

**Company Registration No. SC043286**

**WRG (Midlands) Limited**

**Annual report and financial statements  
for the year ended 31 December 2018**

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# **WRG (Midlands) Limited**

## **Annual report and financial statements 2018**

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

# **WRG (Midlands) Limited**

## **Annual report and financial statements 2018**

### **Officers and professional advisers**

#### **Directors**

P Taylor  
V F Orts-Llopis  
A Serrano Minchan

#### **Registered Office**

Greengairs Landfill  
Meikle Drumgray Road  
Greengairs  
Airdrie  
Lanarkshire  
ML6 7TD  
Scotland

#### **Auditor**

Deloitte LLP  
Statutory Auditor  
1 New Street Square  
London  
EC4A 3HQ  
United Kingdom

# **WRG (Midlands) Limited**

## **Strategic report**

The Directors present their strategic report on the affairs of WRG (Midlands) Limited (“the Company”) for the year ended 31 December 2018.

### **Overview of Group**

The Company is an indirect subsidiary of FCC Environment (UK) Limited (“FCC E UK”) and its ultimate parent is Fomento de Construcciones y Contratas, S.A. (“FCC”). FCC is a significant multi-national business listed on the Madrid stock exchange with operations in Europe, America, Africa and the Middle East. FCC’s principal activities cover Environmental Services (including water and waste management), Construction, Cement and Real Estate.

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 44 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 year ended 31 December 2018 was handling, recycling and disposal of waste materials.

The activities, strategies and risks affecting the Company are inextricably similar to, and dependent on, those of the Group, and consequently it is appropriate that the following narrative applies to the Group in its entirety.

The Group is a key player within the municipal waste management sector, with over 60 Local Authority clients across England, Wales and Scotland.

The Group provides a diverse range of cost effective and sustainable waste processing, recycling, treatment, disposal and energy recovery services for Local Authority and private commercial customers. During 2018, the Group received, treated, recycled and disposed of 8.7million (2017: 8.3million) tonnes of household, commercial and industrial waste and managed around 200 waste management facilities. Through innovative solutions, the Group is committed to working with its Local Authority partners and industrial and commercial customers to respond to often complex and far-reaching waste management strategies, to meet the challenges of increased regulation from the UK and EU, and to improve upon waste management targets.

The Company undertakes activities in the following division of FCC E UK:-

- Waste Processing – comprising landfill, hazardous waste treatment (including solid and liquid wastes) and clinical waste solutions.

# **WRG (Midlands) Limited**

## **Strategic report**

### **Business review**

The Directors consider that the Company's business performance was satisfactory in the year, despite results being adversely impacted by a review of the Company's landfill provisions (note 5).

### **Results, dividends and key performance indicators**

The results for the year ended 31 December 2018 are set out on page 11. The loss (2017: loss) for the financial year ended 31 December 2018 amounted to £1.1million (2017: £1.7million). The Company did not pay an interim dividend during the year (2017: £nil) and furthermore, the Directors do not recommend the payment of a final dividend (2017: £nil). The loss (2017: loss) for the financial year has been withdrawn from (2017: withdrawn from) reserves, resulting in a corresponding decrease (2017: decrease) in total equity.

For the year ended 31 December 2018, turnover from continuing activities decreased by 53.1% to £6.5million (2017: £13.7million). This reflects a decrease in trade waste volumes processed.

Operating loss in 2018 was £0.7million (2017: £1.1million loss). The operating result before exceptional items was a loss of £1.1million (2017: £0.9million loss). The adjusted result reflects the trends highlighted above together with the impact of landfill provision reviews and depreciation reported in note 5.

The Company's overall results have been impacted by the exceptional impairment of certain assets during the year amounting to £73,000 (2017: £134,000) and the reversal of previous impairments of tangible fixed assets of £496,000 (2017: £nil). The impairment loss relates to the earlier than expected closure of the Company's landfill assets which is a result of a significant and sustained decline in both the quantity and quality of active waste landfilled in the UK and the move towards recycling and recovery. Whilst the reversal of previous impairments is a result of changes in the estimates used to determine the recoverable amount of CGUs, based on future expected cash flows arising from changes to the future strategy and expectations of the business.

FCC E UK manages its operations on a divisional basis and information regarding key performance indicators is included within the FCC E UK annual report. For this reason, the Company's Directors believe that the disclosure of further financial and non-financial key performance indicators for the Company is not appropriate for an understanding of the development, performance or position of the business. Copies of the FCC E UK annual report can be obtained from the address in note 19.

### **Future developments**

The Directors consider that the waste industry has to constantly adapt to an ever-changing environment, due to the prevailing budgetary conditions of the municipal sector, the pace of changes needed to satisfy society's concerns on sustainability and the subsequent legislative initiatives impacting our industry.

Following recent developments on the Government's decision to leave the European Union ("Brexit") and in particular the Government's confirmation that it will adopt the EU Circular Economy Package and the publication of its Waste and Resource strategy, the Board believes that the Company should participate and contribute in the consultation of such strategy and welcomes the measurement of carbon impact as a target. In the meantime, the Board continues to focus the Group's strategy on leveraging value from its existing assets where possible and ensuring that it offers best value, quality services through sustainable waste management for both the municipal and commercial sectors whilst continuing to reduce costs.

The Group will also continue to pursue its stated strategy of owning the waste, maximising the value of resource and investment in alternative waste treatment infrastructure and energy recovery technology whilst promoting the reduction of our carbon footprint.

### **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:

# WRG (Midlands) Limited

## Strategic report

### Principal risks and uncertainties (continued)

- **Environmental risks:** The Group's environmental risks are tightly controlled under environmental legislation enforced principally by the Environment Agency ("EA"), Scottish Environment Protection Agency ("SEPA") and Natural Resources Wales ("NRW"). Compliance with all environmental legislation pertinent to the Group's activities is a minimum requirement. A dedicated in-house team prepare regular reports on environmental compliance at the Group's sites for the Board's review. Environmental objectives are reviewed annually and highlighted within the Group's Safety Health Environment and Quality (SHEQ) Policy Statement. In addition to this there are detailed environmental procedures to enable compliance with environmental legislation.
- **Health and safety:** Health and safety is a key issue for the Group due to the nature of its operations, including the use of heavy plant equipment and difficult working conditions. The Group is continually improving in this area as a result of ongoing consultation with the relevant authorities and the monitoring of best practice initiatives. Whenever an area is highlighted for improvement, the Group seeks to implement such improvement expeditiously: through bulletins, on-line training courses and tool-box briefings. The Group's Incident Review Panel meets quarterly, at which senior management review significant health and safety incidents that have occurred at Group sites to identify improvements and lessons for the business. All employees undertake a rigorous health and safety training programme, which is underpinned by the latest UK legislation, detailed policies and procedures. The Group's executive management receive regular, detailed reports on health and safety performance affecting the Group's operations and it employs a dedicated team, led by the Group Safety, Health, Environment and Quality Manager, to monitor and promote high standards. All employees are expected to recognise their role in achieving acceptable standards of health and safety and to exhibit such understanding through their approach and attitude to work.
- **Business continuity:** The Group, as part of its risk management programme, has developed business continuity planning for its operations. As part of this planning, the Group has developed a bespoke emergency plan for each operational facility (including the diversion of waste from single or multiple sites in the event of major disruption or disaster affecting a site or region). The Group's IT systems are outsourced to a specialist IT services company and are covered by an IT disaster recovery plan, to ensure business continuity.
- **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. 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. A no deal Brexit scenario could influence consumer confidence, which in turn could affect and lead to lower sales volumes. 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.

# WRG (Midlands) Limited

## Strategic report

### Principal risks and uncertainties (continued)

- **Employees:** The loss of key employees or the inability to hire experienced management personnel could have a materially adverse effect on the business. To manage this risk, succession planning for senior positions within the Group is undertaken. In addition, the Group has the benefit of being able to draw on wider resources from within the FCC Group.
- **Technology:** The Group relies on a variety of information technology platforms for the efficient delivery of its services and has therefore employed a structured IT support team, using internal and external resources. In addition, as there are a wide variety of technologies available to the waste management industry, there is a risk that the technologies employed by the Group might fail to deliver expected performance levels or end products for its customers and so the Group has made a significant investment into establishing a dedicated technical and development team. This team review and assess the available technologies before any are adopted to ensure they will meet the needs of the business and those of its customers.

### Financial risk management

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

### Credit and liquidity risk

The Company's exposure to credit and liquidity risk is reduced as it is a wholly owned subsidiary of FCC E UK and participates in a cash-pooling agreement with the other members of the Group.

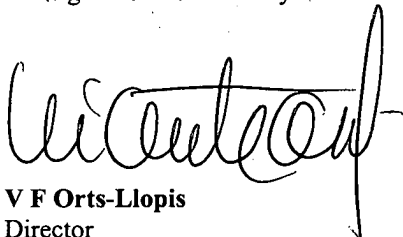
Credit risk arises from the risk of having credit exposures to customers, including outstanding receivables. The Company reviews the credit ratings of all significant customers regularly and continues to monitor the quality of debtor balances on an ongoing basis. Liquidity risk is the risk that the Company 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.

### 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 of Directors  
and signed on its behalf by:



V F Orts-Llopis  
Director

18th September 2019

# **WRG (Midlands) Limited**

## **Directors' report**

The Directors present their annual report and the audited financial statements of the Company for the year ended 31 December 2018. 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 2018 and up to the date of this report:

P Taylor  
V F Orts-Llopis  
A Serrano Minchan

### **Directors' indemnities**

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

### **Future developments**

The future developments of the Company are considered in detail in the Strategic report on page 2.

### **Employees**

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

FCC E UK continues to be committed to ensuring that its policies and practices reflect human resource best practice. The Group's policy of equal opportunity gives all employees the same chance to succeed, irrespective of age, race, nationality, ethnic origin, disability, membership of a trade union, sex or marital status.

The Directors recognise the importance of communication with employees and members of the executive management team regularly visit sites and discuss matters of current interest and concern to the business with staff. In 2018 we launched an Employee Survey portal whereby staff are invited to take part in a monthly engagement survey. This includes engagement driver questions and questions from the HSE's workplace stress toolkit so we can react quickly to see trends in employee attitudes and we can quickly see their views on matters. This provides us with comprehensive management information that individual managers can take ownership of and manage actions accordingly.

The Board is dedicated to maintaining the highest standards of honesty, openness and accountability and recognise that employees have an important part to play in achieving this goal. All employees are encouraged to report any concerns they may have over wrongdoing at work via an independent confidential reporting (whistleblowing) service that employees can access should they feel uncomfortable in approaching management.

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

# WRG (Midlands) 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.

### Auditor

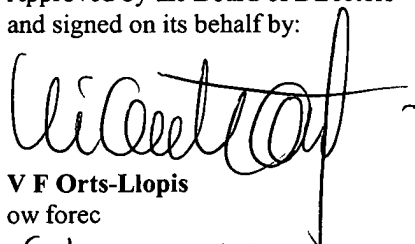
Each of the persons who is a director at the date of approval of this report confirms that:

- 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 of Directors  
and signed on its behalf by:



V F Orts-Llopis  
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18th September 2019

# **WRG (Midlands) Limited**

## **Independent auditor's report to the members of WRG (Midlands) Limited**

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

#### **Opinion**

In our opinion the financial statements of WRG (Midlands) Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 December 2018 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 and expense;
- the balance sheet;
- the statement of changes in equity;
- the related notes 1 to 19.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, 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 ('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.

# **WRG (Midlands) Limited**

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

### **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.

## **WRG (Midlands) Limited**

### **Independent auditor's report to the members of WRG (Midlands) Limited**

#### **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.



Makhan Chahal ACA (Senior statutory auditor)

For and on behalf of Deloitte LLP

Statutory Auditor

London, United Kingdom

20th September 2019

# WRG (Midlands) Limited

## Statement of comprehensive income and expense Year ended 31 December 2018

	Notes	2018 £'000	2017 £'000
Turnover	4	6,453	13,749
Cost of sales		(6,923)	(14,579)
<b>Gross loss</b>		<b>(470)</b>	<b>(830)</b>
Administrative expenses		(217)	(223)
<b>Operating loss</b>		<b>(687)</b>	<b>(1,053)</b>
<b>Analysed as:</b>			
<b>Operating loss before exceptional items</b>		<b>(1,110)</b>	<b>(919)</b>
Exceptional items – impairment of tangible fixed assets (included in Cost of sales)	10	(73)	(134)
Exceptional items – impairment reversal of tangible fixed assets (included in Cost of sales)	10	496	-
<b>Operating loss</b>		<b>(687)</b>	<b>(1,053)</b>
Interest payable and similar charges	8	(410)	(675)
<b>Loss before taxation</b>	5	<b>(1,097)</b>	<b>(1,728)</b>
Tax on loss	9	-	-
<b>Loss for the financial year</b>		<b>(1,097)</b>	<b>(1,728)</b>
Other comprehensive result for the year, net of tax		-	-
<b>Total comprehensive expense for the year</b>		<b>(1,097)</b>	<b>(1,728)</b>

All results in the year ended 31 December 2018 relate to continuing operations.

The notes on pages 14 to 26 are an integral part of these financial statements.

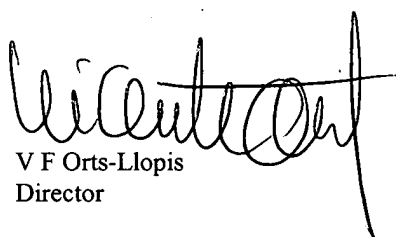
# WRG (Midlands) Limited

## Balance sheet at 31 December 2018

	Note	2018 £'000	2017 £'000
<b>Fixed assets</b>			
Tangible assets	10	553	8
<b>Current assets</b>			
Debtors: amounts due within one year	11	4,402	6,049
Debtors: amounts due after more than one year	11	369	579
		4,771	6,628
<b>Creditors: amounts falling due within one year</b>	12	(527)	(777)
<b>Net current assets</b>		4,244	5,851
<b>Total assets less current liabilities</b>		4,797	5,859
Provisions for liabilities	13	(12,491)	(12,456)
<b>Net liabilities</b>		(7,694)	(6,597)
<b>Capital and reserves</b>			
Called-up share capital	14	100	100
Capital contribution reserve		1,027	1,027
Revaluation reserve		-	-
Profit and loss account		(8,821)	(7,724)
<b>Total shareholder's deficit</b>		(7,694)	(6,597)

The notes on pages 14 to 26 are an integral part of these financial statements.

The financial statements of WRG (Midlands) Limited, registered number SC043286 were approved by the Board of Directors and authorised for issue on 18th September 2019. They were signed on its behalf by:

  
V F Orts-Llopis  
Director

## WRG (Midlands) Limited

### Statement of changes in equity Year ended 31 December 2018

	<b>Called-up share capital £'000</b>	<b>Capital contribution reserve £'000</b>	<b>Revaluation reserve £'000</b>	<b>Profit and loss account £'000</b>	<b>Total £'000</b>
<b>Year ended 31 December 2018</b>					
At 1 January 2018	100	1,027	-	(7,724)	(6,597)
Loss for the year and total comprehensive expense	-	-	-	(1,097)	(1,097)
Capital contribution	-	-	-	-	-
<b>At 31 December 2018</b>	<b>100</b>	<b>1,027</b>	<b>-</b>	<b>(8,821)</b>	<b>(7,694)</b>
<b>Year ended 31 December 2017</b>					
At 1 January 2017	100	-	-	(5,996)	(5,896)
Loss for the year and total comprehensive expense	-	-	-	(1,728)	(1,728)
Capital contribution	-	1,027	-	-	1,027
<b>At 31 December 2017</b>	<b>100</b>	<b>1,027</b>	<b>-</b>	<b>(7,724)</b>	<b>(6,597)</b>

# WRG (Midlands) Limited

## Notes to the financial statements For the year ended 31 December 2018

### 1. Corporate information

WRG (Midlands) 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 to the preceding year.

#### General information and basis of accounting

The financial statements have been prepared under the historical cost convention, modified by the revaluation of freehold and leasehold properties, 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 WRG (Midlands) 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 E UK group financial statements, copies of which are available from its registered office at Ground Floor West, 900 Pavilion Drive, Northampton Business Park, Northampton, NN4 7RG.

# WRG (Midlands) Limited

## Notes to the financial statements For the year ended 31 December 2018

### 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 2018 are listed below. The new amendments had no significant impact on the Company's results other than IFRS 9 for which a detailed explanation is provided:

- IFRS 9 'Financial Instruments' (mandatory for the year commencing on or after 1 January 2018)
- IFRS 15 'Revenue from Contracts with Customers' (mandatory for the year commencing on or after 1 January 2018)
- IFRS 2 (amendments) 'Classification and Measurement of Share-based Payment Transactions' (mandatory for the year commencing on or after 1 January 2018)
- IFRS 4 (amendments) 'Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts' (mandatory for the year commencing on or after 1 January 2018) IAS 12 (amendments) 'Recognition of Deferred Tax Assets for Unrealised Losses'

#### **Impact of the adoption of IFRS 9**

IFRS 9 'Financial Instruments' is mandatory for accounting periods beginning on or after 1 January 2018. Due to the transition methods chosen by the Company in applying this standard, comparative information throughout these financial statements has not been restated to reflect the requirements of the new standard.

IFRS 9 sets out the requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement.

#### *Impairment - Financial Assets*

IFRS 9 replaces the 'incurred loss' model in IAS 39 with a forward looking 'expected credit loss' (ECL) model. This will require judgement about how changes in economic factors affect ECLs, which will be determined on a probability-weighted basis. Under the IFRS 9 ECL model it is not necessary for a credit event to have occurred before credit losses are recognised.

The new impairment model will apply to financial assets measured at amortised cost or FVOCI, except for investments in equity instruments, and to contract assets. The Company has applied the simplified approach to assess lifetime expected credit losses for its trade receivables and contract assets as required or permitted by IFRS 9. We have assessed the impact the new requirements will have on the Company's accounting for intercompany balances by considering the ECL probability on the Company's intercompany receivables and no provision was considered necessary.

#### *Transition*

The Company has adopted the standard using the modified retrospective approach. There were no transitional adjustments for the Company on initial application.

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

The following adopted IFRSs (by the European Union) have been issued but have not been applied in these financial statements. At the date of the financial statements, the company has not applied the following new and revised IFRSs that have been issued but not yet effective:

- IFRS 16 Leases
- IFRS 17 Insurance Contracts
- Amendments to IFRS 9 Prepayment Features with Negative Compensation
- Amendments to IAS 28 Long term Interests in Associates and Joint Ventures
- Annual Improvements to IFRS Standards 2015–2017 Cycle

# WRG (Midlands) Limited

## Notes to the financial statements For the year ended 31 December 2018

### 2. Accounting policies (continued)

#### New international accounting standards and interpretations not yet adopted (continued)

- Amendments to IFRS 3 Business Combinations, IFRS 11 Joint Arrangements, IAS 12 Income Taxes and IAS 23 Borrowing Costs
- Amendments to IAS 19 Employee Benefits Plan Amendment, Curtailment or Settlement
- IFRS 10 Consolidated Financial Statements and IAS 28 (amendments) Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
- IFRIC 23 Uncertainty over Income Tax Treatments

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

The company has net current assets of £4.2m and net liabilities of £7.7m. Notwithstanding the net liabilities position, the Directors, having assessed the responses of their enquiries to the indirect parent company, FCC E UK, have reviewed projected cash flows and carefully considered the risks to the Company's trading performance and cash flows, and continue to adopt the going concern basis in preparing the Annual report and financial statements.

#### Tangible fixed assets

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment. Depreciation is provided on all tangible fixed assets, other than freehold land, at rates calculated to write off the cost, less estimated residual value, of each asset on a straight-line basis over its expected useful life, as follows:

Freehold buildings	-	over 25 to 50 years
Freehold landfill sites	-	based on the void used in the period as a proportion of total void
Plant and equipment	-	over 3 to 10 years

Residual value represents the estimated amount which would currently be obtained from disposal of an asset, after deducting estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life.

Expenditure on freehold landfill sites and licence agreements includes engineering costs. Elements of these costs are classified according to their expected economic life and depreciated accordingly in proportion to the rate that waste is deposited. All other assets are depreciated on a straight-line basis.

#### 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.

#### Non-financial assets

An asset is impaired where there is objective evidence that, as a result of one or more events that occurred after initial recognition, the estimated recoverable value of the asset has been reduced. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use.

The recoverable amount of goodwill is derived from measurement of the present value of the future cash flows of the cash-generating unit ("CGU") of which the goodwill is a part. Any impairment loss in respect of a CGU is allocated first to the goodwill attached to that CGU, and then to other assets within that CGU on a pro-rata basis.

# WRG (Midlands) Limited

## Notes to the financial statements For the year ended 31 December 2018

### 2. Accounting policies (continued)

#### Impairment of assets (continued)

Where indicators exist for a decrease in impairment loss, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired 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. Where a reversal of impairment occurs in respect of a CGU, the reversal is applied first to the assets (other than goodwill) of the CGU on a pro-rata basis and then to any goodwill allocated to that CGU.

#### *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.

#### Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Company expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of comprehensive income and expense net of any reimbursement. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

#### Decommissioning and aftercare costs

Full provision is made for the net present value ("NPV") of the Company's projected costs, in respect of decommissioning liabilities at the Company's landfill sites, which have been capitalised in tangible fixed assets. The Company provides for all projected aftercare costs over the life of its landfill sites, based on the volumes of waste deposited in the year, since liabilities in relation to these costs arise as waste is deposited.

All long term provisions for decommissioning and aftercare costs are calculated based on the NPV of estimated future costs. Current cost estimates are inflated at 2.0% and discounted at 4.2% to calculate the NPV.

# **WRG (Midlands) Limited**

## **Notes to the financial statements For the year ended 31 December 2018**

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

#### **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 year comprises current and deferred tax.

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

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

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

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

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

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

#### **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.

# **WRG (Midlands) Limited**

## **Notes to the financial statements For the year ended 31 December 2018**

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

#### **Employee benefits**

The Company operates a defined contribution scheme on behalf of its eligible employees. Contributions to the scheme are charged to the statement of comprehensive income and expense for the year in which they are payable. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

#### **Operating leases**

Rentals under operating leases are charged on a straight-line basis over the lease term, except where another more systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

#### **Exceptional items**

Exceptional items are defined as material items which derive from events or transactions that fall within the ordinary activities of the company and which individually or, if of a similar type, in aggregate, need to be disclosed by virtue of their size or incidence if the financial statements are to give a true and fair view.

### **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.

**Provisions** – Under environmental legislation and through regulation and planning consents, the Company is obliged to decommission and restore landfill sites to a prescribed standard. The elements included in the decommissioning provision are those projected costs which will be required to close down any given site in compliance with its environmental permit, planning conditions, and contractual and lease requirements. The provision is limited to costs incurred in the immediate closure and decommissioning period.

As well as decommissioning a site, the Company is obliged under its environmental permits and planning permission to manage a site for a period of up to 60 years or until it becomes inactive. As a result, in addition to provisions for decommissioning, the Company also establishes provisions for aftercare. Elements included in the provision are those projected costs which are required to ensure that a landfill site is properly managed in compliance with its environmental permit, planning conditions and lease terms during its closed phase.

In addition to the decommissioning and aftercare provisions, the Company makes provision for other costs relating to regulatory and environmental compliance to be incurred on items such as capping and leachate disposal.

# WRG (Midlands) Limited

## Notes to the financial statements For the year ended 31 December 2018

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

These provisions are based principally on measurement and survey data and some engineering estimates, including cost assumptions. Estimating provisions over long time periods requires a number of assumptions and judgements to be made. Significant reductions in the estimates of the remaining site lives of the landfill sites or significant increases in estimates of decommissioning costs or aftercare costs due to changes in regulatory requirements or estimates could have a substantial impact on the value of the provisions.

An annual inflation rate of 2.0% has been assumed over the period of cost relating to the provisions and the provisions have been discounted at 4.2%. See note 13 for further disclosures relating to the provisions.

### 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

Loss before taxation is stated after charging/(crediting):

	2018 £'000	2017 £'000
Increase in environmental provisions on revision of estimate of future costs (included within provisions charge)	424	1,945
Impairment of tangible fixed assets	73	134
Impairment reversal of tangible fixed assets	(496)	-
Depreciation of tangible fixed assets – owned	90	353
Operating lease rentals	45	31

Auditor's remuneration in respect of audit fees totalling £5,000 (2017: £5,000) has been met by FCC Recycling (UK) Limited, a fellow subsidiary undertaking of FCC E UK.

In accordance with SI 2008/489 the Company has not disclosed the fees payable to the Company's auditor for 'Other services' as this information is included in the consolidated financial statements of FCC E UK.

### 6. Staff costs

The average monthly number of employees (including executive directors) employed by the Company during the year was:

	2018 Number	2017 Number
Operational	7	10

# WRG (Midlands) Limited

## Notes to the financial statements For the year ended 31 December 2018

### 6. Staff costs (continued)

Their aggregate remuneration comprised:

	2018 £'000	2017 £'000
Wages and salaries	170	179
Social security costs	20	22
Other pension costs (see note 16)	9	12
	<u>199</u>	<u>213</u>

### 7. Directors' remuneration and transactions

None of the Directors received any remuneration or other benefits through the Company during the year ended 31 December 2018 or the previous financial year.

They are all remunerated as directors or employees of FCC E UK for services to the Group as a whole and as such it is not possible to directly attribute any element of their remuneration to services as a director of this Company. The Directors received total remuneration of £647,000 for services to the Group as a whole in the year ended 31 December 2018 (2017: £637,000). Certain Directors were remunerated by fellow subsidiary companies of FCC without recharge to the Group.

### 8. Interest payable and similar charges

	2018 £'000	2017 £'000
Unwinding of discount (note 13)	410	675

### 9. Tax on loss

The tax position comprises:

	2018 £'000	2017 £'000
<b>Current tax</b>		
United Kingdom corporation tax at 19% (2017: 19.25%) based on loss for the year	-	-
<b>Total current tax</b>	-	-
<b>Deferred tax</b>		
Origination and reversal of timing differences	-	-
<b>Total deferred tax (see note 13)</b>	-	-
<b>Tax on loss</b>	-	-

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.

# WRG (Midlands) Limited

## Notes to the financial statements For the year ended 31 December 2018

### 9. Tax on loss (continued)

The total tax position for both the current and previous year differs from the average standard rate of 19% (2017: 19.25%) for the reasons set out in the following reconciliation:

	2018 £'000	2017 £'000
<b>Loss before tax</b>	<b>(1,097)</b>	<b>(1,728)</b>
<b>Tax on loss at average standard rate</b>	<b>(208)</b>	<b>(333)</b>
Effects of:		
Non-taxable income	(354)	(56)
Group relief surrendered	562	389
<b>Total tax position</b>	<b>-</b>	<b>-</b>

### 10. Tangible fixed assets

	Landfill sites £'000	Other freehold properties £'000	Plant and equipment £'000	Total £'000
<b>Cost</b>				
At 1 January 2018	28,295	614	2,172	31,081
Additions	89	123	-	212
Disposals	-	(19)	(736)	(755)
<b>At 31 December 2018</b>	<b>28,384</b>	<b>718</b>	<b>1,436</b>	<b>30,538</b>
<b>Depreciation</b>				
At 1 January 2018	28,287	614	2,172	31,073
Charge for the year	24	66	-	90
Impairment losses	73	-	-	73
Reversal of previous impairments	(496)	-	-	(496)
Disposals	-	(19)	(736)	(755)
<b>At 31 December 2018</b>	<b>27,888</b>	<b>661</b>	<b>1,436</b>	<b>29,985</b>
<b>Net book value</b>				
At 31 December 2018	<b>496</b>	<b>57</b>	<b>-</b>	<b>553</b>
At 31 December 2017	<b>8</b>	<b>-</b>	<b>-</b>	<b>8</b>

# WRG (Midlands) Limited

## Notes to the financial statements For the year ended 31 December 2018

### 10. Tangible fixed assets (continued)

The CGUs of the Company comprise individual sites which constitute the smallest identifiable group of assets that generate inflows that are largely independent of the cash inflows from other assets or groups of assets. The carrying value of the individual sites is compared to the recoverable amount of the CGUs, which is based predominantly on value in use. The cash flow forecasts have been projected on a life of site basis applying growth rates based on assumptions which include market size and volumes, recycle prices, gate fees and the future level of landfill tax. For certain CGUs the recoverable amount is determined by reference to the fair value less costs to sell of the underlying assets using internal and external valuations of property, plant and equipment and management's estimate of disposal costs.

Management estimate discount rates that reflect current market assessments of the time value of money and the risk specific to the CGUs of 5.9% (2017: 6.0%). The growth rates are based on industry growth forecasts and longer term, on gross domestic product.

An impairment loss of £73,000 (2017: £134,000) has been recognised in the year on assets primarily in the landfill sites category. This reflects the earlier than expected closure of the Group's landfill assets which is a result of a significant and sustained decline in the quantity and quality of active waste landfilled in the UK and the move towards recycling and recovery. This has been measured by reference to the value in use of the underlying assets.

As part of the impairment review process, previous impairments totalling £496,000 (2017: £nil) were reversed. This was a result of changes in the estimates used to determine the recoverable amount of CGUs, based on future expected cash flows arising from changes to the future strategy and expectations of the business.

### 11. Debtors

	2018 £'000	2017 £'000
<i>Amounts falling due within one year:</i>		
Trade debtors	157	132
Amounts owed by fellow subsidiary undertakings	4,245	5,917
	<u>4,402</u>	<u>6,049</u>
<i>Amounts falling due after more than one year:</i>		
Amounts prepaid to fellow subsidiary undertaking	369	579
	<u>369</u>	<u>579</u>
	<u>4,771</u>	<u>6,628</u>

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

# WRG (Midlands) Limited

## Notes to the financial statements For the year ended 31 December 2018

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

	2018 £'000	2017 £'000
Trade creditors	39	44
Amounts owed to fellow subsidiary undertakings	-	74
Accruals	455	626
Other creditors	33	33
	<u>527</u>	<u>777</u>

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

### 13. Provisions for liabilities

	Other provisions £'000	Decomm- issioning £'000	Landfill aftercare £'000	Total £'000
At 1 January 2018	4,480	717	7,259	12,456
Charged to the statement of comprehensive income and expense	931	-	623	1,554
New provisions capitalised in tangible fixed assets	55	(153)	-	(98)
Unwinding of discount (note 8)	7	32	371	410
Expended in year	(1,587)	(101)	(143)	(1,831)
<b>At 31 December 2018</b>	<u><b>3,886</b></u>	<u><b>495</b></u>	<u><b>8,110</b></u>	<u><b>12,491</b></u>

#### Decommissioning and landfill aftercare

The Group provides for the estimated cost of decommissioning its landfill sites at the end of their operational life and for their subsequent aftercare. The aftercare period is generally expected to be 60 years and expenditure will be incurred throughout this 60 year period. These provisions are discounted at a rate of 4.2% (2017: 4.2%) from the date on which the expenditure is expected to occur. These provisions by their nature require a significant degree of estimation and hence there is a degree of uncertainty with regards to the timing and amount of outflows of economic benefit.

#### Other provisions

Other provisions include the estimated cost of discharging environmental liabilities, including current capping of open landfill areas and the disposal of leachate, which arise during the operational phase of its landfill sites. Capping expenditure occurs as landfill cells are completed, whilst expenditure on the disposal of leachate occurs throughout the lifecycle of a landfill site.

# WRG (Midlands) Limited

## Notes to the financial statements For the year ended 31 December 2018

### 13. Provisions for liabilities (continued)

#### Deferred tax

Deferred tax is provided as follows:

	Provided		Unprovided	
	2018	2017	2018	2017
	£'000	£'000	£'000	£'000
<b>Company</b>				
Capital allowances less than depreciation	-	-	-	(423)
Short term timing differences	-	-	(615)	(744)
Unrelieved losses	-	-	(76)	(76)
	<u>-</u>	<u>-</u>	<u>(691)</u>	<u>(1,243)</u>

The Company has unprovided deferred tax assets as there is insufficient certainty as to whether events will materialise to crystallise the deferred tax.

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

	2018	2017
	£'000	£'000
<b>Allotted, called-up and fully-paid</b>		
100,000 Ordinary shares of £1 each	<u>100</u>	<u>100</u>

#### Capital contribution reserve

The capital contribution reserve comprises capital amounts introduced by the Company's shareholders in return for neither debt nor share capital.

#### Revaluation Reserve

The revaluation reserve comprises the surplus created when assets are revalued.

#### Profit and loss account

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.

### 15. Operating lease commitments

Total future minimum lease payments under non-cancellable operating leases are as follows:

	2018	2017
	£'000	£'000
Not later than one year	9	12
Later than one year and not later than five years	3	26
	<u>12</u>	<u>38</u>

# **WRG (Midlands) Limited**

## **Notes to the financial statements For the year ended 31 December 2018**

### **16. Retirement benefit schemes**

The Company participates in the defined contribution scheme operated by FCC E UK on behalf of its eligible employees. The assets of the scheme are held separately from those of the Company in independently administered funds.

The total expense charged to profit or loss in the year ended 31 December 2018 was £9,000 (2017: £12,000). There were no outstanding or prepaid contributions at either the beginning or end of the financial year.

### **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) On 22 January 2014, the Company was a party to the refinancing of Azincourt Investment S.L. ("Azincourt") and its subsidiary companies. Azincourt was the company used by Fomento de Construcciones y Contratas, S.A. for the acquisition of the Group and its subsidiary undertakings including the Company. Under the re-financing, the Group has granted legal mortgages (or the relevant Scottish equivalent) over specified real property, fixed charges over certain assets, fixed charges or share pledges over investments in addition to assigning certain of its insurance policies and interests in hedging arrangements. The Group has granted floating charges over all present and future undertakings not already charged pursuant to any of the above. Additionally, the Group has granted fixed and floating charges over certain assets as security under an Asset Backed Lending Facility.

### **18. Related party transactions**

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

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

### **19. Controlling party**

The immediate parent of the Company is Waste Recycling Group (UK) Limited, a company registered in England and Wales.

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

Fomento de Construcciones y Contratas, S.A. is the parent company of the largest group of which the Company is a member and for which group financial statements are drawn up. FCC Environment (UK) Limited is the parent company of the 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 Environment (UK) 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.