

**3SE (BARNSELEY, DONCASTER & ROTHERHAM) LIMITED**

**Registered number 07820886**

**REPORT AND FINANCIAL STATEMENTS**

**For the year ended 31 March 2016**

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COMPANIES HOUSE

## **3SE (BARNSLEY, DONCASTER & ROTHERHAM) LIMITED**

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## **3SE (BARNSELEY, DONCASTER & ROTHERHAM) LIMITED**

### **STRATEGIC REPORT**

The Directors present their strategic report for the Company for the year ended 31 March 2016.

#### **Business review, principal activities and future prospects**

The Company entered a 28 year Public Private Partnership contract with Barnsley, Doncaster and Rotherham Waste Partnership (the Council Partnership) on 30 March 2012 for the provision of waste management services. As part of this contract, the Company committed to investing in new waste management facilities, which it will operate until the end of the contract, when the facilities will revert to Council ownership. 3SE (Barnsley, Doncaster & Rotherham) Limited sub-contracted the provision of waste management services to a fellow group undertaking, Shanks Waste Management Limited.

The Company's profit on ordinary activities before taxation was £2,000 (2015: £696,000 profit). All activities are in line with the Directors' plans for the Company as well as the financial model for this contract though future returns are dependent on the successful operation of the waste recycling facilities.

At the end of the year, the accumulated losses stood at £8,207,000 (2015: £7,210,000) and net borrowings totalled £47,759,000 (2015: £78,540,000).

On 1 July 2015 the Company repaid, in full, the amounts outstanding under the Equity Bridge bank loan of £13,610,000 and repaid £19,276,000 of the term loan. The repayments were settled through a subordinated loan from 3SE (Barnsley, Doncaster & Rotherham) Holdings Limited of £13,610,000 and a £19,276,000 capital contribution from the Council, respectively. The subordinated loan is repayable in instalments to 30 September 2037.

On 3 July 2015, the Company commenced full service of the treatment of household waste at the fully commissioned facility located in Rotherham.

#### **Key performance indicators (KPIs)**

The principal KPIs for the Company are the volume of waste processed during the year and subsequent diversion of waste from landfill disposal. For 2016, the Company processed 163,000 tonnes (2015: nil tonnes) and diverted 156,000 tonnes or 96% from landfill disposal (2015: nil tonnes or 0%).

#### **Principal risks and uncertainties**

The Company's ultimate controlling parent is Shanks Group plc. Risks are managed at a group level in accordance with the risk management framework of Shanks Group plc. The principal risks and uncertainties of Shanks Group plc are discussed in its Annual Report and Accounts for the year ended 31 March 2016.

#### **Financial risk management**

Interest rate derivatives are used by the Company in managing its exposure to variable market interest rates, further details of which can be found in note 14 of these financial statements. A discussion of the objectives and policies employed in managing financial risk and the use of financial instruments relevant to the Company's operations can be found in the Shanks Group plc Annual Report and Accounts for the year ended 31 March 2016.

On behalf of the board



W Spurr  
Director  
29 July 2016

**Registered office**  
Dunedin House  
Auckland Park  
Mount Farm  
Milton Keynes  
MK1 1BU  
United Kingdom

Registered number 07820886

### **3SE (BARNSELEY, DONCASTER & ROTHERHAM) LIMITED**

#### **DIRECTORS' REPORT**

The Directors present their report and the audited financial statements of the Company for the year ended 31 March 2016.

#### **Dividends**

A dividend of £nil (2015: £nil) was paid in the year.

#### **Directors**

The Directors who held office during the year, and up to the date of signing the financial statements, were as follows:

W Spurr	
P D Eglinton	(resigned 15 July 2016)
A H Honeyman	
A Comerford	(appointed 1 August 2015)
A N Richford	(appointed 25 February 2016)
R I Cartwright	(resigned 25 February 2016)
C D Milne	(resigned 19 June 2015)

#### **Independent auditors**

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and PricewaterhouseCoopers LLP will therefore continue in office.

#### **Statement of directors' responsibilities**

The Directors are responsible for preparing the Strategic Report, the Directors' 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 prepared the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101).

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards, including FRS 101 have been followed, subject to any material departures disclosed and explained in the financial statements;
- notify its shareholders in writing about the use of disclosure exemptions, if any, of FRS 101 used in the preparation of 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.

### **3SE (BARNSELEY, DONCASTER & ROTHERHAM) LIMITED**

#### **DIRECTORS' REPORT - continued**

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.

#### **Statement of disclosure of information to auditors**

In accordance with Section 418 of the Companies Act 2006 the Directors confirm that:

- (a) so far as the Directors are aware, there is no relevant audit information of which the Company's auditors are unaware; and
- (b) 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 auditors are aware of that information.

On behalf of the board



W Spurr  
Director

29 July 2016

## **3SE (BARNSELEY, DONCASTER & ROTHERHAM) LIMITED**

### **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF 3SE (BARNSELEY, DONCASTER & ROTHERHAM) LIMITED**

#### **Report on the financial statements**

##### *Our opinion*

In our opinion, 3SE (Barnsley, Doncaster & Rotherham) Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 31 March 2016 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.

##### *What we have audited*

The financial statements, included within the Report, comprise:

- the Balance Sheet as at 31 March 2016;
- the Statement of Comprehensive Income for the year then ended;
- the Statement of Changes in Equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

#### **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;
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

In addition, in light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Strategic Report and the Directors' Report. We have nothing to report in this respect.

#### **Other matters on which we are required to report by exception**

##### *Adequacy of accounting records and information and explanations received*

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- 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.

We have no exceptions to report arising from this responsibility.

##### *Directors' remuneration*

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

### 3SE (BARNSELEY, DONCASTER & ROTHERHAM) LIMITED

#### INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF 3SE (BARNSELEY, DONCASTER & ROTHERHAM) LIMITED

##### Responsibilities for the financial statements and the audit

###### *Our responsibilities and those of the directors*

As explained more fully in the Statement of directors' responsibilities set out on pages 4 and 5, 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) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

###### *What an audit of financial statements involves*

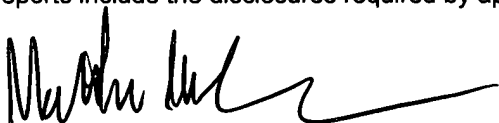
We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. 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.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Report and Financial Statements 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. With respect to the Strategic Report and Directors' Report, we consider whether those reports include the disclosures required by applicable legal requirements.



Matthew Mullins (Senior Statutory Auditor)  
For and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
London

29 July 2016

**3SE (BARNSELEY, DONCASTER & ROTHERHAM) LIMITED**  
**REGISTERED IN ENGLAND NUMBER 07820886**

**STATEMENT OF COMPREHENSIVE INCOME**  
**For the year ended 31 March 2016**

	Note	2016 £'000	2015 £'000
<b>Revenue</b>	3	11,933	-
Cost of sales		(11,023)	-
<b>Gross profit</b>		910	-
Administrative expenses		(934)	-
<b>Operating (loss)/result</b>	4	(24)	-
Finance income	7	5,185	4,865
Finance charges	8	(5,159)	(4,169)
<b>Profit on ordinary activities before taxation</b>		2	696
Taxation	9	27	(149)
<b>Profit for the year</b>		29	547
<b>Other comprehensive expense</b>			
<i>Items that are or may be reclassified subsequently to the profit or loss:</i>			
Fair value movement on cash flow hedges		(993)	(7,952)
Deferred tax on fair value movement in cash flow hedges		(33)	1,590
<b>Other comprehensive expense for the year, net of income tax</b>		(1,026)	(6,362)
<b>Total comprehensive expense for the year</b>		(997)	(5,815)

All the activities of the Company relate to continuing operations.

The notes on pages 11 to 24 form an integral part of these financial statements.



**3SE (BARNSELEY, DONCASTER & ROTHERHAM) LIMITED**  
**REGISTERED IN ENGLAND NUMBER 07820886**

**BALANCE SHEET**  
**As at 31 March 2016**

	Note	2016 £'000	2015 £'000
<b>Assets</b>			
<b>Non-current assets</b>			
Financial asset	10	65,107	78,596
Deferred tax assets	15	5,216	3,693
		<u>70,323</u>	<u>82,289</u>
<b>Current assets</b>			
Financial asset	10	1,361	1,370
Trade and other receivables	11	1,447	1,506
		<u>2,808</u>	<u>2,876</u>
<b>Total assets</b>		<u><u>73,131</u></u>	<u><u>85,165</u></u>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Borrowings	14	(46,456)	(45,514)
Derivative financial instruments	14	(11,536)	(10,568)
Other non-current liabilities	13	(11,762)	-
Deferred tax liabilities	15	(3,427)	(1,898)
Provisions	16	(361)	-
		<u>(73,541)</u>	<u>(57,980)</u>
<b>Current liabilities</b>			
Borrowings	14	(1,303)	(33,026)
Derivative financial instruments	14	(26)	-
Trade and other payables	12	(6,326)	(1,269)
Provisions	16	(42)	-
		<u>(7,697)</u>	<u>(34,295)</u>
<b>Total liabilities</b>		<u><u>(81,238)</u></u>	<u><u>(92,275)</u></u>
<b>Net liabilities</b>		<u><u>(8,107)</u></u>	<u><u>(7,110)</u></u>
<b>Equity</b>			
Share capital	17	100	100
Accumulated losses		<u>(8,207)</u>	<u>(7,210)</u>
<b>Total deficit</b>		<u><u>(8,107)</u></u>	<u><u>(7,110)</u></u>

The notes on pages 11 to 24 form an integral part of these financial statements.

The financial statements on pages 8 to 24 were approved by the Board of Directors on 29 July 2016 and were signed on its behalf by:



W Spurr  
Director

**3SE (BARNSELEY, DONCASTER & ROTHERHAM) LIMITED**  
**REGISTERED IN ENGLAND NUMBER 07820886**

**STATEMENT OF CHANGES IN EQUITY**  
**For the year ended 31 March 2016**

	Share capital £'000	Accumulated losses £'000	Total equity £'000
Balance at 1 April 2014	100	(1,395)	(1,295)
<b>Total comprehensive expense for the year</b>			
Profit for the year	-	547	547
Other comprehensive expense	-	(6,362)	(6,362)
Total comprehensive expense for the year	-	(5,815)	(5,815)
<b>Balance at 31 March 2015</b>	<u>100</u>	<u>(7,210)</u>	<u>(7,110)</u>

	Share capital £'000	Accumulated losses £'000	Total equity £'000
Balance at 1 April 2015	100	(7,210)	(7,110)
<b>Total comprehensive expense for the year</b>			
Profit for the year	-	29	29
Other comprehensive expense	-	(1,026)	(1,026)
Total comprehensive expense for the year	-	(997)	(997)
<b>Balance at 31 March 2016</b>	<u>100</u>	<u>(8,207)</u>	<u>(8,107)</u>

The notes on pages 11 to 24 form an integral part of these financial statements.

**3SE (BARNSELEY, DONCASTER & ROTHERHAM) LIMITED**  
**REGISTERED IN ENGLAND NUMBER 07820886**

**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 31 March 2016**

**1 Accounting policies**

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements, except where noted.

**General information**

3SE (Barnsley, Doncaster & Rotherham) Limited (the "Company") is a private company incorporated and domiciled in the UK.

**Basis of preparation**

The financial statements have been prepared on the historical cost basis, in accordance with applicable law, the Companies Act 2006 and Financial Reporting Standard 101 'Reduced Disclosure Framework (FRS 101)'. The presentation currency of these financial statements is sterling and all amounts have been rounded to the nearest £1,000.

**Transition to Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS 101)**

The financial statements for the year ended 31 March 2016 represent the first annual financial statements of the company prepared in accordance with FRS 101. Previously, the financial statements were prepared in accordance with United Kingdom Generally Accepted Accounting Practice ("Old UK GAAP"). The date of transition to FRS 101 was 1 April 2014.

On transition to FRS 101, the Company has applied IFRS 1 whilst ensuring that its assets and liabilities are measured in compliance with FRS 101. An explanation of how the transition to FRS 101 has affected the reported Balance Sheet and Statement of Comprehensive Income of the Company is provided in note 21. The amendments to FRS 101 (2013/14 Cycle) issued in July 2014 and effective immediately have been applied. In addition the Company has early adopted the amendments to FRS 100 "Application of Financial Reporting Requirements" and the company law changes of SI 2015/980.

The accounting policies described below have been applied in preparing the financial statements for the year ended 31 March 2016, and the comparative information for the year ended 31 March 2015.

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"), but makes amendments where necessary in order to comply with Companies Act 2006.

The Company has applied the following disclosure exemptions from the requirements of IFRS in preparation of the financial statements under FRS 101:

- a Cash Flow Statement and related notes;
- comparative period reconciliations for share capital;
- disclosures in respect of capital management;
- disclosures in respect of financial instruments under IFRS 7; and
- the effects of new but not yet effective IFRSs

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements and in preparing an opening FRS 101 balance sheet at 1 April 2014 for the purposes of the transition to FRS 101.

**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 31 March 2016 - continued**

**1 Accounting policies - continued**

Judgements made by the Directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 2.

**New standards, amendments and interpretations**

There were no new standards, amendments to standards or interpretations adopted for the first time for the Company's financial year beginning 1 April 2015 that had a significant impact on these financial statements, other than the transition to FRS 101.

**Going concern**

Notwithstanding the net liabilities position and after making enquiries, the Directors have formed the view, at the time of approving the financial statements, that the Company has adequate resources to continue in operational existence for the foreseeable future and that the Company's business is a going concern. For this reason the Directors continue to adopt the going concern basis in preparing the financial statements.

**Revenue recognition**

Revenue represents the fair value of consideration received or receivable, including landfill tax but excluding value added tax and discounts for goods and services provided in the normal course of business. Revenue is recognised when it can be reliably measured and when it is probable that future economic benefits will flow to the entity.

Revenue recognition criteria for the key types of transaction are as follows:

- Waste processing services on PPP contract - where the Company's revenue contracts include an obligation to process waste revenue is recognised as processing occurs;
- Sales of recycle materials and products from waste - revenue is based on commercially agreed prices and is recognised when the risks and rewards have passed to the buyer; and
- Income from power generated from gas produced by processes at the anaerobic digestion facilities is recognised based on the volumes of energy produced and an estimation of the amount to be received.

*PPP contract*

The Company holds a Public Private Partnership (PPP) contract for the management of waste. The contract required the building of new infrastructure and all rights to the infrastructure to pass to the Local Authority at the termination or expiry of the contract. The Company applies IFRIC 12 (Service Concession Arrangements) which specifies the accounting treatment applied by concession operators.

Under IFRIC 12, the operator's rights over infrastructure operated under concession arrangements should be accounted for based on the control of the grantor (the local authority), over what services the operator must provide with the infrastructure, to whom it must provide them and at what price. Accordingly the Company applies the 'financial asset' model as it has an unconditional right to receive cash for the infrastructure. The Company splits the local authority payment between a service element as revenue and a repayment element that is deducted from the financial asset. Interest receivable is added to the financial asset based on the rate implied in the contract payments. Reviews are undertaken regularly to ensure that the financial asset will be recovered over the contract life.

Borrowing costs relating to contract specific external borrowings are expensed in the Income Statement.

Income and costs relating to specific rights and obligations within the contracts are transferred to accruals or other receivables and released to the Income Statement over the period of delivery.

**3SE (BARNSELEY, DONCASTER & ROTHERHAM) LIMITED**  
**REGISTERED IN ENGLAND NUMBER 07820886**

**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 31 March 2016 - continued**

**1 Accounting policies - continued**

**Revenue recognition - continued**

*Accrued income*

Accrued income at the balance sheet date is recognised at the fair value based on contractually agreed prices. It is subsequently invoiced and accounted for as a trade receivable.

**Provisions**

Provisions are recognised where there is a present legal or constructive obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

*Lifecycle provisions*

Under the terms of the PPP contract, the Company is required to maintain the infrastructure such that it is handed over to the local authority in good working order. This obligation is sub-contracted to a fellow group undertaking Shanks Waste Management Limited, as part of the sub-contract agreement for the provision of waste management services for a fixed sum. Where such expenditure required to fulfil these obligations constitutes major refurbishments and renewals (lifecycle expenditure) a provision is recorded for the best estimate of these costs as the facility is used.

**Taxation**

*Current tax*

Current tax is based on taxable profit or loss for the year. Taxable profit differs from profit before tax in the Statement of Comprehensive Income because it excludes items of income or expense that are taxable or deductible in other years or that are never taxable or deductible. The asset or liability for current tax is calculated using tax rates that have been enacted, or substantively enacted, at the balance sheet date.

*Deferred tax*

Deferred tax is recognised in full where the carrying value of assets and liabilities in the financial statements is different to the corresponding tax bases used in the computation of taxable profits. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that the taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is calculated at the tax rates that have been substantively enacted at the balance sheet date.

Deferred tax is charged or credited to the Statement of Comprehensive Income, except where it relates to items charged or credited directly to equity in which case the deferred tax is also dealt with in equity.

Deferred income tax liabilities are not provided on taxable temporary differences arising from investments in subsidiaries, associates and joint arrangements as the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities, when they relate to income taxes levied by the same taxation authority.

**Finance charges**

Finance charges comprise interest payable on bank loans or overdrafts and intercompany loans. Interest expense is recognised on an accruals basis in the Statement of Comprehensive Income using the effective interest rate method.

**3SE (BARNSELEY, DONCASTER & ROTHERHAM) LIMITED**  
**REGISTERED IN ENGLAND NUMBER 07820886**

**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 31 March 2016 - continued**

**1 Accounting policies - continued**

**Finance income**

Finance income comprises interest receivable on bank balances and on the financial asset relating to the PPP contract. Interest income is recognised on an accruals basis in the Statement of Comprehensive Income using the effective interest rate method.

**Financial instruments**

*Trade receivables*

Trade receivables do not carry interest and are recognised initially at their fair value and are subsequently measured at amortised cost less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the asset's carrying value and the value of estimated future cash flows. Subsequent recoveries of amounts previously written off are credited in the Statement of Comprehensive Income.

*Financial asset relating to the PPP contract*

The financial asset relating to the PPP contract is classified as loans and receivables and is initially recognised at fair value of consideration receivable and subsequently at amortised cost.

*Cash and cash equivalents*

Cash and cash equivalents comprise cash balances and call deposits with a maturity of three months or less. Where the Company has a legally enforceable right to offset with a financial institution, then cash and cash equivalents are offset against the bank loans.

*External borrowings*

Interest bearing loans are stated at the proceeds received, net of direct issue costs.

*Trade payables*

Trade payables are not interest bearing and are stated initially at fair value and subsequently held at amortised cost.

*Derivative financial instruments*

In accordance with its treasury policy, the Company only holds derivative financial instruments to manage the Company's exposure to interest risk on the Company's variable-rate borrowings. The Company does not hold or issue derivative financial instruments for trading or speculative purposes.

The Company manages these risks through interest rate swaps. Interest rate swaps are considered to be used for hedging purposes when they alter the risk profile of an underlying exposure of the Company in line with the Company's risk management policies. At the inception of the hedge relationship the Company documents the relationship between the hedging instrument and hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Company documents whether the hedging instrument that is used in a hedging relationship is highly effective in offsetting changes in fair values or cash flows of the hedged item. For interest rate swaps which are not designated as a hedge the gains or losses between period ends are taken to finance income or charges in the Income Statement.

The change in the fair value of the portion of the hedging instrument that is determined to be an effective hedge is recognised in equity and subsequently recycled to the Income Statement when the hedged cash flow impacts the Income Statement. The ineffective portion of the fair value of the hedging instrument is recognised immediately in the Income Statement.

**3SE (BARNSELEY, DONCASTER & ROTHERHAM) LIMITED**  
**REGISTERED IN ENGLAND NUMBER 07820886**

**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 31 March 2016 - continued**

**Financial instruments - continued**

*Derivative financial instruments - continued*

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, exercised or no longer qualifies for hedge accounting. At that time, any cumulative gain or loss on the hedging instrument recognised in equity is retained in equity until the forecast transaction occurs at which point it is recognised in the Income Statement. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is recognised in the Income Statement immediately.

Details of the fair values of the derivative financial instruments used are disclosed in note 14.

*Other receivables and other payables*

Other receivables and other payables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest rate method.

**2 Key accounting judgements and estimates**

The preparation of financial statements in accordance with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The areas involving a higher degree of judgement or complexity are set out below and in more detail in the related notes.

*Service concession arrangements under the PPP contract*

The financial asset relating to the PPP contract is recognised in accordance with IFRIC 12. It represents the present value of the future cash flows of the contract. These cash flows are dependent on, amongst other things, tonnages, indexation and recycling rates.

**3 Segmental reporting**

The Company's activities consist solely of waste management in the United Kingdom.

**4 Operating profit**

	2016 £'000	2015 £'000
The operating (loss)/profit is stated after charging:		
Repairs and maintenance expenditure	<u>403</u>	<u>-</u>

Auditors' remuneration of £10,000 (2015: £11,000) was borne by a fellow group undertaking. There were no employees of the Company in the current or prior year.

**5 Staff numbers and employee information**

There were no employees of the Company in the year (2015: nil). The Company's fellow subsidiary, Shanks Waste Management Limited, was contracted to provide management and administrative support to the Company.

**6 Directors' emoluments**

The Directors were not remunerated for their services to the Company in the current or prior year, neither did the Directors accrue any retirement benefits in respect of service to the Company (2015: £nil). None of the emoluments paid to the Directors by the other group companies related to the services of this company (2015: £nil).

**3SE (BARNSELEY, DONCASTER & ROTHERHAM) LIMITED**  
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**7 Finance income**

	2016 £'000	2015 £'000
Financial asset interest income	<u>5,185</u>	<u>4,865</u>

**8 Finance charges**

	2016 £'000	2015 £'000
Interest payable on bank loans	3,861	4,169
Interest payable to group undertakings	<u>1,298</u>	<u>-</u>
Finance charges	<u>5,159</u>	<u>4,169</u>

**9 Taxation**

The taxation based on the profit for the year is made up as follows:

	2016 £'000	2016 £'000	2015 £'000	2015 £'000
<b>Deferred tax</b>				
Origination and reversal of temporary differences in the current year	(27)		279	
Adjustment in respect of prior year	<u>-</u>		<u>(130)</u>	
Total deferred tax		(27)		149
<b>Total tax (credit)/charge for the year</b>		<u>(27)</u>		<u>149</u>

The tax on the Company's profit for the year differs from the UK standard rate of tax of 20% (2015: 21%), as explained below:

	2016 £'000	2015 £'000
Profit before tax	2	696
Tax using the UK corporation tax rate of 20% (2015: 21%)	-	146
Adjustment in respect of prior year	-	(130)
Other permanent differences	-	146
Tax losses	146	-
Impact of changes in tax rate	<u>(173)</u>	<u>(13)</u>
Total tax (credit)/charge for the year	<u>(27)</u>	<u>149</u>

A change to the UK corporation tax rate was announced in the Chancellor's Budget on 16 March 2016. The change announced is to reduce the main rate to 17% from 1 April 2020. Changes to reduce the UK corporation tax rate to 19% from 1 April 2017 and to 18% from 1 April 2020 had already been substantively enacted on 26 October 2015.

As the change to 17% had not been substantively enacted at the balance sheet date its effects are not included in these financial statements. As a result the UK deferred tax for the period has been calculated based on the enacted rates of 18%, 19% and 20% depending on when the timing differences are expected to reverse (2015: 21%).



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**10 Financial asset relating to the PPP contract**

The financial asset results from the application of IFRIC 12 on accounting for concession arrangements relating to the PPP contract and is measured initially at fair value of consideration receivable and subsequently at amortised cost.

The movement in the carrying value of the current and non-current financial asset is as follows:

	2016 £'000
At 1 April 2014	50,907
Interest income (note 7)	4,865
Advances	24,194
	<hr/>
At 31 March 2015	79,966
Interest income (note 7)	5,185
Advances	5,082
Repayments	(23,765)
	<hr/>
<b>At 31 March 2016</b>	<b>66,468</b>
	<hr/>
Current	1,361
Non-current	65,107
	<hr/>
<b>At 31 March 2016</b>	<b>66,468</b>
	<hr/>
Current	1,370
Non-current	78,596
	<hr/>
At 31 March 2015	79,966
	<hr/>

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**NOTES TO THE FINANCIAL STATEMENTS**  
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**11 Trade and other receivables**

	2016 £'000	2015 £'000
Amounts owed by group undertakings	20	-
Other receivables	-	486
Prepayments and accrued income	1,427	1,020
	<u>1,447</u>	<u>1,506</u>

**12 Trade and other payables**

	2016 £'000	2015 £'000
Trade payables	84	-
Amounts owed to group undertakings - trading balances	1,430	901
Amounts owed to group undertakings - loan and interest (note 13)	2,541	-
Other taxation and social security	397	-
Interest payable	363	-
Accruals	1,511	368
	<u>6,326</u>	<u>1,269</u>

Trading balances within amounts owed to group undertakings are unsecured, interest-free and repayable on demand.

**13 Other non-current liabilities**

	2016 £'000	2015 £'000
Amounts owed to group undertakings	11,762	-
	<u>11,762</u>	<u>-</u>
<b>Amounts due to group undertakings</b>	<b>2016 £'000</b>	<b>2015 £'000</b>
Due between 1 and 2 years	167	-
Due between 2 and 5 years	625	-
Due after more than 5 years	10,970	-
	<u>11,762</u>	<u>-</u>

Amounts owed to group undertakings comprise an unsecured subordinated loan due to 3SE (Barnsley, Doncaster and Rotherham) Holdings Limited. The loan was received in July 2015, is subject to interest at 12.75% per annum and is repayable in instalments from surplus funds to 30 September 2037.

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**14 Borrowings**

This note provides information about the contractual terms of the Company's interest-bearing loans and borrowings, which are measured at amortised cost.

	2016 £'000	2015 £'000
<b>Current Borrowings</b>		
Bank loans - PPP	1,303	33,026
	<u>1,303</u>	<u>33,026</u>
<b>Non-current borrowings</b>		
Between one and two years	1,436	1,303
Between two and five years	4,958	3,609
Due after more than five years	40,062	40,602
	<u>46,456</u>	<u>45,514</u>
Bank loans - PPP	<u>46,456</u>	<u>45,514</u>
Total net debt - PPP	<u>47,759</u>	<u>78,540</u>

Bank loans and overdrafts comprised an equity bridge bank loan and a term loan. The repayment terms of the equity bridge bank loan were fixed and a final repayment was made on 1 July 2015. Interest was payable on the loan at six month LIBOR plus a margin of 2.00%. The Company entered into interest rate swap contracts which fixed the LIBOR rate at 1.225%.

The repayment terms of the term loan are fixed and a final repayment will occur on 30 June 2037. Interest is payable on the six month LIBOR plus a margin of 3.20% increasing to 3.45%. The Company has entered into interest rate swap contracts which fix the LIBOR rate at 3.407%.

As at 31 March 2016, the interest rate swap contract had a fair value of £11,561,000 liability (2015: £10,568,000 liability). The notional principal amount of the outstanding interest rate swap contracts at 31 March 2016 was £54,297,000 (2015: £84,060,000). The expiry date of the contract is 30 June 2037.

The bank loans are secured by means of a legal mortgage over the land and a fixed and floating charge over the assets of the Company.

**Offsetting**

Cash and cash equivalents are offset against the gross bank debt as they are subject to offsetting arrangements enforceable in the event of default on such debt facilities. The non-current borrowings are shown net of £6,542,000 (2015: £500,000) which was the cash held at the end of the year.

	2016 £'000	2015 £'000
Bank loan amounts offset by cash:		
Due after more than five years	6,542	500
Total bank loan balance offset by cash	<u>6,542</u>	<u>500</u>
Gross bank loan balance at 31 March	(54,301)	(79,040)
Bank loan balance not offset by cash	<u>(47,759)</u>	<u>(78,540)</u>

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**15 Deferred tax**

Deferred tax is provided in full on temporary differences under the liability method using applicable local tax rates. Deferred tax assets and liabilities are only offset where there is a legally enforceable right of offset and there is an intention to settle the balances net.

	Tax losses £'000	Derivative financial instruments £'000	Capital allowances £'000	Other timing differences £'000	Total £'000
At 1 April 2014	636	524	(298)	(508)	354
Credit/(charge) to Income Statement	943	-	(822)	(270)	(149)
Credit/(charge) to Other Comprehensive Income	-	1,590	-	-	1,590
At 31 March 2015	1,579	2,114	(1,120)	(778)	1,795
Credit/(charge) to Income Statement	383	-	(229)	(127)	27
Charge to Other Comprehensive Income	-	(33)	-	-	(33)
<b>At 31 March 2016</b>	<b>1,962</b>	<b>2,081</b>	<b>(1,349)</b>	<b>(905)</b>	<b>1,789</b>
Deferred tax assets	1,962	2,081	-	1,173	5,216
Deferred tax liabilities	-	-	(1,349)	(2,078)	(3,427)
<b>At 31 March 2016</b>	<b>1,962</b>	<b>2,081</b>	<b>(1,349)</b>	<b>(905)</b>	<b>1,789</b>
Deferred tax assets	1,579	2,114	-	-	3,693
Deferred tax liabilities	-	-	(1,120)	(778)	(1,898)
At 31 March 2015	1,579	2,114	(1,120)	(778)	1,795

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**16 Provisions**

	Lifecycle £'000
Balance at 1 April 2015	-
Provided in the year	403
<b>At 31 March 2016</b>	<b>403</b>
Current	42
Non-current	361
<b>At 31 March 2016</b>	<b>403</b>
At 31 March 2015	-

The above amounts relate to the lifecycle provision which covers lifecycle expenditure obligations as set out under the PPP contract.

**17 Share capital**

	2016 £'000	2015 £'000
Allotted, called up and fully paid: 100,000 ordinary shares of £1 each	100	100
	100	100

**18 Commitments**

On 30 March 2012, 3SE (Barnsley, Doncaster & Rotherham) Limited entered into a 28 year contract with Barnsley, Doncaster and Rotherham Waste Partnership (the Council Partnership) for the management of municipal solid waste. As part of this contract, the Company and its immediate holding Company, 3SE (Barnsley, Doncaster and Rotherham) Holdings Limited, have pledged to their bankers all of their assets as security for their borrowings.

At the end of the year the Company had capital commitments of £nil (2015: £4,155,000) that were contracted for but not provided in these financial statements.

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**19 Related parties**

The Company had no transactions with members of key management personnel of the entity or of a parent of the entity.

*Other related party transactions*

**Shanks Waste Management**

Shanks Waste Management Limited is a fellow subsidiary undertaking of Shanks Group plc, which holds 75% of the share capital of the 3SE (Barnsley, Doncaster & Rotherham) Limited via intermediary holding companies.

During the year the Company had transactions with Shanks Waste Management Limited for the provision of operational waste management services, the construction of the Company's waste management facility under a sub-contract agreement between the two companies and administration and management under a management services agreement.

**3SE (Barnsley, Doncaster and Rotherham) Holdings Limited**

3SE (Barnsley, Doncaster and Rotherham) Holdings Limited is the Company's immediate parent.

During the year the Company had transactions with its parent relating to subordinated loan interest and repayment of principal loan balances.

The Company's related party transactions for the year were as follows:

	Sales to		Other expenses incurred from	
	2016	2015	2016	2015
	£'000	£'000	£'000	£'000
Parent	-	-	(1,299)	-
Other related parties	39	-	(13,990)	(23,813)
	<u>39</u>	<u>-</u>	<u>(15,289)</u>	<u>(23,813)</u>

	Receivables outstanding		Creditors outstanding	
	2016	2015	2016	2015
	£'000	£'000	£'000	£'000
Parent	-	-	(14,303)	-
Other related parties	20	-	(1,430)	(901)
	<u>20</u>	<u>-</u>	<u>(15,733)</u>	<u>(901)</u>

**20 Ultimate parent company and parent company of larger group**

The Company's immediate parent company is 3SE (Barnsley, Doncaster and Rotherham) Holdings Limited, a company registered in England and Wales. The Company's ultimate parent and ultimate controlling company is Shanks Group plc, a company incorporated in Scotland. Shanks Group plc is the parent undertaking of the largest and smallest group of undertakings to consolidate these financial statements at 31 March 2016. The consolidated financial statements of Shanks Group plc can be obtained from the Company Secretary, Shanks Group plc, Dunedin House, Auckland Park, Mount Farm, Buckinghamshire MK1 1BU.

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**NOTES TO THE FINANCIAL STATEMENTS**  
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**21 Explanation of transition to FRS 101**

As stated in note 1, these are the Company's first financial statements prepared in accordance with FRS 101.

The accounting policies set out in note 1 have been applied in preparing the financial statements for the year ended 31 March 2016, the comparative information presented in these financial statements for the year ended 31 March 2015 and in the preparation of an opening FRS 101 balance sheet at 1 April 2014 (the Company's date of transition).

In preparing its FRS 101 balance sheet, the Company has adjusted amounts reported previously in financial statements prepared in accordance with Old UK GAAP.

An explanation of how the transition to FRS 101 has affected the Company's financial position at 1 April 2014 is set out in the following tables and the notes that accompany the table.

*Reconciliation of equity at 1 April 2014*

	Note	£'000
Total equity previously reported under Old UK GAAP		(767)
Less:		
Recognising interest rate swaps	b	(2,616)
		<u>(2,616)</u>
Add back:		
Cummulative depreciation and amortisation	d	278
Recognising deferred tax on interest rate swaps	c	523
Other financial asset profit and loss adjustments	e	1,187
		<u>1,988</u>
Total equity reported under FRS 101		<u><u>(1,395)</u></u>

*Reconciliation of total comprehensive expense for the year ended 31 March 2015*

	Note	£'000
Loss for the year previously reported under Old UK GAAP		(434)
Less:		
Movement in fair value of interest rate swaps	b	(7,952)
Reversing Old UK GAAP taxation	c	(107)
		<u>(8,059)</u>
Add back:		
Amortisation	d	174
Recognising FRS 101 taxation	c	1,441
Other financial asset profit and loss adjustments	e	1,063
		<u>2,678</u>
Total comprehensive expense reported under FRS 101		<u><u>(5,815)</u></u>

**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 31 March 2016 - continued**

**21 Explanation of transition to FRS 101 - continued**

- a) Under IFRIC 12, the operator's rights over infrastructure operated under concession arrangements should be accounted for based on the control of the grantor (the local authority), over what services the operator must provide with the infrastructure, to whom it must provide them and at what price. Accordingly the Company applies the 'financial asset' model as it has an unconditional right to receive cash for the infrastructure. The Company splits the local authority payment between a service element as revenue and a repayment element that is deducted from the financial asset.
- b) In accordance with its treasury policy, the Company holds interest rate swaps to manage the its exposure to interest rate risk on the Company's variable-rate borrowings. On adoption of FRS 101 these derivative financial instruments have been recognised and recorded on the balance sheet.
- c) Deferred tax adjustment due to the change from fixed asset accounting to financial asset accounting and the application of IFRIC 12.
- d) As part of the transition to FRS 101 the Company no longer applies fixed asset accounting. Historical entries associated with fixed asset accounting have been reversed. See note (a) above for details on financial asset accounting which has now been adopted.
- e) Transitional adjustment for profit and loss balances which are now included in financial asset.

**22 Post balance sheet events**

On 23 June 2016 the UK electorate voted to leave the European Union. This decision commences a process that is likely to take a minimum of two years to complete, and during this time the UK remains a member of the European Union. There will be a resulting period of uncertainty for the UK economy and markets, with increased volatility expected in financial markets.

This does not impact the fair value of assets and liabilities reported at the balance sheet date of 31 March 2016.