Company Registration No. 10327359

FCC (E&M) Limited

Annual report and financial statements

for the 507 day period ended 31 December 2017

FCC (E&M) Limited

Annual report and financial statements 2017

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FCC (E&M) Limited

Annual report and financial statements 2017

Officers and professional advisers

Directors

P Taylor (appointed 12 August 2016)
V F Orts-Llopis (appointed 12 August 2016)
C Afonso Ferrer (appointed 12 August 2016)

Company Secretary

C Nunn (appointed 12 August 2016)

Registered Office

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

Auditor

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

FCC (E&M) Limited

Strategic report

The Directors present their strategic report on the affairs of FCC (E&M) Limited ("the Company") for the 507 day period ended 31 December 2017.

Overview of Group

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

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

FCC's financial capacity and depth of experience in the European waste infrastructure sector is backed by over 100 years of experience in operating municipal services contracts. This complements both the position of the Company and its 43 fellow subsidiaries (together the "Group" or "FCC E UK") as a leading waste management, recycling and renewable energy business, and the Group's ambition to maintain its position as a significant player in establishing the next generation of waste treatment infrastructure in the UK. The core services provided by the Group are fully aligned with FCC's strategic growth plans and it is ideally placed to take advantage of local opportunities to provide the services and infrastructure required by the UK to meet existing legislative framework and emerging proposals to create a circular economy by recognising the true value of the materials we handle. The Board continues to look forward to the opportunities that are presented to the Group and its employees by virtue of FCC's plans to expand and embed its operations in the UK.

The Board's strategy is to "Own the Waste" where possible and to maximise the value of resource, produce renewable energy and to provide 360 degree solutions to its customers. The Board sees the development of major waste infrastructure to support sustainable waste management and strategic long term partnerships as key to the Group's future business growth. It anticipates continuous activity and deployment of Group resources into recycling facilities, renewable energy projects, the development of innovative waste treatment solutions and the provision of regional waste management services and facilities. The Board remains of the view that Energy from Waste ("EfW") will be a key component of the UK's waste and resource strategy and, in combination with other treatment, recycling and recovery operations, backed up by landfill disposal for residues, is a strategy that represents a long term sustainable solution for meeting the Group's clients' diversion targets and to reduce our carbon footprint.

Principal activities

The principal activity of the Company during the 507 day period ended 31 December 2017 was the treatment of residual waste on behalf of Zero Waste: Edinburgh and Midlothian, a joint venture between the City of Edinburgh and Midlothian councils, through the development of a Recycling and Energy Recovery Centre ("RERC") treatment facility at Millerhill, Midlothian. The 25 year Private Finance Initiative ("PFI") contract was formally signed on 6 October 2016.

Developments in the period

The Company was incorporated on 12 August 2016 and acted in accordance with its principal activities throughout the 507 day period ended 31 December 2017.

Business review

The Directors consider that the Company's business performance was satisfactory during the period.

FCC (E&M) Limited

Strategic report

Results, dividends and key performance indicators

The results for the 507 day period ended 31 December 2017 are set out on page 11. The loss for the financial period ended 31 December 2017 amounted to £1.5million. The Company did not pay an interim dividend during the period and furthermore, the Directors do not recommend the payment of a final dividend. The loss for the financial period has been withdrawn from reserves. Other comprehensive expense for the period was £0.5million, leading to a corresponding decrease in total equity.

The operating profit for the financial period ended 31 December 2017 was £1.4million. The current period operating result reflects turnover and costs incurred during the ongoing construction phase of the Company's Edinburgh and Midlothian PFI project.

FCC manages its operations on a divisional basis and information regarding key performance indicators is included within the FCC annual report, copies of which are available from the address in note 18. For this reason, the Company's Directors believe that the disclosure of further financial and non-financial key performance indicators for the Company is not appropriate for an understanding of the development, performance or position of the business.

Future developments

The Directors expect the Company to continue its construction activities during 2018 in relation to the Edinburgh and Midlothian PFI project.

Principal risks and uncertainties

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

- **Environmental risks:** The Group's environmental risks are tightly controlled under environmental legislation enforced principally by the Environment Agency ("EA"), Scottish Environment Protection Agency ("SEPA") and Natural Resources Wales ("NRW"). Compliance with all environmental legislation pertinent to the Group's activities is a minimum requirement. A dedicated in-house team prepare regular reports on environmental compliance at the Group's sites for the Board's review. Environmental objectives are reviewed annually and highlighted within the Group's Safety Health Environment and Quality (SHEQ) Policy Statement. In addition to this there are detailed environmental procedures to enable compliance with environmental legislation.
- **Health and safety:** Health and safety is a key issue for the Group due to the nature of its operations, including the use of heavy plant equipment and difficult working conditions. The Group is continually improving in this area as a result of ongoing consultation with the relevant authorities and the monitoring of best practice initiatives. Whenever an area is highlighted for improvement, the Group seeks to implement such improvement expeditiously; through bulletins, on-line training courses and tool-box briefings. The Group's Incident Review Panel meets quarterly, at which senior management review significant health and safety incidents that have occurred at Group sites to identify improvements and lessons for the business. All employees undertake a rigorous health and safety training programme, which is underpinned by the latest UK legislation, detailed policies and procedures. The Group's executive management receive regular, detailed reports on health and safety performance affecting the Group's operations and it employs a dedicated team, led by the Group Safety, Health, Environment and Quality Manager, to monitor and promote high standards. All employees are expected to recognise their role in achieving acceptable standards of health and safety and to exhibit such understanding through their approach and attitude to work.

Principal risks and uncertainties (continued)

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

Financial risk management objectives and policies

The Company is exposed to financial risk through its financial assets and liabilities. The most important components of financial risk are interest rate risk, credit risk and liquidity risk 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.

Strategic report

Interest rate risk

The Company's exposure to interest rate risk is managed by using a mix of fixed and variable rate debt. To manage this mix in a cost effective manner, the Company uses interest rate swaps. Full details of the accounting policy in respect of financial instruments are given in note 2 to the financial statements.

Going concern

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

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

Approved by the Board and signed on its behalf by:

V F Orts-Llopis
Director
29 June 2018

FCC (E&M) Limited

Directors' report

The Directors present their annual report and the audited financial statements of the Company for the 507 day period ended 31 December 2017. Information on the Company's going concern status, financial risk management policies and dividends are disclosed in the strategic report.

Directors

The following individuals served as Directors of the Company during the 507 day period ended 31 December 2017 and up to the date of this report:

P Taylor
V F Orts-Llopis
C Afonso Ferrer

Directors' indemnities

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

Future developments

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

Directors' responsibilities statement

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 101 "Reduced Disclosure Framework".

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

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

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

FCC (E&M) Limited

Directors' report

Auditor

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

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

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

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

Approved by the Board and signed on its behalf by:

V F Orts-Llopis
Director
29 June 2018

FCC (E&M) Limited

Independent auditor's report to the members of FCC (E&M) Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements:

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

We have audited the financial statements of FCC (E&M) Limited (the 'company') which comprise:

- the statement of comprehensive income and expense;
- the balance sheet;
- the statement of changes in equity;
- the related notes 1 to 18.

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

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs(UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

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

Conclusions relating to going concern

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

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

We have nothing to report in respect of these matters.

Independent auditor's report to the members of FCC (E&M) Limited

Other information

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

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

We have nothing to report in respect of these matters.

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

Use of our report

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

FCC (E&M) Limited

Independent auditor's report to the members of FCC (E&M) Limited

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the strategic report and the directors' report for the financial period for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

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

Matters on which we are required to report by exception

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

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

We have nothing to report in respect of these matters.

Makhan Chahal (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom
29th June 2018

Statement of comprehensive income and expense
For the 507 day period ended 31 December 2017

	Notes	507 day period ended 31 December 2017 £'000
Turnover	4	59,497
Cost of sales		(58,136)
Gross profit and operating profit		1,361
Interest receivable and similar income	7	1,815
Interest payable and similar expenses	7	(5,265)
Loss before taxation	5	(2,089)
Tax on loss	8	568
Loss for the financial period		(1,521)
Other comprehensive expense for the period, net of tax		(464)
Total comprehensive expense for the period		(1,985)

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

The notes on pages 14 to 25 are an integral part of these financial statements.

FCC (E&M) Limited

Balance sheet
As at 31 December 2017

	Note	2017 £'000
Non-current assets		
Intangible assets	9	**9,450**
Financial assets	10	**52,609**
Deferred tax asset	8	**663**
		62,722
Current assets		
Debtors: amounts due within one year	11	**3,068**
Cash and cash equivalents		**32**
		3,100
Creditors: amounts falling due within one year	12	**(11,025)**
Net current liabilities		**(7,925)**
Total assets less current liabilities		**54,797**
Creditors: amounts falling due after more than one year	13	**(56,782)**
Net liabilities		**(1,985)**
Capital and reserves		
Called-up share capital	15	**-**
Cash flow hedging reserve		**(464)**
Profit and loss account		**(1,521)**
Total equity		**(1,985)**

The notes on pages 14 to 25 are an integral part of these financial statements.

The financial statements of FCC (E&M) Limited, registered number 10327359 were approved by the Board of Directors and authorised for issue on 29 June 2018. They were signed on its behalf by:

V F Orts-Llopis
Director

FCC (E&M) Limited

Statement of changes in equity
For the 507 day period ended 31 December 2017

	Called-up share capital £'000	Cash flow hedging reserve £'000	Profit and loss account £'000	Total £'000
Period ended 31 December 2017				
At 12 August 2016	-	-	-	-
New share capital issued during the period	-	-	-	-
Other comprehensive income/(expense)				
Change in fair value of interest rate swap	-	(239)	-	(239)
Change in fair value of foreign exchange forward contracts	-	(320)	-	(320)
Tax related to losses recognised in equity	-	95	-	95
Comprehensive income				
Loss for the period	-	-	(1,521)	(1,521)
At 31 December 2017	**-**	**(464)**	**(1,521)**	**(1,985)**

Notes to the financial statements
For the 507 day period ended 31 December 2017

1. **Corporate information**

FCC (E&M) Limited is a private company limited by shares incorporated in the United Kingdom under the Companies Act 2006, registered in England and Wales. The Company was incorporated on 12 August 2016. The address of the registered office is given on page 1. The nature of the Company's operations and its principal activities are set out in the Strategic report.

2. **Accounting policies**

The principal accounting policies are summarised below. They have all been applied consistently throughout the 507 day period ended 31 December 2017.

General information and basis of accounting

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

The functional and presentational currency of FCC (E&M) Limited is considered to be pounds sterling because that is the currency of the primary economic environment in which the Company operates.

Exemptions for qualifying entities under FRS 101

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

(a) The requirements of paragraphs 45(b) and 46 to 52 of IFRS 2 *Share-based Payment*

(b) The requirements of paragraphs 62, B64(d), B64(e), B64(g), B64(h), B64(j) to B64(m), B64(n)(ii), B64(o)(ii), B64(p), B64(q)(ii), B66 and B67 of IRFS 3 *Business Combinations*

(c) The requirements of IFRS 7 *Financial Instruments: Disclosures*

(d) The requirements of paragraphs 91 to 99 of IFRS 13 *Fair Value Measurement*

(e) The requirement in paragraph 38 of IAS 1 *Presentation of Financial Statements* to present comparative information in respect of:
    i. paragraph 79(a)(iv) of IAS 1;
    ii. paragraph 73(e) of IAS 16 *Property, Plant and Equipment*;
    iii. paragraph 118(e) of IAS 38 *Intangible Assets*;

(f) The requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134 to 136 of IAS 1 *Presentation of Financial Statements*

(g) The requirements of IAS 7 *Statement of Cash Flows*

(h) The requirements of paragraphs 30 and 31 of IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*

(i) The requirements of paragraph 17 of IAS 24 *Related Party Disclosures*

(j) The requirements in IAS 24 *Related Party Disclosures* to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member

(k) The requirements of paragraphs 134(d) to 134(f) and 135(c) to 135(e) of IAS 36 *Impairment of Assets*

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

Notes to the financial statements
For the 507 day period ended 31 December 2017

2. Accounting policies (continued)

Amendments to IFRSs that are mandatorily effective for the current year

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

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

New international accounting standards and interpretations not yet adopted

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

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

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

Going concern

At 31 December 2017, the Company had net liabilities of £2.1million. Having assessed the responses of FCC to their enquiries, reviewed projected cash flows and carefully considered the risks to the Company's trading performance and cash flows, the Directors have no reason to believe that a material uncertainty exists that may cast significant doubt about the ability of the Company to continue as a going concern. For these reasons, they continue to adopt the going concern basis in preparing the annual report and financial statements. Copies of the FCC consolidated annual report can be obtained from the address in note 18.

Cash and cash equivalents

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

2. Accounting policies (continued)

Trade and other payables

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

Financial instruments

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

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

Financial assets and liabilities

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

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

(a) Returns to the holder are (i) a fixed amount; or (ii) a fixed rate of return over the life of the instrument; or (iii) a variable return that, throughout the life of the instrument, is equal to a single referenced quoted or observable interest rate; or (iv) some combination of such fixed rate and variable rates, providing that both rates are positive.

(b) There is no contractual provision that could, by its terms, result in the holder losing the principal amount or any interest attributable to the current period or prior periods.

(c) Contractual provisions that permit the issuer to prepay a debt instrument or permit the holder to put it back to the issuer before maturity are not contingent on future events, other than to protect the holder against the credit deterioration of the issuer or a change in control of the issuer, or to protect the holder or issuer against changes in relevant taxation or law.

(d) There are no conditional returns or repayment provisions except for the variable rate return described in (a) and prepayment provisions described in (c).

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

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

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

Financial assets are derecognised when and only when a) the contractual rights to the cash flows from the financial asset expire or are settled, b) the Group transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or c) the Group, despite having retained some significant risks and rewards of ownership, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer.

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

2. Accounting policies (continued)

Financial instruments (continued)

Derivative financial instruments

The Company uses derivative financial instruments to reduce exposure to interest rate movements and foreign exchange rate movements. The Company does not hold or issue derivative financial instruments for speculative purposes.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Hedge accounting

The Company designates certain derivatives as hedging instruments in respect of variable interest rate risk of the cash flows associated with recognised debt instruments measured at amortised cost. The Company also designates certain derivatives as hedging instruments in respect of foreign exchange rate risk of the cash flows associated with future transactions in foreign currency.

At the inception of the hedge relationship, the entity documents the relationship between the hedging instrument and the hedged item, along with the clear identification of the risk in the hedged item that is being hedged by the hedging instrument. Furthermore, at the inception of the hedge and on an ongoing basis, the Company assesses whether the hedging instrument is highly effective in offsetting the designated hedged risk.

The effective portion of changes in the fair value of the designated hedging instrument is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss. Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods in which the hedged item affects profit or loss or when the hedging relationship ends.

Hedge accounting is discontinued when the Group revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. Any gain or loss accumulated in equity at that time is reclassified to profit or loss when the hedged item is recognised in profit or loss. When a forecast transaction is no longer expected to occur, any gain or loss that was recognised in other comprehensive income is reclassified immediately to profit or loss.

Taxation

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

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

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

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

Notes to the financial statements
For the 507 day period ended 31 December 2017

2. Accounting policies (continued)

Taxation (continued)

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

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

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

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

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

Intangible assets

An intangible asset is recognised for service concession agreements as future amounts receivable are not certain. Such intangible assets are amortised on a straight-line basis over the length of the contracted service concession agreement.

Turnover

Turnover, including landfill tax, is stated net of VAT and trade discounts and is recognised when the significant risks and rewards are considered to have been transferred to the buyer. 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 fair value of the consideration received or receivable. Turnover is recognised in respect of waste disposal services when the waste has been received and disposed of. 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.

Notes to the financial statements
For the 507 day period ended 31 December 2017

3. Critical accounting judgements and key sources of estimation uncertainty

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

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

There are no areas of significant judgement or specific estimates or assumptions relevant to the Company.

4. Turnover

Turnover, including landfill tax, was generated in the United Kingdom from the handling, recycling and disposal of waste materials.

5. Loss before taxation

Auditor's remuneration in respect of audit fees totalling £4,000 has been met by FCC Recycling (UK) Limited, a fellow subsidiary undertaking of FCC.

6. Directors' remuneration and transactions

None of the Directors received any remuneration or benefits from the Company during the period ended 31 December 2017. They are remunerated as directors or employees of FCC Environment (UK) Limited, a fellow subsidiary undertaking of FCC, for services to the UK 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. The Directors received total remuneration of £637,000 for services to the UK Group as a whole in the year ended 31 December 2017 (2016: £578,000).

The Company had no employees during the financial period.

7. Net interest expense

a) Interest receivable and similar income

	507 day period ended 31 December 2017 £'000
Interest earned on financial assets	**1,803**
Other interest receivable	**12**
	1,815

Notes to the financial statements
For the 507 day period ended 31 December 2017

7. Net interest expense (continued)

b) Interest payable and similar expenses

	507 day period ended 31 December 2017 £'000
Intercompany interest payable	2,852
Bank interest and similar expenses	1,559
Bank arrangement fees	794
Foreign exchange differences	60
	5,265

c) Net interest expense

	507 day period ended 31 December 2017 £'000
Interest receivable and similar income	1,815
Interest payable and similar charges	(5,265)
	(3,450)

Notes to the financial statements
For the 507 day period ended 31 December 2017

8. Tax on loss

The tax credit comprises:

	507 day period ended 31 December 2017 £'000
Current tax	
United Kingdom corporation tax at 19.46% based on loss for the period	-
Total current tax	-
Deferred tax	
Origination and reversal of temporary differences	(568)
Total deferred tax	(568)
Total tax credit	(568)

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

The total tax credit for the current period differs from the average standard rate of 19.46% for the reasons set out in the following reconciliation:

	507 day period ended 31 December 2017 £'000
Loss before tax	(2,089)
Tax on loss at average standard rate	(402)
Effects of:	
Non-taxable items	(166)
Total tax credit	(568)

Notes to the financial statements
For the 507 day period ended 31 December 2017

8. Tax on loss (continued)

Deferred income tax relates to the following:

	2017 £'000
Derivative financial instruments	95
Other taxable temporary differences	568
Net deferred tax asset	663

Movement in deferred tax during the period:

	Opening 12 August 2016 £'000	Recognised in income £'000	Recognised in equity £'000	Closing 31 December 2017 £'000
Derivative financial instruments	-	-	95	95
Other taxable temporary differences	-	568	-	568
	-	568	95	663

9. Intangible fixed assets

	£'000
Cost and net book value	
At 12 August 2016	-
Additions	9,450
At 31 December 2017	9,450

Intangible fixed assets relate to amounts recoverable on the Edinburgh and Midlothian PFI contract. The assets will be amortised on a straight-line basis over the 25 year PFI contract length.

Notes to the financial statements
For the 507 day period ended 31 December 2017

10. Financial assets

	2017 £'000
Maturity	
Current	
Due within one year	-
Non-current	
Due in one to two years	4,825
Due in two to five years	5,889
Due after five years	41,895
	52,609
	52,609

The amounts above relate to amounts recoverable on PFI contracts.

11. Debtors: amounts due within one year

	2017 £'000
Prepayments	1,420
VAT receivable	1,648
	3,068

12. Creditors: amounts falling due within one year

	2017 £'000
Trade creditors	9,872
Accruals	63
Amounts owed to ultimate parent undertaking	398
Amounts owed to fellow subsidiary undertakings	338
Foreign exchange forward contracts (note 14)	312
Interest rate swaps (note 14)	42
	11,025

Amounts owed to the ultimate parent undertaking and fellow subsidiary undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

Notes to the financial statements
For the 507 day period ended 31 December 2017

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

	2017 £'000
Bank loans	25,736
Prepaid loan arrangement fees	(2,010)
Unsecured subordinated loan notes issued by the immediate parent undertaking	29,510
Accrued interest on the loan notes issued by the immediate parent undertaking	3,341
Foreign exchange forward contracts (note 14)	7
Interest rate swaps (note 14)	198
	56,782

Further details regarding the interest rates payable and maturity profile of the bank loans and amounts due to the immediate parent undertaking are included in note 14.

14. Loans and borrowings

	2017 £'000
Bank loans – Senior debt	25,736
Prepaid loan arrangement fees	(2,010)
Unsecured subordinated loan notes issued to the immediate parent undertaking	29,510
Interest rate swaps	240
Foreign exchange forward contracts	319
	53,795

Interest is payable on the Senior Debt at a fixed (hedged) rate of 0.51% (plus a margin which at 31 December 2017 was 2.20%). The loan notes issued to the immediate parent undertaking FCC (E&M) Holdings Limited have a final redemption date of September 2042 and bear interest at a fixed rate of 9.7% per annum. The borrowings are secured by a debenture over certain of the Company's assets.

Maturity profile	2017 £'000
Due within one year	354
Between one and two years	(110)
Between two and five years	25,682
Due after more than five years	27,869
	53,795

The amounts due after more than five years are payable in instalments of varying amounts, with the final amount payable due in September 2042.

Notes to the financial statements
For the 507 day period ended 31 December 2017

15. Called-up share capital and reserves

	2017
	£
Called up, allotted and fully paid	
100 ordinary shares of £1 each	**100**

100 ordinary shares of £1 were issued at par on incorporation. The company has one class of ordinary shares which carry no right to fixed income.

Other reserves

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

The cash flow hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred, net of any related deferred tax.

16. Related party transactions

The Directors regard all subsidiaries of FCC as related parties.

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

17. Contingent liabilities

(a) The Company is a member of a group VAT registration and as such has contingent liabilities for VAT in respect of other members of the group.

(b) At 31 December 2017, the Company was party to performance bonds totalling £10.0million in favour of various municipal authorities and others.

18. Controlling party

The immediate parent of the Company is FCC (E&M) 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 entity 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 (E&M) 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.