and projections show that the Company expects to be able to continue to operate for the full term of the concession, which is not currently scheduled to cease until 2038. Accordingly, the Directors consider it appropriate to continue to prepare the financial statements on the going concern basis.

Cash flow exemption

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

Turnover

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

Tangible fixed assets

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

Leasehold buildings	- 25 years
Bid development costs	- 25 years
Plant and machinery	- 3 to 10 years

The cost of financing expenditure relating to the construction of assets prior to commissioning is capitalised in the cost of the fixed asset.

Capital instruments

Capital instruments are recorded at the fair value of the consideration received less issue costs in accordance with FRS 4 "Capital instruments". The difference between the net proceeds of the issue and the total amounts of payments that the issuer may be required to make is recorded as a finance cost of the instrument and written off over the life of the instrument.

Financial instruments

Derivative instruments utilised by the Company are interest rate swaps. The Company does not enter into speculative derivative contracts. All such instruments are used for hedging purposes to alter the risk profile of an existing underlying exposure of the Company in line with the Company's risk management policies. Amounts payable or receivable in respect of these instruments are recognised as adjustments to interest expense over the period of the contracts.

FCC Wrexham PFI Limited

Notes to the financial statements Year ended 31 December 2014

1. Accounting policies (continued)

Taxation

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

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

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

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

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

Cash held in deposits

Under the terms of the agreement between the Company and the Operations and Management contractor, FCC Recycling (UK) Limited, the Company is required to deduct a proportion of payments due to FCC Recycling (UK) Limited and place them on deposit until the end of the contract period.

Post-retirement benefits

For defined contribution schemes the amount charged to the profit and loss account in respect of pension costs and other post-retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and the contributions actually paid are shown as either accruals or prepayments in the balance sheet.

2. Turnover

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

3. Profit on ordinary activities before taxation

	2014 £'000	2013 £'000
Profit on ordinary activities before taxation is stated after charging:		
Depreciation of tangible fixed assets - owned	1,265	1,420

Auditor's remuneration in respect of audit fees totalling £5,000 (2013: £5,000) has been met by FCC Recycling (UK) Limited.

FCC Wrexham PFI Limited

Notes to the financial statements Year ended 31 December 2014

4. Information regarding the Directors and employees

One of the Directors received remuneration through the Company during the year (2013: one). The other Directors are remunerated as Directors or employees of FCC E UK for services to the Group as a whole and as such it is not possible to directly attribute any element of their remuneration to services as a director of this company.

	2014 £'000	2013 £'000
Wages and salaries	153	146
Social security costs	18	17
Pension costs	13	17
	<u>184</u>	<u>180</u>
	No.	No.
The average weekly number of employees (including Directors) in the year:	<u>6</u>	<u>6</u>

Directors' remuneration

	2014 £'000	2013 £'000
Emoluments	84	75
Contributions to defined contribution pension schemes	12	6
	<u>96</u>	<u>81</u>

5. Interest receivable and similar income

	2014 £'000	2013 £'000
Bank interest receivable	<u>20</u>	<u>17</u>

6. Interest payable and similar charges

	2014 £'000	2013 £'000
Bank charges and similar costs	16	16
Loan interest payable	1,722	1,774
	<u>1,738</u>	<u>1,790</u>

FCC Wrexham PFI Limited

Notes to the financial statements Year ended 31 December 2014

7. Tax on profit on ordinary activities

	2014 £'000	2013 £'000
Corporation tax		
United Kingdom corporation tax at 21.5% (2013: 23.25%) based on profit for the year	249	176
Adjustment in respect of prior years	-	106
	<u>249</u>	<u>282</u>
Deferred tax		
Timing differences, origination and reversal	(25)	(39)
Adjustment in respect of prior years	-	(101)
	<u>(25)</u>	<u>(140)</u>
Total deferred tax (see note 13)	<u>(25)</u>	<u>(140)</u>
Tax charge on profit on ordinary activities	<u>224</u>	<u>142</u>

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

	2014 £'000	2013 £'000
Profit on ordinary activities before taxation	<u>720</u>	<u>282</u>
Tax on profit on ordinary activities at average standard rate	155	66
Factors affecting charge:		
Depreciation in excess of capital allowances	94	110
Adjustment in respect of prior years	-	106
	<u>249</u>	<u>282</u>

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

FCC Wrexham PFI Limited

Notes to the financial statements Year ended 31 December 2014

8. Tangible fixed assets

	Land and buildings £'000	Plant and machinery £'000	Total £'000
Cost			
At 1 January 2014 and 31 December 2014	23,155	3,695	26,850
Accumulated depreciation			
At 1 January 2014	4,212	2,368	6,580
Charge for the year	937	328	1,265
At 31 December 2014	5,149	2,696	7,845
Net book value			
At 31 December 2014	18,006	999	19,005
At 31 December 2013	18,943	1,327	20,270

The carrying value of tangible fixed assets include bid development costs amounting to £5,294,000 (2013: £5,569,000), capitalised interest of £1,599,000 (2013: £1,682,000) and capitalised bank arrangement fees of £147,000 (2013: £155,000). Bid development costs, represent costs incurred during the preferred bidder stage of bringing the Wrexham PFI project to financial close and will be written off on a straight-line basis over the life of the PFI contract, being 25 years.

9. Debtors

	2014 £'000	2013 £'000
Amounts due within one year:		
Amount due from fellow subsidiary undertakings	286	535
Prepayments	67	39
Other debtors	408	241
	<u>761</u>	<u>815</u>

10. Creditors: amounts falling due within one year

	2014 £'000	2013 £'000
Bank Loan – Senior Debt	850	988
Amounts due to fellow subsidiary undertakings	50	39
Unsecured subordinated loan notes issued to FCC Wrexham PFI Holdings Ltd	115	135
Accrued interest on unsecured subordinated loan notes issued to FCC Wrexham PFI Holdings Ltd	-	76
VAT payable	180	173
Accruals	1,065	860
Less prepaid bank arrangement fees	(16)	(16)
	<u>2,244</u>	<u>2,255</u>

FCC Wrexham PFI Limited

Notes to the financial statements Year ended 31 December 2014

11. Creditors: amounts falling due after more than one year

	2014 £'000	2013 £'000
Bank loan – Senior Debt	20,210	21,060
Unsecured subordinated loan notes issued to FCC Wrexham PFI Holdings Ltd	2,736	2,851
Amounts due to fellow subsidiary undertakings	847	847
Less prepaid bank arrangement fees	(270)	(286)
	<u>23,523</u>	<u>24,472</u>

Further details regarding the interest rates payable and maturity profile of the senior debt bank loan and amounts due to parent undertaking are included below in note 12. The amounts due to fellow subsidiary undertakings are non-interest bearing and are not due for payment until 2038.

Financial instruments not held at fair value

The Company has interest rate swaps, the fair value of which at the year end is a £5,585,000 liability (2013: £4,704,000 liability).

12. Borrowings

	2014 £'000	2013 £'000
Bank loan – Senior Debt	21,060	22,048
Unsecured subordinated loan notes issued to FCC Wrexham PFI Holdings Ltd	2,851	2,986
Less prepaid bank arrangement fees	(286)	(302)
	<u>23,625</u>	<u>24,732</u>

Interest is payable on the Senior Debt at a fixed (hedged) rate of 5.36% (2013: 5.36%) plus a margin which at 31 December 2014 was 1.05% (2013: 1.05%). The borrowings are secured by a debenture over certain of the Company's assets.

Interest accrues on the amounts due to fellow subsidiary undertakings at a fixed rate of 10%.

FCC Wrexham PFI Limited

Notes to the financial statements Year ended 31 December 2014

12. Borrowings (continued)

	2014 £'000	2013 £'000
Maturity profile		
Due within one year	965	1,123
Between one and two years	966	966
Between two and five years	3,289	3,053
Due after more than five years	18,691	19,892
	<u>23,911</u>	<u>25,034</u>
Less prepaid loan arrangement fees	(286)	(302)
	<u>23,625</u>	<u>24,732</u>

The amounts due after more than five years are payable in six-monthly instalments of varying amounts, with the final amount payable due on 30 September 2032.

13. Provisions for liabilities

	£'000
Deferred taxation	
At 1 January 2014	635
Credited to profit and loss account	(25)
	<u>610</u>
At 31 December 2014	<u>610</u>

	Provided		Not provided	
	2014 £'000	2013 £'000	2014 £'000	2013 £'000
Deferred tax comprises:				
Accelerated capital allowances	<u>610</u>	<u>635</u>	<u>-</u>	<u>-</u>

14. Called-up share capital

	2014 £'000	2013 £'000
Authorised		
20,100 ordinary shares of £1 each	<u>20</u>	<u>20</u>
Allotted and called-up		
20,100 ordinary shares of £1 each	<u>20</u>	<u>20</u>

FCC Wrexham PFI Limited

Notes to the financial statements Year ended 31 December 2014

15. Reserves

	Profit and loss account £'000
At 1 January 2014	(1,232)
Profit for the financial year	496
	<hr/>
At 31 December 2014	(736)
	<hr/> <hr/>

16. Reconciliation of movement in shareholder's deficit

	2014 £'000	2013 £'000
Profit for the financial year	496	140
	<hr/>	<hr/>
Net reduction to shareholder's deficit	496	140
Opening shareholder's deficit	(1,212)	(1,352)
	<hr/>	<hr/>
Closing shareholder's deficit	(716)	(1,212)
	<hr/> <hr/>	<hr/> <hr/>

17. Pension contributions

The Company participates in the defined contribution scheme operated by FCC E UK on behalf of its eligible employees. The assets of this scheme are held separately from those of the Company in independently administered funds. There were no outstanding or prepaid contributions at the end of the year in respect of defined contribution schemes. Contributions under defined contribution schemes amounted to £13,000 during the year (2013: £17,000).

18. Related party transactions

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

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

19. Ultimate parent company

The immediate parent of the Company is FCC Wrexham PFI Holdings Limited, a company registered in England and Wales.

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

Fomento de Construcciones y Contratas, S.A., is the parent company of the largest 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 both FCC Wrexham PFI Holdings Limited and Fomento de Construcciones y Contratas, S.A. are available from the Company Secretary, Ground Floor West, 900 Pavilion Drive, Northampton Business Park, Northampton, NN4 7RG.