

**Company Registration No. 11781540**

**FCC Lostock Holdings Limited**

**Annual report and financial statements**

**for the year ended 31 December 2020**



# **FCC Lostock Holdings Limited**

## **Annual report and financial statements 2020**

<b>Contents</b>	<b>Page</b>
<b>Officers and professional advisers</b>	<b>1</b>
<b>Strategic report</b>	<b>2</b>
<b>Directors' report</b>	<b>7</b>
<b>Independent auditor's report</b>	<b>13</b>
<b>Statement of comprehensive income</b>	<b>16</b>
<b>Balance sheet</b>	<b>17</b>
<b>Statement of changes in equity</b>	<b>18</b>
<b>Notes to the financial statements</b>	<b>19</b>

# **FCC Lostock Holdings Limited**

## **Annual report and financial statements 2020**

### **Officers and professional advisers**

#### **Directors**

P Taylor  
V F Orts-Llopis  
A Serrano Minchan

#### **Registered Office**

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

#### **Auditor**

Deloitte LLP  
Statutory Auditor  
1 City Square  
Leeds  
LS1 2AL  
United Kingdom

# **FCC Lostock Holdings Limited**

## **Strategic report**

The Directors present their strategic report on the affairs of FCC Lostock Holdings Limited (“the Company”) for the year ended 31 December 2020.

### **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 is among the top global players that deliver Environmental Services (including water and waste management), and has implemented a balanced business model, combining other activities such as Construction, Cement and Real Estate.

The activities, strategy and risks affecting the Company are inextricably similar to, and dependent on, those of FCC’s UK wider Environment Business (“FCC UK” or 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 the position of the Group as a leading waste management, recycling and renewable energy business, and the Group’s ambition to maintain its position as a significant player in establishing the next generation of waste treatment infrastructure in the UK. The core services provided by the Group are fully aligned with FCC’s strategic growth plans. The Group 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 promote circular economy infrastructure, 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 overarching strategy headline for our business is “From Waste to Resource”, which comprises four key components;

- Own the Waste
- Maximise the value of resources
- Produce renewable energy
- Provide 360 degree solutions

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. Energy from Waste (“EfW”) is 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 for reducing our carbon footprint.

### **Principal activities**

The principal activity of the Company during the year ended 31 December 2020 was the investment in and financing of a joint venture partnership with Copenhagen Infrastructure Partners (“CIP”) to build an EfW plant in Lostock, Cheshire. There were no developments during the financial year.

### **Business review**

The Directors consider that the Company’s business performance was in line with expectations during the period. Commentary on the Company’s results is set out in the Results, dividends and key performance indicators section.

In 2020, FCC undertook an internal reorganisation of its UK Environment Division which culminated in the formation of a new EfW sub-group under Green Recovery Projects Limited (“GRP”). This consisted of grouping FCC’s five EfW plants (Allington, Eastcroft, Lincoln, Millerhill at Edinburgh & Midlothian and Greatmoor in Buckinghamshire) and their related SPV companies under a single parent company to form a new platform for growth.

# FCC Lostock Holdings Limited

## Strategic report

### Business review (continued)

Following the re-organisation, GRP's owner, FCC Medio Ambiente Reino Unido SLU, sold a 49% stake in GRP to iCON Infrastructure.

Covid-19 was declared a global pandemic on 11 March 2020 by the World Health Organisation and measures taken by governments around the world including the UK to combat this public health emergency have had far reaching implications on peoples' lives, economies and businesses. As a designated 'Key Worker' and provider of essential public services, the Group showed in 2020 that it is well placed to weather the current period of uncertainty. Further details of the measures taken by the Group to mitigate the crisis are described in the principal risks and uncertainties section on pages 3-4 whilst further details of the Directors' careful considerations of the impact on future trading are set out in the going concern considerations in note 2.

### Results, dividends and key performance indicators

The results for the year ended 31 December 2020 are set out on page 16. Comparative figures herein relate to the 344 day period to 31 December 2019. The loss for the year ended 31 December 2020 amounted to £1.2million (2019: £0.4million). 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 before tax for the financial period ended 31 December 2020 was £1.4million (2019: £0.4million). This is driven by interest expenses incurred in relation to the Company's loans and borrowings.

FCC, the ultimate parent company, manages its operations on a divisional basis and information regarding financial and non-financial key performance indicators is included within the FCC annual report. For this reason, the Company's Directors believe that the disclosure of further key performance indicators for the Company is not appropriate for an understanding of the development, performance or position of the business. Copies of the FCC annual report can be obtained from the address in note 17.

### Future developments

The Directors expect the Company to continue to operate in line with its principal activities in future years.

### 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:

- **Covid-19:** Covid-19 was declared a global pandemic on 11 March 2020 by the World Health Organisation and measures taken by governments around the world including the UK to combat this public health emergency have had far reaching implications on peoples' lives, economies and businesses. As a designated 'Key Worker' and provider of essential public services, the Group continued, where possible, to provide first class services at that difficult time. In response to the crisis, the Group established a Covid-19 committee consisting of the Group's executive management team whilst the Group also participated in a wider FCC global response committee. The team had regular virtual meetings during the crisis with the welfare of employees, customers, suppliers and other stakeholders visiting our sites, the primary concern. The committee has considered and ensured the practical implementation of government guidelines and also managed the operational and financial implications for the business. Consideration of the impact on the Group and Company's going concern status is set out in note 2.
- **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.

# FCC Lostock Holdings Limited

## Strategic report

### Principal risks and uncertainties (continued)

- **Health and safety:** Health and safety is a key issue for the Group due to the nature of its operations, including the use of heavy plant equipment and difficult working conditions. The Group is continually improving in this area as a result of ongoing consultation with the relevant authorities and the monitoring of best practice initiatives. Whenever an area is highlighted for improvement, the Group seeks to implement such improvement expeditiously; through bulletins, on-line training courses and tool-box briefings. The Group's Incident Review Panel meets quarterly, at which senior management review significant health and safety incidents that have occurred at Group sites to identify improvements and lessons for the business. All employees undertake a rigorous health and safety training programme, which is underpinned by the latest UK legislation, detailed policies and procedures. The Group's executive management receive regular, detailed reports on health and safety performance affecting the Group's operations and it employs a dedicated team, led by the Group Safety, Health, Environment and Quality Manager, to monitor and promote high standards. All employees are expected to recognise their role in achieving acceptable standards of health and safety and to exhibit such understanding through their approach and attitude to work.
- **Business continuity:** The Group, as part of its risk management programme, has developed business continuity planning for its operations. As part of this planning, the Group has developed a bespoke emergency plan for each operational facility (including the diversion of waste from single or multiple sites in the event of major disruption or disaster affecting a site or region). The Group's IT systems are outsourced to a specialist infrastructure 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 have impacted pricing of Refuse Derived Fuel (RDF) exports into mainland Europe. In addition, the decision to leave the European Union has resulted in a period of uncertainty for the UK economy and increased volatility in financial markets. We have reviewed the potential impacts and consider that we have sufficient mitigations in place. 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.

# **FCC Lostock Holdings Limited**

## **Strategic report**

### **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 a wholly-owned subsidiary of FCC. Credit risk arises from the risk of having credit exposures to third parties, including outstanding receivables. The Directors consider credit risk to be minimal as debtor balances included within the Company's balance sheet consist of amounts due from subsidiaries. Liquidity risk is the risk that the Company will not have sufficient cash resources to meet its commitments. The Company prepares and reviews cash flow forecasts frequently to ensure that it has sufficient resources to meet its cash flow commitments.

#### *Interest rate risk*

The Company's exposure to 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 note 2 to the financial statements.

### **Section 172 Statement**

Section 172 of the Companies Act 2006 requires each director to act in the way they consider, in good faith, would be most likely promote the success of the Company for the benefit of its members as a whole, and in doing so have regard, amongst other matters, to:

- the likely consequences of any decision in the long term;
- the interests of the Company's employees;
- the need to foster the Company's business relationships with suppliers, customers and others;
- the impact of the Company's operations on the community and the environment;
- the Company's reputation for high standards of business conduct; and
- the need to act fairly between members of the Company.

The Board of directors have complied with these requirements. Details of the Board's decisions in 2020 to promote long-term success, and how it engaged with stakeholders and considered their interests when making those decisions, can be found throughout this Strategic report and in the Directors' report.

Details of our strategy are set out on page 2 of the Strategic report and page 6 of the Directors' report. The Strategic report highlights performance in the year against that strategy together with future trends and developments.

The Group is subject to the Code of Ethics issued by its parent company FCC which sets out guidelines for conduct, including in relation to corruption and bribery.

Open, constructive dialogue with our employees and other key stakeholders is critical to inform the Board's decisions. Details of how the Group has engaged with its stakeholders are set out on pages 9-10 of the Directors' report. Whilst the Board has overall responsibility for managing relationships with all our stakeholders, the day to day relationships are mainly managed through divisional senior management teams supervised principally through monthly management meetings between the divisional senior management teams and the UK based executive directors.

## **FCC Lostock Holdings Limited**

### **Strategic report**

#### **Section 172 Statement (continued)**

Operating within the UK's highly regulated waste management market, the Board's regard to the environment as well as the health and safety of all persons entering its sites is of paramount importance. How the Group addresses environmental and health and safety risk is set out on pages 3-4.

Approved by the Board and signed on its behalf by:



**V F Orts-Llopis**

Director

23 September 2021



## **FCC Lostock Holdings Limited**

### **Directors' report**

The Directors present their annual report and the audited financial statements of the Company for the year ended 31 December 2020. Information on the Company's going concern status, financial risk management policies and dividends are disclosed in the strategic report.

#### **Directors**

The following individuals served as Directors of the Company during the year ended 31 December 2020 and up to the date of this report:

P Taylor  
V F Orts-Llopis  
A Serrano Minchan

#### **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 2.

#### **Statement of Corporate Governance**

Section 172 Companies Act 2006 recognises the position of trust that a director holds with regards to broader stakeholder interests when carrying out their duties to promote the success of the Company.

For the year ended 31 December 2020, under The Companies (Miscellaneous Reporting) Regulations 2018, the Board has applied the Wates Corporate Governance Principles for Large Private Companies published by the Financial Reporting Council ('FRC') in December 2018 (the "Principles"). These Principles provide a framework for ensuring that the Company is well run, well managed and aligned behind a clear purpose.

As one of the UK's most trusted resource and waste management businesses, we are helping shape the policy landscapes, ensuring that our people, systems and strategy remain innovative and focused on delivering excellence.

The Company shares in common its Chief Executive Officer and Chief Financial Officer with the FCC E UK Group and FCC's wider UK Environment business. As a result, there is uniformity and consistency of strategy, policies, procedures and decision making across FCC's integrated UK Environment business. To reflect this, the following narrative on the Directors' application of the Principles, has been consistently reproduced in the annual report and financial statements of each FCC UK Environment business subsidiary and therefore some narrative may not be directly relevant to the Company.

#### **Principle 1 – Purpose and Leadership**

As one of the UK's most trusted resource and waste management businesses, we are a modern progressive company and pride ourselves on innovation. FCC is uniquely placed to provide services in an ever changing waste sector. With a clear focus on releasing the full potential from the resources it collects, the business continues to focus on greater volumes of recycling and the generation of green energy in line with Government policy.

FCC has invested in a wide range of waste management facilities that aim to minimise the amount of waste disposed of at landfill sites by processing the material to ensure it reaches its full potential as a valuable energy resource.

In 2020, FCC collected waste and recycling material from 1.3 million UK citizens and generated 117MW of green energy from 1.8m tonnes of waste that could not be recycled.

Principal significant events that took place in 2020 were the United Kingdom's departure from the European Union and the emergence of the coronavirus pandemic. The projected impact of the UK's departure from the EU varied amongst different stakeholder groups. In the period immediately after 1st January 2020 and leading up to 31st December 2020, engagement was undertaken with all affected stakeholder groups including employees, supply chain partners with import/export activities and customer groups to identify potential impact, develop and implement appropriate action plans.

# **FCC Lostock Holdings Limited**

## **Directors' report**

### **Statement of Corporate Governance (continued)**

#### **Principle 1 – Purpose and Leadership (continued)**

In considering the impact of coronavirus upon our stakeholders, our principal concern was and remains, the wellbeing of our employees and the communities within which they undertake their tasks. Significant and continuous engagement, planning, re-engineering, monitoring and review was undertaken throughout the year with all of our stakeholders to ensure that the wellbeing of employees and communities was prioritised and protected whilst mitigating the impact upon the essential services we provide, and in particular those which have an impact upon public health.

As described on page 2, the Group's strategy and core services are fully aligned with FCC's strategic growth plans.

#### **Principle 2 – Board Composition**

The Board is collectively responsible for promoting the long term success of our business. The Company has three directors, comprising of the Chief Executive Officer, Chief Financial Officer and one senior executive from the FCC parent company, to ensure that the effectiveness and accountability of the Board fulfils the strategic needs of the Company.

It leads and provides direction by promoting effective decision making and supports the delivery of the Company's strategy.

Our Senior Management Team, with its extensive expertise, skills and professional backgrounds, provides the leadership assurance that the activities within our various business divisions' are aligned to our strategic goals. Each division of the Company is headed up by a member of the Senior Management Team ("SMT"), with the expertise to allow them to independently, effectively and objectively focus on the issues specific to their division.

The Board receives monthly updates from the SMT providing an overview of each division both in terms of performance and strategy but also issues relating to safety, staffing, environment, recycling, contracts and wider stakeholder matters.

With the expectation that the year ahead will continue to be impacted by challenging external factors, the Board will continue to work with the SMT to deliver on our strategic goals whilst ensuring that we continue to safeguard our business, and the wellbeing of our employees, customers, partners and communities.

#### **Principle 3 – Directors Responsibilities**

The Board supports our talented workforce, and upholds our commitment to sustainability. The Board agrees, and has the collective responsibility for the strategy of the Group, which is outlined in our strategic report on page 2. The Senior Management Team oversee the day to day responsibilities and opportunities of our exceptional workforce.

The Board has established and maintained effective corporate governance with reference to the Group's four values:

- Environmental commitment: Ensure what we do is environmentally and socially responsible
- Forward thinking: Embrace change and prepare for the future
- People focus: Value, reward and motivate our team
- Doing the right thing: Secure our future by being better at what we do

These values are the most important hallmarks of our Group, whose vision is to be an international reference Employee Services Group that offers global and innovative solutions for the efficient management of resources and the improvement of infrastructures, contributing to improving the quality of the life of employees and the sustainable progress of society.

FCC continues to put its people first when it comes to their health, safety and wellbeing. In order to measure this, we use software to run monthly engagement surveys. Despite the pandemic and the introduction of new ways of working, our score has risen and averaged 8.3/10 during 2020. This puts us in the top 5% of energy and utility businesses for employee satisfaction.

## **FCC Lostock Holdings Limited**

### **Directors' report**

#### **Statement of Corporate Governance (continued)**

##### **Principle 3 – Directors Responsibilities (continued)**

The Directors at FCC, together with the SMT never lose sight of the potential hazards that exist in the workplace and the importance of keeping ourselves, our customers and our visitors safe and they are at the centre of the business values.

In 2020, the directors approved a new Code of Ethics and Conduct suite, providing practical insight into the values shared across the FCC Group to enable a more robust culture of compliance and supporting the creation of long term value for our project.

The purpose of the Code of Ethics and Conduct is to encourage all persons having links with any FCC Group company to observe the most stringent conduct guidelines in their commitment to complying with laws, legislation, contracts, procedures and ethical principles.

Our conduct guidelines in the Code of Ethics and Conduct also apply to all investees and entities in which the FCC Group exercises control over management. The FCC Group also encourages its investees, even when not under the group's control, providers, contractors, collaborators and other partners to adopt principles and values similar to ours.

##### **Principle 4 – Opportunity & Risk**

FCC is committed to managing waste and resources in the best way possible, recycling what we can and extracting value, in the form of energy from the residual waste.

In 2020, FCC entered into a new investment partnership with iCON Infrastructure LLP, aimed at fast-tracking investment into our existing Energy from Waste facilities in the UK, at Allington, Eastcroft, Greatmoor, Lincoln and Millerhill, along with the potential for new low carbon energy plants.

FCC and iCON will put together their expertise and resources in providing low carbon energy infrastructure to help the UK meet its net zero ambitions and contribute to a better environmental outlook.

The partnership involved the formation of a new company, Green Recovery Projects, which provides our business with a platform from which to grow our energy assets.

Operating in the UK's highly regulated waste management market presents numerous risks and uncertainties to the Group. The principal risks and uncertainties affecting the Group and set out in detail on pages 3-4 of the Strategic Report.

The Board has developed and implemented risk management policies and procedures that promote a robust control environment at all levels of the organisation. The Senior Management Team ensures the right level of diligence, and robust measures are in place to identify risks and assess, consider, manage and prioritise any impact.

##### **Principle 5 – Remuneration**

The remuneration of the FCC UK Board members is controlled by its parent company, Fomento de Construcciones y Contratas, S.A. The regulations of the Board of Directors stipulates that the remuneration of directors should be in reasonable proportion to the importance of the company, its economic situation at all times and the market standards for comparable companies. The aim of the established remuneration system is to promote the long-term profitability and sustainability of the company, and should include the necessary precautions to avoid excessive risk taking and reward for unfavourable results.

The Board promote appropriate and fair levels of remuneration to attract and retain the best talent and create a business culture that promotes business stability, sustainable growth and the long term success of the Group.

From April 2017, the Government introduced gender pay gap reporting for all companies with more than 250 employees. The gender pay gap shows the difference between the average hourly pay for men and women across all ages' roles and levels. The gender pay gap differs from equal pay, which is the right for men and women to be paid at the same rate of pay for work of equivalent value. Our latest gender pay gap data for 2019 slightly favoured men with a mean of 2.44% and a median of 0.26%.

# **FCC Lostock Holdings Limited**

## **Directors' report**

### **Statement of Corporate Governance (continued)**

#### **Principle 6 – Stakeholders**

The Board is committed to promoting accountability and transparency with all stakeholders, fostering effective stakeholder relationships and meaningful engagement. We wish to build honest and enduring relationships, and seek to work with others, who share our ethics in compliance, and our commitments to the safety and wellbeing of our employees.

FCC's UK Environment business which includes the Company has:

- Over 2,300 employees (nil in the Company)
- 100 major contracts with a total of 60 local authorities
- 280 UK sites of which 166 are operational
- 7 PFI and PPP Contracts
- 6,000 business waste customer agreements
- 3,500 customer accounts

Stakeholders are at the forefront of our business. Liaison with trade customers, partner councils and local authorities is fundamental to ensuring that we understand their needs and continue to deliver the services that they require. Engagement with regulatory bodies is critical to ensuring that we manage the risks set out on pages 3-4 of the Strategic report and remain compliant with applicable laws and regulations.

The Group operates five EfWs, four of which have visitor centres which run educational visits for schools, colleges, universities and clubs. They also run community liaison meetings and engage with local business groups. The sites also engage in outreach visits in which the visitor centre managers and various staff visit the schools and colleges and even attended the Buckinghamshire Skills Show careers conference.

In 2020, the Company engaged with various stakeholders and below are some examples:

FCC Communities Foundation, is a not for profit business that awards grants to communities, environmental and heritage projects through the Landfill Communities Fund and the Scottish Landfill Communities Fund. Funding is donated by FCC as part of the voluntary environmental tax credit scheme to divert a small percentage of landfill tax to projects in England and Scotland.

There are two grant programmes:

- FCC Community Action Fund (CAF) – for projects in England, this programme has 4 rounds per year. Applicants can apply for funding of between £2,000 and £100,000 and the total project cost must not exceed £500,000.

184 applicants applied for CAF funding during 2020 and 111 projects were awarded funding totalling £5,537,205.

- FCC Scottish Action Fund (SAF) – for projects based in Scotland, this programme has 2 rounds per year. Applicants can apply for funding of between £2,000 and £40,000 and the total project cost must not exceed £250,000.

35 Applicants applied for SAF funding during 2020 and 23 projects were awarded funding totalling £658,947.

In March 2020, and in line with Government Guidelines, FCC's workforce was identified as key workers, providing support during the pandemic.

Working closely with councils, some of the FCC managed Household Waste Recycling Centres were temporarily closed to the general public. During this period, FCC were in daily contact with customers, managing the considerable number of enquiries.

Throughout April, our key workers involved with most of our contracts were recognised by the public and rewarded with drawings, messages and Easter eggs. In Devon, the local gin maker supported our workers by gifting the crews with hand sanitiser made at the distillery.

## **FCC Lostock Holdings Limited**

### **Directors' report**

#### **Statement of Corporate Governance (continued)**

##### **Principle 6 – Stakeholders (continued)**

In East Northamptonshire, FCC joined the 'Let's Spread Some Sunshine' campaign. The local children left a drawing on their bin, and in turn they were rewarded with a packet of seeds to grow sunflowers. The winner with the tallest sunflower was awarded a prize from us. FCC rolled out the 'Let's Spread Some Sunshine' campaign across various counties in May and allowed lots of children the pleasure of colouring in beautiful pictures which were then displayed on many of our sites and trucks also ensuring the children were kept busy with their green fingers watching the seeds of their labours flourish. Finally in November, three green fingered East Northamptonshire youngsters were presented with vouchers for growing their sunflowers and spreading the sunshine this summer. The winner was a 2 year old who grew his sunflower to a whopping 276 centimetres tall. He won a £75 Amazon voucher, with second and third place winning Amazon vouchers worth £50 and £25 respectively.

As our sites started to re-open, local residents were met with enhanced health and safety measures and with close corroboration with the local councils, various additional measures were put in place, including booking systems and traffic management systems to control the unprecedented demand and traffic queues into our sites.

Also in May, households across the East of England were invited to join a celebration of key waste and recycling workers in the region. The Norwich based National Centre for Writing, teamed up with FCC to commission an award winning performance-poet, Luke Wright, to write a poem in praise of the thousands of people who continue to collect and manage waste during lockdown.

In August 2020, FCC's recycling centres in Wigan were offering local residents a unique opportunity to have their unwanted garden tools restored and then donated to worthwhile causes. The Tool Shed Project takes unwanted garden tools and then sends them off to be refurbished at Garth Prison near Leyland. The tools are then restored in the prison workshops, helping to equip inmates with skills they can use in the future.

In October 2020 Her Royal Highness the Princess Royal, visited Bletchley Park Trust and met with staff, volunteers and funders, including representatives from FCC and FCC Environment Communities Foundation. Bletchley Park had received confirmation of funding from FCC Communities Foundation in 2019 for the next phase of development, creating new exhibition spaces, a Collection Centre and a Learning Facility as part of a long standing ambition to preserve and enhance Bletchley Park as a world class visitors attraction.

## **FCC Lostock Holdings Limited**

### **Directors' report**

#### **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.

#### **Disclosure of information to the auditor**

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

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

Approved by the Board and signed on its behalf by:



**V F Orts-Llopis**  
Director

23 September 2021

## **FCC Lostock Holdings Limited**

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

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

##### **Opinion**

In our opinion the financial statements of FCC Lostock Holdings Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 December 2020 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the statement of comprehensive income;
- the balance sheet;
- the statement of changes in equity; and
- the related notes 1 to 17.

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 Financial Reporting Council's (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**

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

##### **Other information**

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. 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.

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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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 this regard.

## **FCC Lostock Holdings Limited**

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

#### **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 FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

#### **Extent to which the audit was considered capable of detecting irregularities, including fraud**

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We considered the nature of the company's industry and its control environment, and reviewed the company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management, internal audit and those charged with governance about their own identification and assessment of the risks of irregularities.

We obtained an understanding of the legal and regulatory framework that the company operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included UK Companies Act, pensions legislation, tax legislation; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty. These included GDPR, Health & Safety at Work Act, EU Directive on the Landfill of Waste, Environmental Permitting (England and Wales) Regulations, Employment Rights Act, Landfill Tax Regulations and Environmental Regulations.

We discussed among the audit engagement team including relevant internal specialists such as tax, valuations, IT, financial instruments and pensions regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.



## **FCC Lostock Holdings Limited**

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

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management, internal audit and in-house legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance.

#### **Report on other legal and regulatory requirements**

##### **Opinions on other matters prescribed by the Companies Act 2006**

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

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

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

##### **Matters on which we are required to report by exception**

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

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

We have nothing to report in respect of these matters.

#### **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.

Debitte up

David Johnson B.A., F.C.A. (Senior Statutory Auditor)  
For and on behalf of Deloitte LLP  
Statutory Auditor  
Leeds, United Kingdom  
23 September 2021

## FCC Lostock Holdings Limited

### Statement of comprehensive income For the year ended 31 December 2020

			344 day period ended 31 December
	Notes	2020 £'000	2019 £'000
Finance income	6	1,964	782
Finance costs	6	(3,383)	(1,217)
<b>Loss before tax</b>	4	<b>(1,419)</b>	<b>(435)</b>
Income tax	7	255	83
<b>Loss for the financial year/period</b>		<b>(1,164)</b>	<b>(352)</b>
<b>Other comprehensive result for the year/period</b>		<b>-</b>	<b>-</b>
<b>Total comprehensive expense for the year/period</b>		<b>(1,164)</b>	<b>(352)</b>

The notes on pages 19 to 29 are an integral part of these financial statements.

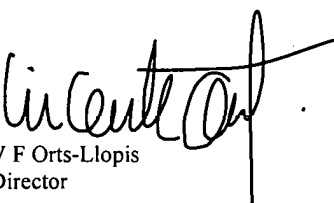
## FCC Lostock Holdings Limited

### Balance sheet As at 31 December 2020

	Note	2020 £'000	2019 £'000
<b>Non-current assets</b>			
Intangible assets	8	8,000	8,000
Investment in joint venture	9	21,925	8,589
Financial assets	10	53,875	20,869
Deferred taxation	14	255	-
<b>Total non-current assets</b>		<b>84,055</b>	<b>37,458</b>
<b>Current assets</b>			
Trade and other receivables	11	84	84
<b>Total current assets</b>		<b>84</b>	<b>84</b>
<b>Total assets</b>		<b>84,139</b>	<b>37,542</b>
<b>Equity</b>			
Share capital	15	-	-
Retained earnings		(1,516)	(352)
<b>Total equity</b>		<b>(1,516)</b>	<b>(352)</b>
<b>Non-current liabilities</b>			
Loans and borrowings	12	84,011	36,250
<b>Current liabilities</b>			
Loans and borrowings	12	1,600	1,600
Trade and other payables	13	44	44
<b>Total current liabilities</b>		<b>1,644</b>	<b>1,644</b>
<b>Total liabilities</b>		<b>85,655</b>	<b>37,894</b>
<b>Total equity and liabilities</b>		<b>84,139</b>	<b>37,542</b>

The notes on pages 19 to 29 are an integral part of these financial statements.

The financial statements of FCC Lostock Holdings Limited, registered number 11781540 were approved by the Board of Directors and authorised for issue on 23 September 2021. They were signed on its behalf by:

  
V F Orts-Llopis  
Director

## FCC Lostock Holdings Limited

### Statement of changes in equity For the year ended 31 December 2020

	Called-up share capital £'000	Profit and loss account £'000	Total £'000
<b>Period ended 31 December 2020</b>			
<b>At 1 January 2020</b>	-	(352)	(352)
Loss for the year and total comprehensive expense	-	(1,164)	(1,164)
	<u>-</u>	<u>(1,164)</u>	<u>(1,164)</u>
<b>At 31 December 2020</b>	<u>-</u>	<u>(1,516)</u>	<u>(1,516)</u>
<b>At 22 January 2019</b>	-	-	-
New share capital issued during the period	-	-	-
<i>Comprehensive expense:</i>			
Loss for the period and total comprehensive expense	-	(352)	(352)
	<u>-</u>	<u>(352)</u>	<u>(352)</u>
<b>At 31 December 2019</b>	<u>-</u>	<u>(352)</u>	<u>(352)</u>

## FCC Lostock Holdings Limited

### Notes to the financial statements For the year ended 31 December 2020

#### 1. Corporate information

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

#### 2. Accounting policies

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

##### 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 Lostock Holdings Limited is considered to be pounds sterling because that is the currency of the primary economic environment in which the Company operates.

##### Exemptions for qualifying entities under FRS 101

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

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

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

## **FCC Lostock Holdings Limited**

### **Notes to the financial statements For the year ended 31 December 2020**

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

##### **New and amended IFRS standards that are effective for the current year**

New amendments to Standards and Interpretations that became mandatory for the first time for the financial year beginning 1 January 2020 are listed below. The amendments had no material impact on the Company's results:

- Amendments to References to the Conceptual Framework in IFRS Standards IFRS 2, IFRS 3, IFRS 6, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22 and SIC-32 (mandatory for the year commencing on or after 1 January 2020);
- Amendments to IFRS 3 Business Combinations to clarify the definition of a business (mandatory for the year commencing on or after 1 January 2020);
- Amendments to IFRS 7 Financial Instruments: Disclosures, IFRS 9 Financial Instruments and IAS 39 Financial Instruments: Recognition and Measurement regarding Interest Rate Benchmark Reform (mandatory for the year commencing on or after 1 January 2020);
- Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to clarify the definition of material (mandatory for the year commencing on or after 1 January 2020).

##### **Going concern**

At 31 December 2020, the Company had net liabilities of £1,516,000 and net current liabilities of £1,560,000.

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.

As the Company has no trading liabilities, Covid-19 does not have a direct impact on the going concern status of the Company. The Company's only current liabilities are with its joint venture partner. Following discussions with FCC, the directors are confident that the Company will receive the necessary funding to fulfil its obligations.

For these reasons, they continue to adopt the going concern basis in preparing the annual report and financial statements.

##### **Investments**

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

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

##### **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.

##### **Intangible assets**

The development premium will be amortised on a straight line basis over the term of the joint venture partnership agreement, being 35 years starting from the commencement of commercial operations of Lostock Sustainable Energy Plant Limited, which is anticipated to be in 2024.

## **FCC Lostock Holdings Limited**

### **Notes to the financial statements For the year ended 31 December 2020**

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

##### **Impairment of assets**

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

##### *Financial assets*

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

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

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

##### **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.

## **FCC Lostock Holdings Limited**

### **Notes to the financial statements For the year ended 31 December 2020**

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

##### **Financial instruments (continued)**

- (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.

For the Company's financial instruments, the Company recognises lifetime Expected Credit Losses ('ECL') when there has been a significant increase in risk since initial recognition. When estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis. The assessment is based on the Company's historical experience and includes forward-looking information. If the credit risk on the financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to the 12-month ECL as defined below.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date. The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets. The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering the asset in its entirety or a portion thereof. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

##### **Taxation**

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

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

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



## **FCC Lostock Holdings Limited**

### **Notes to the financial statements For the year ended 31 December 2020**

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

##### **Taxation (continued)**

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.

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.

#### **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. Loss before tax**

Auditor's remuneration in respect of statutory audit fees totalling £6,000 (2019: £23,000) has been met by FCC Recycling (UK) Limited, a fellow subsidiary undertaking of FCC.

#### **5. Directors' remuneration and transactions**

None of the Directors received any remuneration or benefits from the Company during the year ended 31 December 2020 or the previous financial period. 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 £617,000 for services to the UK Group as a whole in the year ended 31 December 2020 (2019: £639,000).

The Company had no employees during the current year or the previous financial period.

## FCC Lostock Holdings Limited

### Notes to the financial statements For the year ended 31 December 2020

#### 6. Finance income and costs

##### a) Finance income

	2020 £'000	2019 £'000
Interest receivable on joint venture loan	<u>1,964</u>	<u>782</u>

##### b) Finance costs

	2020 £'000	2019 £'000
Intercompany interest payable	3,307	1,217
Movement on allowance for expected credit losses	76	-
	<u>3,383</u>	<u>1,217</u>

##### c) Net finance costs

	2020 £'000	2019 £'000
Interest receivable and similar income	1,964	782
Interest payable and similar expenses	(3,383)	(1,217)
	<u>(1,419)</u>	<u>(435)</u>

#### 7. Tax on loss

The tax credit comprises:

	2020 £'000	344 day period ended 31 December 2019 £'000
<b>Current tax</b>		
United Kingdom corporation tax at 19% (2019: 19%) based on loss for the year/period	-	(83)
<b>Total current tax</b>	<u>-</u>	<u>(83)</u>
<b>Deferred tax</b>		
Origination and reversal of temporary differences	(255)	-
<b>Total deferred tax</b>	<u>(255)</u>	<u>-</u>
<b>Total tax credit</b>	<u>(255)</u>	<u>(83)</u>

## FCC Lostock Holdings Limited

### Notes to the financial statements For the year ended 31 December 2020

#### 7. Tax on loss (continued)

Finance Act 2016 had previously enacted provisions to reduce the main rate of UK corporation tax to 17% from 1 April 2020 and accordingly the deferred tax at 31 December 2019 had been calculated at this rate. However, in the March 2020 Budget it was announced that the reduction will not occur and the Corporation Tax Rate will be held at 19%. The Provisional Collection of Taxes Act was used to substantively enact the revised 19% tax rate on 17 March 2020 and accordingly the deferred tax balances have been re-calculated to 19% at the year end.

The March 2021 Budget announced a further increase to the main rate of corporation tax to 25% from April 2023. This rate has not been substantively enacted at the balance sheet date, as result deferred tax balances as at 31 December 20 continue to be measured at 19%.

The total tax credit for the current year and previous period differs from the average standard rate of 19% for the reasons set out in the following reconciliation:

	2020 £'000	2019 £'000
<b>Loss before tax</b>	<b>(1,419)</b>	<b>(435)</b>
Tax on loss at average standard rate	(270)	(83)
Effects of:		
Expenses not deductible for tax	15	-
<b>Total tax credit</b>	<b>(255)</b>	<b>(83)</b>

#### 8. Intangible assets

	Development premium £'000
<b>Cost and net book value</b>	
At 1 January 2020 and at 31 December 2020	<b>8,000</b>

On inception of the joint venture agreement with CIP, the Company agreed to pay a development premium of £8,000,000 to CIP for participation in the project.

## FCC Lostock Holdings Limited

### Notes to the financial statements For the year ended 31 December 2020

#### 9. Investment in joint venture

	£'000
<b>Cost and net book value</b>	
At 1 January 2020	8,589
Additions	13,336
	<hr/>
At 31 December 2020	<b>21,925</b>
	<hr/>

On 15 March 2019 the Company purchased 40% of the issued ordinary share capital of CI III Lostock EFW Limited, a company registered in England and Wales, for consideration of £800,000. Further ordinary share issues have taken place since, with the holding being maintained at 40%. The principal activity of CI III Lostock EFW Limited is the financing of its wholly-owned subsidiary undertakings Lostock Sustainable Energy Plant Limited and Lostock Power Limited, which will construct and operate an Energy from Waste ('EfW') facility near Northwich in Cheshire.

The address of the registered office of CI III Lostock EFW Limited is C/O CI Biomass Management Limited, Amp Technology Centre, Advanced Manufacturing Park, Brunel Way, Catcliffe, Rotherham, S80 5WG.

#### 10. Non-current financial assets

	2020 £'000	2019 £'000
Amounts owed by joint venture undertaking	51,055	20,087
Interest on loans to joint venture undertaking	2,896	782
Allowance for expected credit losses	(76)	-
	<hr/>	<hr/>
	<b>53,875</b>	<b>20,869</b>
	<hr/>	<hr/>

Amounts owed by joint venture undertaking comprises loans to Lostock Sustainable Energy Plant Limited bearing interest at 6.5% per annum and repayable on 30 November 2047.

#### 11. Trade and other receivables

	2020 £'000	2019 £'000
Amounts owed by fellow group undertakings	83	83
Prepayments	1	1
	<hr/>	<hr/>
	<b>84</b>	<b>84</b>
	<hr/>	<hr/>

The amounts owed by group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

## FCC Lostock Holdings Limited

### Notes to the financial statements For the year ended 31 December 2020

#### 12. Loans and borrowings

	2020 £'000	2019 £'000
<b>Non-current</b>		
Amounts owed to group undertakings	80,811	31,450
Amounts owed to joint venture partner	3,200	4,800
	<u>84,011</u>	<u>36,250</u>
<b>Current</b>		
Amounts owed to joint venture partner	1,600	1,600
	<u>85,611</u>	<u>37,850</u>
<b>Maturity profile</b>		
Due within one year	1,600	1,600
Between one and two years	1,600	1,600
Between two and five years	1,600	3,200
Due after more than five years	80,811	31,450
	<u>85,611</u>	<u>37,850</u>

The amounts owed to group undertakings of £80,811,000 are unsecured, bears interest at a rate of 6.4% and is repayable on 30 November 2047. The amounts owed to joint venture partner of £4,800,000 are unsecured, bears interest at a rate of 6.5% and is repayable in equal annual instalments until March 2023.

#### 13. Trade and other payables

	2020 £'000	2019 £'000
Amounts owed to group undertakings	<u>44</u>	<u>44</u>

The amounts owed to group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

**FCC Lostock Holdings Limited**

**Notes to the financial statements**  
**For the year ended 31 December 2020**

#### 14. Deferred taxation

	<b>Total</b>
	<b>£'000</b>
<b>Deferred taxation</b>	
Asset at 1 January 2020	-
Credit to profit and loss account	255
	<hr/>
Asset at 31 December 2020	255
	<hr/> <hr/>
	<b>2020                  2019</b>
	<b>£'000                £'000</b>
Deferred taxation comprises:	
Losses carried forward	255                  -

**15. Called-up share capital and reserves**

	2020	2019
	£	£'000
<b>Called up, allotted and fully paid</b>		
100 ordinary shares of £1 each	100	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 retained earnings account comprises cumulative profits or losses, including unrealised profits or losses recognised in the statement of comprehensive income, net of dividends.

## 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.

<b>Year ended 31 December 2020</b>	<b>Finance income £'000</b>
Lostock Sustainable Energy Plant Limited	<u>1,964</u>
<b>Year ended 31 December 2020</b>	<b>Loan receivables £'000</b>
Lostock Sustainable Energy Plant Limited	53,951

## **FCC Lostock Holdings Limited**

### **Notes to the financial statements For the year ended 31 December 2020**

#### **17. Controlling party**

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

The Directors regard Fomento de Construcciones y Contratas, S.A., a company registered in Spain, as the ultimate parent company. The ultimate controlling party is Inversora Carso S.A. de C.V., a company registered in Mexico.

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